SEQUESTRATION

Comprehensive and Updated Cost Savings Would Better Inform DOD Decision Makers If Future Civilian Furloughs Occur
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**Why GAO Did This Study**

In March 2013, DOD’s discretionary budget was reduced by $37 billion as a result of sequestration—across-the-board spending reductions to enforce certain budget policy goals. In response, the Secretary of Defense implemented an administrative furlough, among other things by placing most of DOD’s civilian personnel in a temporary nonduty, nonpay status. An administrative furlough is a planned event by an agency to absorb reductions due to budget situations other than a lapse in appropriations.

GAO was mandated to review DOD’s implementation of its administrative furlough. This report (1) examined how DOD implemented its furloughs and any reported cost savings, (2) examined the extent to which DOD utilized up-to-date cost-savings information in the planning and implementation of furloughs, and (3) identified any reported examples of impacts that resulted from the furloughs. GAO reviewed DOD furlough guidance, interviewed officials, and conducted visits at selected sites that were selected to represent different categories of furlough exceptions and potential sequestration impacts, among other things.

**What GAO Found**

In January 2013, the Department of Defense (DOD) instructed components to plan for the possibility of up to a 22-day administrative furlough of civilian personnel. On May 14, 2013, the Secretary of Defense issued a memorandum directing up to an 11-day furlough of most of DOD’s civilians, and on August 6, 2013, reduced the number of furlough days to 6, resulting in a cost savings of about $1 billion from civilian pay, excluding implementation costs. DOD officials stated the decision to reduce the number of furlough days was due to DOD gaining greater flexibility from fund transfers and reprogrammings that occurred towards the end of the fiscal year. DOD identified categories of furlough exceptions for personnel including those assigned to a combat zone and those necessary to protect safety of life and property. Clarifying guidance was issued to help ensure that borrowed military personnel were not used to compensate for work resulting from the furlough, and to prohibit contracted support from being assigned or permitted to perform additional work or duties to compensate for workload or productivity loss resulting from the furlough. Ultimately, DOD furloughed 624,404 civilians and excepted 142,602 civilians for 6 days.

DOD developed its initial estimated cost savings for the furlough without excluding pay for those excepted from the furlough and did not update its estimate throughout the furlough period as more information became available, such as real-time cost savings and when subsequent decisions were made to reduce the number of furlough days. The initial estimated cost savings were calculated at $300 per person per furlough day, totaling about $2.1 billion for 11 furlough days. When DOD reduced the furlough from 11 to 6 days, the estimated cost savings were reduced by about $900 million. However, the estimated savings per person per day was not updated to reflect actual payroll reductions, in part because, according to DOD officials, there was only 1 week’s worth of payroll data available at the time the decision was made. While officials stated that the estimated savings per person per day was not updated because they thought it was sufficient for their purposes and that the decision to reduce the number of furlough days was primarily based on funding received from transfers and reprogramming actions, the determination of exceptions was made 3 months earlier. If this initial estimate had been updated it may have provided more-comprehensive information for DOD officials to consider regarding the length of the furlough and DOD’s cost-savings estimate. As DOD continues to face budgetary uncertainty, and in the event of a future furlough, having comprehensive and updated cost information may help better inform decision makers.

Officials at selected sites GAO visited noted a number of actions taken to prepare for the furlough and described impacts of the furlough, such as decline in morale, mission delays, and inconsistencies and clarification issues with the furlough guidance. However, attributing these impacts directly to the furlough is difficult given other factors, such as a civilian hiring freeze and pay freeze that may also have contributed to declining morale. For example, satisfaction with the organization had declined from 63 percent in 2010 to 55 percent in 2013. Furthermore, a longer term impact may result from DOD civilians filing over 32,000 appeals related to the administrative furlough in 2013, most of which have not yet been resolved.

**What GAO Recommends**

GAO recommends that DOD update and utilize its furlough cost-savings information as it becomes available in the event that it decides to implement another administrative furlough in the future. DOD partially concurred. GAO continues to believe the findings and recommendation are valid, as discussed in the report.

View [GAO-14-529](https://www.gao.gov/products/GAO-14-529). For more information, contact Brenda S. Farrell at (202) 512-3604 or farrellb@gao.gov.
Table 2: Actions Related to DOD’s Sequestration and Administrative Furlough Implementation in Fiscal Year 2013

Figures

Figure 1: Appeals Process and Status of DOD Civilian Appeals to the Merit Systems Protection Board

Figure 2: Army Medical Command Attrition Rates from Fiscal Year 2009 to Fiscal Year 2013

Figure 3: DOD Component Attrition Rate from Fiscal Year 2009 to Fiscal Year 2013

Abbreviations

DOD Department of Defense
EHRI Enterprise Human Resources Integration
FMR Financial Management Regulation
OPM Office of Personnel and Management

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June 17, 2014

Congressional Committees

The Department of Defense (DOD) is one of the largest and most complex organizations in the federal government, with a total workforce consisting of civilians, military personnel, and contracted support. DOD’s civilian personnel are critical to achieving the department’s missions by performing a wide variety of duties including, among other things, providing care for active-duty personnel and their dependents and wounded servicemembers, gathering intelligence, managing financial accounting systems, and providing mission-essential combat-support functions that traditionally have been performed by military personnel, such as logistics support and maintenance.

Through most of fiscal year 2013, federal agencies faced uncertainty about funding levels associated with the automatic, across-the-board cancellation of budgetary resources, known as sequestration. In March 2013, the President ordered the sequestration of budgetary resources, which resulted in approximately $80.5 billion in reductions across federal government accounts. DOD’s discretionary budget was ultimately reduced by $37 billion. As part of its effort to reduce its budget in the last 7 months of fiscal year 2013, the Secretary of Defense decided to implement an administrative furlough (throughout the remainder of the report we use the term furlough to refer to administrative furlough, unless otherwise noted) by placing most of its civilian personnel in a temporary nonduty, nonpay status. The other two major components of the total workforce, military personnel and contracted support, were not subject to the furlough. Specifically, DOD’s military personnel accounts were exempted from sequestration, and for that reason military personnel were

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1Military personnel include active, reserve, and guard forces.

2Sequestration—the process of presidentially directed, largely across-the-board spending reductions under which budget authority is reduced to enforce certain budget policy goals—was a result of the Budget Control Act of 2011 (Pub. L. No. 112-25 (2011), as amended). The Budget Control Act of 2011, as implemented by the Office of Management and Budget, required spending cuts of $37 billion from DOD’s budget in fiscal year 2013 through across-the-board, proportional reductions in funding provided in the appropriations acts for most defense accounts, including accounts related to DOD’s civilian workforce and contracted services.
not included in the scope of the furlough. In addition, while DOD continued to use contracted support under existing contracts, and those employees were not subject to the furlough, according to DOD officials DOD took actions, such as adjustments to the scope of contracts or delays in letting new contracts, as part of its efforts to achieve sequestration reductions.

Recently, we reported on DOD’s approach to sequestration and, as a part of that review, we provided a brief overview of DOD’s implementation of the furlough of its civilian personnel. Specifically, we reported that DOD spending reductions under sequestration affected DOD’s civilian workforce and many programs and functions, which required DOD to accept some risk in maintaining the readiness of military forces.

We conducted this review in response to House Report 113-102 of the House Armed Services Committee, accompanying the bill for the National Defense Authorization Act for Fiscal Year 2014, which mandated that we assess how DOD planned for, implemented, and monitored furloughs of its civilian workforce to include what challenges the department faced in its implementation and cost savings realized. This report (1) examines how DOD implemented its civilian workforce furloughs and any reported cost savings, (2) examines the extent to which DOD utilized up-to-date cost-savings information in the planning and implementation of civilian workforce furloughs, and (3) identifies any reported examples of impacts that resulted from the DOD civilian workforce furloughs.

To address how DOD implemented its civilian workforce furlough, we obtained and analyzed information and interviewed knowledgeable officials from the Under Secretary of Defense (Comptroller) (hereafter referred to as Office of the Comptroller), the Under Secretary of Defense for Personnel and Readiness, and the Departments of the Army, Navy, and Air Force. We obtained and analyzed guidance and policy documents outlining the furlough decisions. To understand how the civilian workforce furlough was implemented at a local level, we conducted site visits of a selected shipyard, medical facility providing 24-hour support, and air

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operations center. Specifically, we visited Norfolk Naval Shipyard, Brooke Army Medical Center at Fort Sam Houston, and Air Mobility Command at Scott Air Force Base. These sites were selected on the basis of DOD’s memo outlining categories of personnel for exceptions to the furlough, DOD statements about potential sequestration impacts, and mission-critical occupations as outlined in DOD’s Strategic Workforce Plan. Information from these site visits is not generalizable, but provides examples of how the furlough was implemented at these locations. To examine any reported cost savings that resulted from the DOD civilian workforce furloughs, we obtained and analyzed information and interviewed officials from the Office of the Comptroller regarding DOD’s calculations of the actual cost savings as a result of the administrative civilian workforce furlough. We assessed DOD’s methods for calculating actual cost savings for the furlough; however, we did not independently verify these calculations. The cost savings were calculated from the civilian pay from those who were furloughed and did not account for other costs from implementing the furlough, such as administrative costs.

To determine the extent to which DOD utilized up-to-date cost-savings information in the planning and implementation of civilian workforce furloughs, we obtained and analyzed information and interviewed officials from the Office of the Comptroller regarding how the department calculated the estimated cost savings for the furlough of civilian personnel in fiscal year 2013. We examined DOD’s methods for calculating estimated cost savings for the furlough; however, we did not independently verify the accuracy of these calculations.

To identify any reported examples of impacts that resulted from the DOD civilian workforce furloughs, we obtained and analyzed information and interviewed knowledgeable officials at the three selected sites—Norfolk Naval Shipyard, Brooke Army Medical Center at Fort Sam Houston, and Air Mobility Command at Scott Air Force Base. Further, we interviewed officials and obtained information from the Merit Systems Protection Board providing the status of appeals filed by DOD civilians regarding the furlough in fiscal year 2013.

We conducted this performance audit from July 2013 to June 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and
conclusions based on our audit objectives. For further details, please see appendix I.

Background

The Office of Personnel Management (OPM) has identified two different kinds of furloughs—an administrative furlough, which is a planned event by an agency designed to absorb reductions necessitated by downsizing, reduced funding, lack of work, or other budget situation other than a lapse in appropriations, and a shutdown furlough, which results from a lapse in appropriations.\(^4\) DOD had not implemented a department-wide administrative furlough prior to 2013, according to officials within the Office of the Under Secretary of Defense for Personnel and Readiness; however, DOD has implemented shutdown furloughs—once in 1995 and again in 2013. Since 1980, DOD has conducted furloughs based on gaps in appropriation during November 14–17, 1995, and during October 1–17, 2013.\(^5\)

DOD’s total workforce has grown since the events of September 2001. The civilian workforce has grown from about 687,000 full-time equivalents in fiscal year 2001 to about 782,000 full-time equivalents projected in fiscal year 2015.\(^6\) DOD’s active and reserve military workforce grew between fiscal year 2001 and fiscal year 2011 from about 2.25 million to about 2.27 million, with a budgeted request for a military workforce of about 2.13 million for fiscal year 2015. Further, DOD has increasingly relied on contracted support both overseas and in the United States to perform many of the same functions as civilian employees, including management support, communication services, and intelligence. DOD’s total obligations for contracted services grew from about $96 billion in

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\(^5\)A total of 399,539 DOD employees were furloughed beginning October 1, 2013, and 391,318 were recalled on October 7, 2013. DOD was able to recall staff from furlough based on its interpretation of the provisions of the Pay Our Military Act that provided appropriations, among other things, for civilian personnel and contracted support who provided support to members of the armed forces performing active service during that period. Pub. L. No. 113-39 (Sept. 30, 2013). No military personnel were furloughed.

\(^6\)A full-time equivalent is a standard measure of labor that equates to 1 year of full-time work. Civilian personnel include foreign nationals, who can be hired directly by DOD or indirectly hired under agreement or contract with foreign governments to provide personnel services to the U.S. government.
fiscal year 2001 to about $174 billion for an estimated contracted services workforce of about 670,000 full-time equivalents in fiscal year 2012.\textsuperscript{7} However, with the drawdown in operations in Iraq and Afghanistan, as well as changing priorities and missions, most military services project a decrease in their military and civilian workforce through fiscal year 2017.

For over a decade, strategic human capital management for all federal civilians—including those at DOD—has been on our High-Risk list because of the long-standing lack of leadership in this area. We have conducted assessments of DOD’s strategic workforce plans since 2008, and our body of work has found that DOD’s efforts to address mandated strategic workforce planning requirements have been mixed. In our most recent report in September 2012 on the department’s overall civilian strategic workforce plan, we recommended that DOD take a number of actions, including to provide guidance for developing future strategic workforce plans that clearly directs the functional communities\textsuperscript{8} to collect information that identifies not only the number or percentage of personnel in its military, civilian, and contractor workforces but also the capabilities of the appropriate mix of those three workforces. DOD either concurred or partially concurred with our recommendations, stating that, among other things, the department was deliberate in applying lessons learned from previous workforce plans and identifying specific challenges and the actions being taken to address those challenges to meet statutory planning requirements by 2015.

DOD’s civilian workforce has been affected by a changing operational and fiscal environment for a number of years. For example, DOD civilians underwent a 3-year pay freeze between 2011 and 2013 along with the

\textsuperscript{7}Comparable historical data on the contracted support component of DOD’s total workforce are not available from fiscal year 2001 to fiscal year 2007, in part because DOD was not required to compile contracted support full-time equivalent estimates until 2008. Fiscal year 2013 contracted support data were not available at the time we conducted this review. DOD is required to compile annually an inventory of contracted services, pursuant to 10 U.S.C. § 2330a, to include, among other data, the functions performed, the number of contractor full-time equivalents performing the function, and the total dollar amount of the services purchased. However, we have previously reported issues with the accuracy and completeness of the inventory data. See, for example, GAO, \textit{Defense Acquisitions: Continued Management Attention Needed to Enhance Use and Review of DOD’s Inventory of Contracted Services}, GAO-13-491 (Washington, D.C.: May 23, 2013).

\textsuperscript{8}DOD defines a functional community as employees who perform similar functions; functional communities are discussed further in the background section of this report.
rest of the federal civilian workforce. DOD was also affected by a
Continuing Resolution that held funding at fiscal year 2012 levels through
March 27, 2013, even though DOD had requested funding increases in
most areas of operations for fiscal year 2013. In addition, in January
2013, DOD reduced its spending to prepare for a potential sequestration,
a process of automatic, largely across-the-board spending reductions
under which budgetary resources are permanently canceled to enforce
certain budget policy goals.\(^9\) DOD took several actions to prepare for a
potential sequestration, such as authorizing components in January 2013
to initiate a hiring freeze as needed,\(^10\) releasing term and temporary
employees, and instructing components to draft plans to include the
possibility of furloughs of up to 22 workdays. On February 20, 2013, DOD
provided Congress with notice of its intent to furlough.

We reported in November 2013 that DOD’s efforts to address
sequestration—a reduction of $37 billion in DOD’s discretionary budget—
was a short-term response focused on addressing the immediate funding
reductions for fiscal year 2013.\(^11\) As a result of sequestration and
increased Overseas Contingency Operations requirements, on March 13,
2013, DOD issued guidance for components to plan for a furlough of its
civilian personnel for up to 22 workdays.\(^12\) On March 28, 2013, DOD
reduced the number of planned furlough days from 22 to 14, in response
to the enactment of a defense appropriations act \(^13\)for the remainder of
fiscal year 2013. The Secretary of Defense also decided to apply the
furlough across the department to allow for a reallocation of resources
throughout the department to address national security priorities. DOD

\(^9\) Sequestration was first established by the Balanced Budget and Emergency Deficit
Control Act of 1985 to enforce discretionary spending limits and control the deficit. See 2
U.S.C. § 900, et seq. This budgetary enforcement mechanism was recently revived by the
Budget Control Act of 2011, which provided the legal basis for the fiscal year 2013

\(^10\) Deputy Secretary of Defense, Memorandum, \textit{Handling Budgetary Uncertainty in Fiscal
Year 2013} (Jan. 10, 2013).

\(^11\) \textit{GAO-14-177R}.

\(^12\) OPM regulations provide that furloughs of longer than 30 consecutive calendar days or
22 workdays if done on a discontinuous basis are covered by the Reduction in Force

\(^13\) The Consolidated and Further Continuing Appropriations Act, 2013, Pub. L. No. 113-6
(2013).
also took other actions across the department to reduce its budget in response to the sequestration, such as curtailing training for certain units and postponing planned maintenance.

The size and complexity of DOD’s worldwide operations—involving a requested base budget of approximately $495.6 billion in fiscal year 2015\textsuperscript{14}—and the need to reduce its budget in an ongoing fiscally constrained environment, require that DOD have accurate, complete, and timely financial information available to make management decisions. We have placed DOD on our High-Risk List for financial management beginning in 1995 because of financial management weaknesses that affect its ability to control costs; ensure accountability; anticipate future costs and claims on the budget; detect fraud, waste, and abuse; and prepare auditable financial statements. DOD is one of the few federal entities that cannot accurately account for its spending or assets.\textsuperscript{15} We have reported that while DOD has made efforts to improve financial management, it still has much work to do if it is to meet its long-term goals of improving financial management and achieving full financial statement auditability.\textsuperscript{16}

\textsuperscript{14}The President’s budget request for DOD in fiscal year 2015, released on March 4, 2014, notes that the administration plans to submit details of the DOD Overseas Contingency Operations supplemental budget request as a budget amendment after making a determination on enduring force levels in Afghanistan.


On May 14, 2013, the Secretary of Defense, in an effort to minimize adverse affects on military readiness, issued a memorandum that directed a furlough of most of its civilian personnel in response to major budgetary shortfalls from the sequestration. The memorandum required most civilians to be furloughed for up to 11 days beginning on July 8, 2013, typically for 1 day per week until September 30, 2013. The Secretary of Defense also directed all components to monitor funding closely for the remainder of fiscal year 2013 so that, if the budget situation permitted, DOD could shorten the length of the furloughs. The memorandum listed categories of exceptions to the furlough, including personnel assigned to a combat zone, those necessary to protect the safety of life and property, and Navy shipyard employees. See appendix II for a complete list of exceptions granted.

Additionally, the Secretary of Defense’s May 14, 2013, memorandum included an associated schedule for issuance of furlough proposal notices at least 30 days in advance of the furlough, allowing at least 7 days for

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17 Secretary of Defense Memorandum, Furloughs (May 14, 2013).

18 OPM’s Guidance for Administrative Furloughs (June 10, 2013) explains that agencies are responsible for identifying the employees affected by administrative furloughs based on budget conditions, funding sources, mission priorities, and other mission-related factors.

19 DOD did not furlough non-appropriated-fund civilians as they are not funded from appropriations, and furloughing them would not have reduced DOD’s direct spending. In addition, DOD did not furlough civilian foreign nationals outside of the contiguous United States due in part to special agreements with host governments.
response by the employee. The memorandum also identified the following key dates:

- May 28–June 5: Furlough proposal notices were to be served to individual employees subject to furlough.

- June 4–June 12: Individual employee reply periods—time allotted for employees to acknowledge receipt of the furlough proposal notice, among other things—ended 7 calendar days from when the proposal was received, unless component procedures allowed for a different reply period.

- June 5–July 5: Furlough decision letters were to be served to individual employees subject to furloughs, depending on when the proposal was received and prior to the first day of furlough.

- July 8: Furlough period was to begin no earlier than this date.

An attachment to the memorandum noted that defense agencies and military services should designate a Deciding Official who would be accountable for making final decisions on furloughs for individual employees after carefully considering the employee’s reply, if any, and the needs of the department.20

The Assistant Secretary of Defense for Readiness and Force Management issued clarifying guidance throughout the planning and implementation of the furlough that, among other things, provided standard templates for the proposal and decision notice letters to prepare and issue to civilian employees.21 In addition, guidance was issued to provide clarification on the use of leave without pay during the time of the

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20 According to Secretary of Defense Memorandum, Furloughs, the designated Deciding Official would be no lower than a local Installation commander, senior civilian, or equivalent who would be in the best position to determine the fair and equitable application of the furlough and would have the authority to execute the full range of options with respect to providing relief in individual employee cases. This authority included, but was not limited to, reducing the number of days/hours an individual employee was furloughed or granting the individual employee an exception from the furlough altogether.

furlough; to help ensure that borrowed military personnel were not used to compensate for work resulting from the furlough;\textsuperscript{22} and to prohibit contracted support from being assigned or permitted to perform additional work or duties to compensate for workload or productivity loss resulting from the furlough.\textsuperscript{23}

Based on the Secretary of Defense's May 14, 2013, memorandum, managers were given the authority to develop specific furlough procedures in order to minimize adverse mission effects and limit the harm to morale and productivity. The memorandum also noted that bargaining with unions may be required.\textsuperscript{24} As a result, military departments developed implementing guidance based on the Secretary of Defense’s memorandum requiring the furlough. For example, the Army issued a memorandum on command reporting requirements for the furlough to capture information on the issuance of furlough proposal notices and decision letters.\textsuperscript{25} Also, the Navy issued supplemental guidance on the scheduling of furloughs that included details on commander authorities to make decisions on the scheduling of furlough days for each employee, subject to union negotiation, as appropriate.\textsuperscript{26} In addition, the Air Force excluded from furlough those civilian employees whose homes were destroyed or rendered uninhabitable by the Oklahoma tornadoes in 2013.

\textsuperscript{22}We have an ongoing review to examine DOD's use of borrowed military personnel to determine whether it is having an effect on readiness.

\textsuperscript{23}Assistant Secretary of Defense for Readiness and Force Management Memorandum, Supplemental Guidance on Leave Without Pay Status for the Department of Defense Civilian Employees during an Administrative Furlough (May 21, 2013); Assistant Secretary of Defense for Readiness and Force Management Memorandum, Civilian Furloughs and Total Force Management (June 28, 2013).

\textsuperscript{24}DOD civilian employees generally have the right to respond to or rebut a furlough proposal to their command, grieve a furlough decision to their union, or appeal a furlough decision to the Merit Systems Protection Board.

\textsuperscript{25}Department of the Army, Office of the Deputy Chief of Staff for Personnel, Memorandum, Fiscal Year (FY) 2013 Administrative Furlough Reporting Requirements (May 30, 2013).

\textsuperscript{26}Department of the Navy, Office of the Assistant Secretary (Manpower and Reserve Affairs), Memorandum, Department of the Navy Supplemental Guidance on the Scheduling of Furloughs (May 21, 2013).
On August 6, 2013, the Secretary of Defense issued a memorandum
reducing the number of furlough days from 11 to 6 days for most civilians. This action also cancelled furloughs for Department of Defense Education Activity instructional and support staff on 10-month contracts, and required new hires whose furlough period began after July 8, 2013, to take 2 furlough days per pay period between their furlough start date and August 17, 2013.27 As discussed in greater detail later in the report, the department was able to reduce the number of furlough days after completing several transfer and reprogramming actions, which gave the department additional flexibility and resulted in substantial realignment of funds—about $8.6 billion.28 Additional guidance was issued after the reduction in furlough days to address those who took more than 6 days of furlough, by allowing them to substitute any excess furlough days for leave. In the event an employee did not have sufficient leave accrued, or the employee elected not to substitute leave, excess furlough time remained as unpaid time.29 Ultimately, DOD reported that it furloughed 624,404 civilians and excepted 142,602 from furlough. Specifically, of the DOD civilians furloughed, the Army furloughed about 221,000; the Navy furloughed about 153,000; the Air Force furloughed about 157,000; and the other DOD agencies furloughed about 93,000 (see table 1 below).

27Transfer of funds is shifting of all or part of the budget authority in one appropriation or fund account to another, and requires specific statutory authority. GAO-05-734SP Budget Glossary. Reprogramming, by contrast, is the shifting of funds within an appropriation account for purposes other than those contemplated at the time of appropriation. GAO-05-734SP. While GAO’s definitions of transfer and reprogramming are mutually exclusive, the DOD Financial Management Regulation (FMR) takes a broader view of reprogramming, defining it as “[r]ealignment of budget authority from the purpose for which appropriated to finance another (usually emergent, unfunded) requirement.” DODFMR 7000.14-R, Glossary (December 2008). In keeping with this broader view, the DODFMR requires that all transfers of funds not directed by Congress be accompanied by a reprogramming action. DODFMR 7000.14-R, Volume 3, Chapter 3, § 030404 (January 2011).
29Assistant Secretary of Defense for Readiness and Force Management Memorandum, Furlough—Treatment of Excess Furlough Hours (Sept. 19, 2013). Any furlough hours that exceed the 6-day (48 hour) requirement could be replaced, upon an employee’s request, by annual leave, military leave, home leave, compensatory time-off, credit hours, or time-off awards, provided the employee had sufficient leave in the category requested at the time of the furlough occurrence. Any leave substitution for furlough hours will be calculated at the same rate of pay the employee would have received had he or she used the leave category at the time.
Table 1: Number of Civilians DOD Reported Were Furloughed and Excepted from Furlough in Fiscal Year 2013, by DOD Component

<table>
<thead>
<tr>
<th>Department of Defense (DOD) component</th>
<th>Total number of furloughed civilians</th>
<th>Total number of civilians excepted from furlough</th>
</tr>
</thead>
<tbody>
<tr>
<td>Army</td>
<td>221,322</td>
<td>45,469</td>
</tr>
<tr>
<td>Navy</td>
<td>152,890</td>
<td>53,646</td>
</tr>
<tr>
<td>Air Force</td>
<td>157,468</td>
<td>23,080</td>
</tr>
<tr>
<td>DOD Agencies</td>
<td>92,724</td>
<td>20,407</td>
</tr>
<tr>
<td>Total</td>
<td>624,404</td>
<td>142,602</td>
</tr>
</tbody>
</table>

Source: DOD. | GAO-14-529

Note: The total number of civilians furloughed and excepted from furlough as reported by the Office of the Under Secretary of Defense for Personnel and Readiness does not include those paid with nonappropriated funds or by foreign military sales, nor those not paid directly by DOD funds.

Managers Were Responsible for Implementing the Administrative Furlough

Based on the Secretary of Defense’s May 14, 2013, memorandum initiating the furlough, managers carried out the planning and implementation of the furlough for their respective offices. Specifically, in addition to the Office of the Secretary of Defense’s efforts to notify its 10 unions with national consultation rights about the decision to furlough, managers carried out negotiations with over 1,500 local bargaining units on the implementation of the furlough of civilians, which included issues such as who would be furloughed, who would be excepted from furlough, and the scheduled furlough days. Officials at Brooke Army Medical Center, Norfolk Naval Shipyard, and Air Mobility Command described the following actions they took to implement the furlough at their sites:

- Notification letter process: Officials at these sites described their process for designating a Deciding Official and the distribution, receipt, and tracking of furlough notification letters. For example, at Brooke Army Medical Center, the Deciding Official hand-signed each furlough notification letter for over 2,700 civilians that were then distributed to the medical departments to be handed out by the civilians’ supervisors. If the supervisor was unable to hand-deliver the notification letter, the letter was mailed to the civilian via regular and certified mail. The supervisors then followed up with the civilians who received the letters to obtain their signature or acknowledgement of receipt of the notification and provided copies to the civilians and copies to the human resources office to be placed in the official personnel files.

- Work schedules: Civilian personnel were assigned varying schedules for the furlough, depending on negotiations with unions and
consideration of mission requirements. For example, officials at these sites said that some offices implemented Friday as civilian furlough day, while other offices spread out the furlough days of their civilians across the work week. In addition, some civilians took their furlough days in clusters rather than just 1 day a week.

- Tracking of furlough days: Officials at these sites explained that they monitored the timecards of civilians who were furloughed to ensure that they were taking the required number of furlough days and in order to know when the furlough would end for each civilian based on their individual schedule or circumstance. For example, officials at Air Mobility Command explained that their office of financial management generated reports on the number of furlough hours taken based on timecard reporting, and when the number of furlough days was reduced to 6 days, officials audited the timecard system to ensure civilians under their purview had taken the correct number of furlough days.

- Exceptions process: The exceptions determination process varied at these sites, and additional exceptions to the furlough were sought and granted as the department clarified the personnel covered under categorical exceptions and as commands granted individual exceptions. For example, officials at Brooke Army Medical Center set up a team early on to identify and prioritize department needs within the hospital to ensure they were able to meet the mission of providing adequate staff and high-quality care to patients. This allowed Brooke Army Medical Center to identify civilian personnel to except from the furlough based upon prioritized needs, such as evening shift supervisors within its nursing department. Also, the Public Works office at Norfolk Naval Shipyard requested exceptions for some of its mechanics and utilities staff to provide 24-hour support.

As a result of DOD furloughing 624,404 civilians, the Office of the Comptroller reported that the department saved approximately $1 billion from the furlough. These cost savings were calculated using Defense Finance and Accounting Service–reported payroll data by summing the result of each employee’s hourly pay rate multiplied by the number of furlough hours recorded in his or her time card. Office of the Comptroller officials reported they provided DOD components with Defense Finance and Accounting Service payroll data reports for their respective civilian employees and requested that they validate the data to ensure that all employees who were required to be furloughed correctly recorded their furlough days in the timekeeping systems. The cost savings calculation
did not include the last week of the fiscal year because the last pay period of the fiscal year—which ran from September 22–October 5, 2013—overlapped with the first week of fiscal year 2014 and included leave without pay recorded for the government shutdown. Office of the Comptroller officials stated that the savings amount from the final pay period in the fiscal year was expected to be minimal as the majority of the furlough savings were realized by August 24, 2013, when most furloughed civilians would have taken their required 6 furlough days.

DOD’s reported cost savings of $1 billion does not account for other costs the department incurred while implementing the furlough, such as administrative costs from processing furlough notification letters or developing furlough guidance, as well as costs from the loss of productivity due to civilians being furloughed. For example, officials we interviewed at Brooke Army Medical Center stated that many hours were spent on administrative tasks to prepare for and implement the furlough. In addition, officials from Army Medical Command explained that there was a loss of productivity, as staff set aside their primary tasks to concentrate on implementing the furlough. Further, Marine Corps officials stated that they spent a majority of their time dealing with the furlough rather than focusing on day-to-day business, such as developing critical skills training.

Office of the Comptroller officials stated that the savings amount from the final pay period in the fiscal year was expected to be minimal as the majority of the furlough savings were realized by August 24, 2013, when most furloughed civilians would have taken their required 6 furlough days.

DOD developed an estimated cost-savings for the furlough to assist in planning efforts to meet sequestration cost-reduction targets; however, DOD did not exclude pay for those excepted from the furlough and did not update its estimate throughout the furlough period as more information became available, such as real-time cost savings and when subsequent decisions were made to reduce the number of furlough days. As noted earlier, the Secretary of Defense directed a furlough of most of the department’s civilian personnel in response to major budgetary shortfalls from the sequestration. The Office of the Comptroller developed an average estimated cost savings per person per furlough day of approximately $300. Officials within the Office of the Comptroller stated

30Leave without pay, regardless of whether it is for a furlough or other event, is recorded in federal agency timekeeping systems with the same code. Therefore, the administrative furlough and the furlough resulting from the government shutdown in 2013 was recorded with the same leave without pay code.

31In developing its cost estimate, DOD did not consider other potential costs beyond payroll, such as those described above.
that the estimate was developed in order to provide senior leaders within DOD with information in a short time frame to consider how much could be saved through a furlough as part of an effort to meet sequestration cost-reduction targets. The average estimated cost-savings per person per day was developed prior to the identification of exceptions to the furlough and used aggregated payroll data from Defense Finance and Accounting Service and civilian personnel data from the Defense Civilian Personnel Data System. Upon directing a furlough of 11 days for most civilian personnel in May 2013, the Office of the Comptroller estimated a cost savings of approximately $2.1 billion. The Office of the Comptroller developed the $2.1 billion estimate by multiplying the estimated average savings of $300 per person per day by the estimated total number of civilians being furloughed. In the same memorandum directing the 11 day furlough, the Secretary of Defense included categories of exceptions to the furlough. When the Office of the Comptroller developed the $2.1 billion estimated savings it accounted for exceptions in their estimated total number of civilians being furloughed, but not in its average estimated cost-savings per person per day.

DOD’s total estimated cost savings was not as accurate as it could have been because it did not account for excepted employees in its average per person per day estimated cost-savings. As stated above, DOD excepted 142,602 civilian employees, or approximately 18 percent of the civilian workforce from the furlough. The civilians who were excepted may have had higher salaries or lower salaries; thus, these exceptions may have affected the average per day savings. Further the per person per day cost savings effects the total estimated savings. For example, assuming the same number of civilians DOD used to calculate its estimated cost savings were furloughed for 11 days, a $10 difference in estimated average savings per person per day changes the total estimated savings by approximately $72 million.

On August 6, 2013, the Secretary of Defense announced a reduction in the number of furlough days from 11 to 6 days, and the Office of the Comptroller adjusted the estimated cost savings to about $1.2 billion using the original estimated cost savings of $300 per person per day. Officials within the Office of the Comptroller stated that the decision to reduce the number of furlough days was based on fund transfers and
reprogrammings\(^{32}\) that occurred towards the end of the fiscal year. In
September 2013, DOD stated that the relevant congressional committees
had approved about $8.6 billion of DOD’s total transfer and
reprogramming requests. These reprogrammings and fund transfers
allowed DOD the flexibility to reverse some actions taken to achieve
spending reductions to address sequestration. Among actions taken,
DOD reduced the number of furlough days from 11 days to 6 days. Table
2 shows the actions related to DOD’s implementation of sequestration
and the furlough.

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 10, 2013</td>
<td>The Deputy Secretary of Defense instructed components to draft plans to include the possibility of furloughs of up to 22 workdays.</td>
</tr>
<tr>
<td>February 20, 2013</td>
<td>The Department of Defense (DOD) provided Congress with notice of its intent to furlough.</td>
</tr>
<tr>
<td>February 2013</td>
<td>The DOD Office of the Comptroller began calculating cost estimates for a potential furlough of civilian personnel based on various scenarios.</td>
</tr>
<tr>
<td>March 1, 2013</td>
<td>The President issued the sequestration order.</td>
</tr>
<tr>
<td>March 26, 2013</td>
<td>The 2013 full-year appropriations act provided DOD with $7.5 billion in broad transfer authority.(^{a})</td>
</tr>
<tr>
<td>May 14, 2013</td>
<td>The Secretary of Defense announced an administrative furlough of 11 days for most of DOD’s civilian personnel and identified broad categories of exceptions to the furlough.</td>
</tr>
<tr>
<td>May 17, 2013</td>
<td>DOD submitted two requests to Congress totaling $9.4 billion to transfer and reprogram funds that had been appropriated for fiscal year 2013.(^{b})</td>
</tr>
<tr>
<td>July 8, 2013</td>
<td>DOD began to furlough most of its civilian personnel.</td>
</tr>
<tr>
<td>July 19, 2013</td>
<td>DOD submitted two additional requests to Congress for transfer and reprogramming of funds totaling about $1.5 billion.(^{c})</td>
</tr>
</tbody>
</table>

\(^{32}\)Subject to law and DOD financial management regulation, DOD has the authority to transfer funds between appropriation accounts and to reprogram funds within an appropriation account. DOD guidance requires that it seek approval from the congressional defense committees to reprogram funds above certain thresholds. This guidance also specifies circumstances where the department can reprogram funds without prior congressional approval if the cumulative increase or decrease of funds is within established thresholds.
The Secretary of Defense announced a reduction in the number of furlough days from 11 to 6 days for civilian personnel and canceled the furlough for certain positions.

Source: GAO analysis of DOD information and congressional actions. | GAO-14-529

aThe Consolidated and Further Continuing Appropriations Act, 2013, Pub. L. No. 113-6 (2013). Of this amount, $3.5 billion was special transfer authority for purposes related to Overseas Contingency Operations and $4 billion was general transfer authority. These amounts were generally consistent with the amounts of broad transfer authority that Congress provided to DOD in fiscal years 2011 and 2012.

bThese requests proposed to transfer about $7.3 billion between accounts using DOD’s broad transfer authorities, and, according to DOD officials, the remaining $2.1 billion represented large reprogrammings within budget accounts and transfers from DOD’s foreign currency fluctuations account.

cThese requests identified replacement sources for the transfer or reprogramming requests originally submitted on May 17, 2013, but disapproved at that time by the congressional defense committees, as well as new requests to transfer and reprogram fiscal year 2013 funds.

According to GAO’s Standards for Internal Control in the Federal Government, pertinent information should be identified, captured, and distributed to the right people in sufficient detail, in the right form, and at the appropriate time to maintain its relevance and value to management in controlling operations and making decisions efficiently and effectively. As part of planning initiated in January 2013 for the components to prepare for furloughs up to 22 days, the Office of the Comptroller began developing a cost-savings estimate. Between the time that the Office of the Comptroller produced the initial cost-savings estimate of $2.1 billion in May 2013 and when the department carried out the furloughs beginning July 8, 2013, the Office of the Comptroller did not update the average estimated cost-savings per person per day to exclude from the cost savings the pay of those civilians excepted from the furlough—142,602. Further, the Office of the Comptroller did not update its cost-savings estimate based on reported payroll data showing real-time furlough cost savings between July 8, 2013, and the time that the furlough days were reduced in August 6, 2013, even though the estimate was used in continuing discussions. Officials within the Office of the Comptroller stated that they did not update the estimate because the actual payroll data were not available until July 23, 2013. While officials within the Office of the Comptroller stated that the decision to furlough was just one action

in response to DOD’s effort to meet sequestration cost-reduction targets, they also pointed out that the military services used the cost-savings estimate in meetings with DOD leadership that contributed to the reduction in furlough days.

Office of the Comptroller officials stated that they did not update the estimate because they decided to wait until the actual cost savings were achieved once all furloughed personnel had taken the required number of furlough days by the end of the fiscal year. In addition, officials within the Office of the Comptroller explained that DOD did not track the cost savings from the furlough in real time because the Defense Finance and Accounting Service reports payroll data on a biweekly basis and there was only 1 week’s worth of payroll data available from the July 8 pay period at the time that the decision was made to reduce the number of furlough days on August 6, 2013. However, the determination of exceptions was made 3 months earlier and was not considered in the initial $300 estimated average cost-savings per person per day nor was the estimated average cost-saving per person per day ever updated. Officials reiterated that the decision to reduce the number of furlough days was primarily based on additional funding flexibility resulting from transfer and reprogramming actions, as well as reduced Overseas Contingency Operations funding requirements. While it is unknown whether DOD officials’ decisions would have been affected had they received comprehensive and updated cost-savings estimates, incorporating such comprehensive and updated information in its cost savings estimates in the future, in the event that a furlough is again necessary, may help better inform decision makers.

Officials from selected sites discussed examples of impacts that resulted from the furlough. Specifically, some officials we interviewed at selected sites discussed actions taken to prepare for or mitigate potential impacts resulting from the furlough such as proactive planning efforts, identified efficiencies, and use of cost savings to offset unfunded requirements. Officials we interviewed also described specific impacts that they believe can be attributed to the furlough, such as decline in civilian morale, attrition, mission delays, inconsistencies and clarification issues with the furlough guidance, and impacts on servicemembers’ morale. However, measuring the direct impact of the furlough is difficult since it was a part of a broader set of sequestration actions that included a civilian hiring freeze, limits on overtime, and termination of temporary and term hires, as well as other non-sequestration-related personnel actions, such as a 3-year pay freeze between 2011 and 2013. Further, DOD civilians filed
over 32,000 appeals to the Merit Systems Protection Board related to the furlough in 2013.

The following are examples of actions taken to prepare for or mitigate potential impacts reported by officials at the locations we visited from the implementation of the furlough:

- **Proactive Planning and Furlough Tracking**—Some officials described proactive planning efforts that took place at their sites to prepare for the furlough. For example, Brooke Army Medical Center officials reported setting up a team in February 2013 to conduct worst-case scenario planning and determine mission priorities for adequate staffing to help ensure high quality of patient care for a potential furlough. This team was then able to identify individuals for exception to the furlough based on their planning efforts once they received the furlough guidance designating 11 furlough days and categories of exceptions. Some officials from all three sites also described efforts to capture potential and realized impacts from the furlough through various reporting mechanisms, such as a furlough impact log.

- **Identification of Efficiencies**—Some officials provided examples of individual command efforts to identify and implement efficiencies during the furlough. For example, some officials at all three sites noted that because of the limitations placed on overtime during sequestration and the added impact of the furlough on civilian staff, approval of overtime was scrutinized at a higher level than before. As a result, officials at these sites gained a better awareness of the appropriate use of overtime and reported reductions in the use of overtime. In addition, officials from Brooke Army Medical Center’s Emergency Medicine Department stated that they were able to defer the size of their routine supply purchases after prioritizing spending on mission-essential needs during the furlough.

- **Use of Cost Savings to Offset Unfunded Requirements**—Some officials at Norfolk Naval Shipyard and Air Mobility Command described using the cost savings realized from the reductions in civilian pay due to the furlough to apply towards other unfunded requirements. Officials from the Department of the Navy stated that the individual commands were allowed to use the money saved from the furloughs based on individual priorities. Brooke Army Medical Center reported an estimated return of about $3.4 million as furlough days were reduced from the initially planned 22 days to 6 days. Army Medical Command initially withheld civilian pay from the medical facility to account for the estimated cost of furloughing staff for 22
days and later returned the funds to Brooke Army Medical Center as the length of the furlough was reduced.

The following are examples of impacts reported by officials at the locations we visited that they believe can be linked to the implementation of the furlough:

- **Decline in Morale**—Officials at all three sites stated that civilian morale declined due to the civilian workforce furlough that resulted in a 20 percent reduction in pay per week for 6 weeks. This was further exacerbated as some civilians were excepted from furlough while other civilian colleagues were not, contracted support staff continued working, and some civilians who were historically deemed “mission essential” and required to report to the office for events, such as snow days, were now furloughed. For example, officials at Norfolk Naval Shipyard reported civilians furloughed within the supporting commands experienced frustration and a decline in morale as their civilian colleagues working in the shipyard were not only excepted but were also working overtime during the furlough period. Officials at Brooke Army Medical Center described a decline in morale within the Army inpatient nursing staff because the Air Force excepted its inpatient nursing staff from furlough while the Army did not. Further, some officials at Brooke Army Medical Center indicated that the furlough affected some patients who tried to get refills on their medication prior to the furlough out of fear that they would not have access to care during the furlough period. In addition, officials at Air Mobility Command described a decline in morale among civilian staff who had to take a pay cut while contracted support staff did not. Further, officials at Air Mobility Command described instances where some civilians historically considered “mission essential,” such as air traffic controllers and firefighters, were now furloughed.

Officials at the sites we visited stated that they followed the Secretary of Defense’s guidance and did not use borrowed military personnel to compensate for work that would have been conducted by furloughed

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34 According to officials at Brooke Army Medical Center, the Air Force transitioned its inpatient staff from Wilford Hall to Brooke Army Medical Center as part of the Base Realignment and Closure process, but consolidation of the management of the two workforces had not been completed at the time of the furlough. For information about the Base Realignment and Closure process see our report GAO, Military Bases: DOD Has Processes to Comply with Statutory Requirements for Closing or Realigning Installations, GAO-13-645 (Washington, D.C.: June 27, 2013).
civilians. Some officials stated that servicemembers experienced a decline in morale as they worked longer hours to complete their missions in the absence of civilians who were furloughed. For example, at Brooke Army Medical Center, officials stated that they relied on their military medical staff to work during the furlough. Officials stated that their use of military personnel only extended to those personnel who were assigned to their unit and that they did not borrow personnel from other units. While the term “borrowed military personnel” is not defined in Assistant Secretary of Defense for Readiness and Force Management’s June 2013 memorandum, the Army’s definition of “borrowed military personnel” only includes certain uses of military personnel outside of the unit to which they are assigned.  

In December 2013, DOD reported to Congress that the results of OPM’s recent annual Federal Employee Viewpoint Survey showed its civilian workforce morale had continued to decline, and that DOD expected the furloughs to affect employee recruiting and retention in the future. Of note, the survey showed a decline in satisfaction among DOD respondents to questions that dealt with job satisfaction (decline from 71 percent in 2010 to 64 percent in 2013), pay (decline from 65 percent in 2010 to 53 percent in 2013), and satisfaction with the organization (decline from 63 percent in 2010 to 55 percent in 2013). DOD identified

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35Assistant Secretary of Defense for Readiness and Force Management Memorandum, Civilian Furloughs and Total Force Management; and Army Regulation 570-4, Manpower and Equipment Control: Manpower Management (Feb. 8, 2006). The Assistant Secretary of Defense for Readiness and Force Management’s memorandum and Army Regulation refer to “borrowed military manpower” which we refer to as borrowed military personnel.

36On December 20, 2013, the Under Secretary of Defense for Personnel and Readiness responded to congressional direction in the House Report accompanying the National Defense Authorization Act for Fiscal Year 2014 to submit a report to the congressional defense committees on the steps that the department is taking to minimize any negative impact on the morale of the civilian workforce and long-term consequences on recruiting and retention of the civilian workforce.

37Office of Personnel Management, 2013 Federal Employee Viewpoint Survey Results: Department of Defense Agency Management Report. The survey was administered from April 23, 2013, to June 14, 2013, and had a response rate of 38 percent with 65,007 out of 172,632 employees responding to the survey. Of note, declines in satisfaction to the questions noted could be due to a number of factors beyond the furlough, such as the sequestration, 3 years of pay freezes, and limited hiring. Statisticians weighted survey data to adjust for differences between characteristics of the respondents and the population of employees surveyed. All estimates have a margin of error of less than +/- 1 percentage point.
several examples of efforts it was taking to minimize any negative impact on the morale of the civilian workforce and long-term consequences on recruiting and retention of the civilian workforce. Most of these actions were high-level, such as continuing to focus on the Strategic Workforce Plan and conducting leadership development programs for entry, mid-, and senior-level personnel. Other examples of actions DOD noted it was taking to address morale included initiating an enterprise strategic recruitment effort and the development of a new performance appraisal system. However, the letter does not provide specifics about these actions. For example, it does not address how the Strategic Workforce Plan would minimize the negative impact on morale of the civilian workforce. The letter also does not provide time frames for when these actions will be completed.

- Attrition as a Result of the Furlough: Officials at Brooke Army Medical Center and Norfolk Naval Shipyard stated a number of examples where employees left as a result of the furlough. For example, some officials at Brooke Army Medical Center we interviewed stated that they knew of colleagues who left the hospital to work at the Department of Veterans Affairs since it did not furlough its staff. In August 2013, the Army Surgeon General made a statement that, during 2013, 2,700 Army civilian medical doctors, nurses, and other health workers left their jobs for work elsewhere due to the furlough, many transferring to the Department of Veterans Affairs. We examined the attrition rate of civilian personnel at Army Medical Command and DOD between fiscal years 2009 and 2013. Specifically, for the Army Medical Command, we found that attrition rates for on-board civilian medical officers and nurses peaked at 22 percent in fiscal year 2011. For more information on Army Medical Command and DOD component attrition rates, see appendix III.

- Mission Delays—While none of the selected sites we visited indicated mission failure as a result of the furlough, some officials described increased challenges in meeting their missions.

- Defense Logistics Agency, Maritime support command, officials from the Norfolk Naval Shipyard stated that, during the furloughs, they experienced an increased backlog in providing goods and services in support of shipyard operations. Specifically, the Defense Logistics Agency, Maritime support command, reported that the backlog of requests to provide goods and services nearly doubled during the furlough period, from 330 outstanding requests on July 3, 2013, to a peak of 614 outstanding requests on July 29,
2013, before dropping down to 465 outstanding requests by August 13, 2013, as the furlough drew to an end for most civilians.

- Norfolk Navy Shipyard officials stated that a building had a fire alarm malfunction on a Friday during the furlough period and, because civilian staff were furloughed, no one was able to fix it until the following Tuesday, so the building had to establish a 24-hour watch over the weekend to ensure a potential fire could be reported.

- Air Mobility Command officials described delays in permanent changes of station because the furlough occurred in summer—the peak season for such moves. These officials explained that delays in permanent changes of station can impact a military servicemember’s ability to report to his or her next installation on time.

- Guidance Challenges—Some officials stated that they were confused by the guidance that was provided on implementing the furlough, while others expressed frustration at the volume of updates to the guidance. For example, at Brooke Army Medical Center, the Air Force had not yet transitioned its civilians to Army control through the Base Realignment and Closure process, and therefore Army and Air Force civilians were operating under separate guidance during the furlough. This added to the administrative burden of management at Brooke Army Medical Center and confusion among staff who work side-by-side. Specifically, Air Force staff decided to except all of their in-patient nurses from furlough, while the Army furloughed its in-patient nurses. Further, officials at Brooke Army Medical Center and Air Mobility Command stated that they received numerous updates to the furlough guidance, often on a daily basis and from multiple sources. Officials expressed confusion and sought clarification over the terms used in the furlough guidance, such as “borrowed military personnel,” “mission essential,” and “24-hour emergency care.” For example, the term “borrowed military personnel” was not defined in the Assistant Secretary of Defense for Readiness and Force

According to officials at Brooke Army Medical Center, the Air Force transitioned its in-patient staff from Wilford Hall Ambulatory Surgical Center to Brooke Army Medical Center as part of the Base Realignment and Closure process, but consolidation of the management of the two workforces had not completed at the time of the furlough. For information about the Base Realignment and Closure process see GAO-13-645.
Management’s June 2013 memorandum regarding the use of borrowed military personnel during the furlough.  

- Longer Term Impact from DOD Civilian Appeals Filed to Merit Systems Protection Board—DOD federal civilians filed 32,259 appeals regarding the administrative furlough to the Merit Systems Protection Board. Once DOD began implementing the furlough on July 8, 2013, DOD civilians were then eligible to file appeals of the furlough action to the Merit Systems Protection Board. Figure 1 illustrates the process for filing and adjudicating appeals with the Merit Systems Protection Board and the status of the DOD civilians’ appeals to the administrative furlough as of March 31, 2014.

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39Assistant Secretary of Defense for Readiness and Force Management Memorandum, Civilian Furloughs and Total Force Management. The guidance refers to “borrowed military manpower” which we refer to as borrowed military personnel.
Figure 1: Appeals Process and Status of DOD Civilian Appeals to the Merit Systems Protection Board

Department of Defense (DOD) furlough appeals were filed with Merit Systems Protection Board (MSPB)

<table>
<thead>
<tr>
<th>Appeals process</th>
<th>DOD appeals status as of March 31, 2014*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. DOD civilians file furlough appeals with the board either electronically or by mail or fax.</td>
<td>32,259</td>
</tr>
<tr>
<td>2. Appeals are filed at the regional or field office with geographic jurisdiction over the location at which the appellant works.</td>
<td></td>
</tr>
<tr>
<td>3. Pending appeals may be consolidated when several cases are suitable for joint resolution. Appeals that are not consolidated are resolved on a case-by-case basis. Appeals that are currently not consolidated are subject to consolidation if the Administration Judge finds it appropriate.</td>
<td>3% Marine Corps (1,081)</td>
</tr>
<tr>
<td>4. Appeals are resolved by the board or a court.</td>
<td>14% DOD agencies (4,561)</td>
</tr>
<tr>
<td></td>
<td>38% Navy (12,399)</td>
</tr>
<tr>
<td></td>
<td>28% Army (8,936)</td>
</tr>
<tr>
<td></td>
<td>16% Air Force (5,282)</td>
</tr>
<tr>
<td></td>
<td>95% Appeals pending (30,574)</td>
</tr>
<tr>
<td></td>
<td>5% Appeals resolved (1,685)</td>
</tr>
<tr>
<td></td>
<td>64% Consolidated (20,650) into 744 cases, ranging in size from 2 to 274 appeals in each case</td>
</tr>
<tr>
<td></td>
<td>36% Not consolidated (11,509)</td>
</tr>
<tr>
<td></td>
<td>34% Dismissed or withdrawn (577)</td>
</tr>
<tr>
<td></td>
<td>65% Adjudicated (1,101)</td>
</tr>
<tr>
<td></td>
<td>Less than 1% Settled (7)</td>
</tr>
</tbody>
</table>

Source: GAO analysis of information provided by the Merit Systems Protection Board

*Numbers in figure may not add due to rounding.
All of the 1,101 cases that have been adjudicated to date have been decided in DOD’s favor, though the Merit Systems Protection Board has received 8 petitions for review from DOD civilians who have chosen to appeal the Administrative Judge’s decision in their case. According to the Merit Systems Protection Board, their current workload is unprecedented, as they received over 32,000 furlough appeals from DOD employees alone in 2013—approximately 5 times the number of personnel appeals they typically receive in 1 year. As a result, the Merit Systems Protection Board is unable to predict how long it will take to adjudicate all of the DOD furlough appeals, but the Merit Systems Protection Board has committed to issuing initial decisions in all furlough appeals by the end of fiscal year 2015.

In light of ongoing fiscal uncertainty, and given the toll that furlough actions can have on mission needs and employee morale, among other things, it is important that DOD accurately estimate financial actions that affect its personnel and update these estimates to ensure the most timely and reliable information is available for effective planning. This includes taking actions aligned with Standards for Internal Control in the Federal Government, such as identifying, capturing, and distributing information to the right people in sufficient detail and at the appropriate time to maintain its relevance and value to management in controlling operations and making effective and efficient decisions. DOD’s approach to furloughing did not adjust to accommodate decisions made to except certain civilian employees from furlough. Further, because DOD only had 1 week’s worth of civilian payroll data at the time it reduced the number of furlough days, it did not track cost savings in real time. Such information could be considered during any future administrative furlough deliberations to enable DOD leadership to make informed decisions by having reliable and accurate cost-savings information as it becomes available. In light of the current fiscal environment, it is even more critical for DOD to accurately identify its current and future total workforce priorities and associated costs. While DOD was able to mitigate the furlough as a result of transfer and reprogramming actions, DOD may face future furloughs where it may be limited in how much funding is available to transfer and reprogram and the length of a potential furlough period may be longer, thus having comprehensive, up-to-date information for decision makers would be important.

Conclusions
To help ensure that DOD is better informed in its decision-making processes, we recommend that the Secretary of Defense direct the Under Secretary of Defense (Comptroller) and the Under Secretary of Defense for Personnel and Readiness to utilize comprehensive and up-to-date furlough cost-savings information as it becomes available in the event that DOD decides to implement another administrative furlough in the future.

We provided a draft of this report to DOD for review and comment. In its written comments, DOD partially concurred with the recommendation to utilize comprehensive and up-to-date furlough cost-savings information as it becomes available in the event that DOD decides to implement another administrative furlough in the future. DOD’s comments are summarized below and reprinted in appendix IV.

In its written comments, DOD did not elaborate on why it partially concurred with the recommendation. DOD stated that it had several concerns with the findings in the report. The department stated that important contextual information regarding the size of the total force was not included in the draft report and elaborated on reasons for growth in the civilian workforce after the events of September 11, 2001. DOD stated that without context, readers may believe that the DOD civilian workforce is not thoughtfully and purposefully sized. However, we disagree with DOD’s characterization of the draft report. The draft report states that DOD’s civilian personnel are critical to achieving the department’s missions by performing a wide variety of duties, and the report acknowledges that civilians have expanded their responsibilities. Further, the focus of this report was not on DOD’s total workforce management but how DOD planned for, implemented, and monitored furloughs of its civilian workforce to include any challenges the department faced in its implementation and cost savings realized. Nonetheless, we have conducted assessments of DOD’s strategic workforce plans since 2008, and our body of work has found that DOD’s efforts to address strategic workforce planning requirements, including assessing the appropriate mix of civilians, military and contractor personnel, have been mixed. For example, in our most recent report in September 2012, on the department’s overall civilian strategic workforce plan, we recommended that DOD take a number of actions, including providing guidance for developing future strategic workforce plans that clearly directs the functional communities to collect information that identifies not only the number or percentage of personnel in its military, civilian, and contractor workforces, but also the capabilities of the appropriate mix of those three
workforces. DOD either concurred or partially concurred with our recommendations, stating that, among other things, the department was deliberate in applying lessons learned from previous workforce plans and identifying specific challenges and the actions being taken to address those challenges to meet statutory planning requirements by 2015. Our review on DOD’s latest strategic workforce plan will be issued in July 2014.

Although DOD did not specifically state in its letter why it partially concurred with the recommendation, DOD provided comments related to the recommendation, and we have addressed them throughout the report as appropriate. However, we disagree with two of DOD’s specific comments as discussed below:

- DOD commented that we should delete the report’s discussion regarding DOD being placed on our High Risk List because of financial management weaknesses that affect its ability to control costs; ensure accountability; anticipate future costs and claims on the budget; detect fraud, waste, and abuse; and prepare auditable financial statements. DOD stated in its comments that this paragraph “is unrelated to this report on administrative furloughs.”

  We disagree. We believe that having accurate financial information is not only related but very important to the report on administrative furloughs. Specifically, DOD made the determination to furlough civilians in response to budgetary shortfalls, which was part of a larger effort to achieve specific funding reductions resulting from sequestration. This decision affected its approximately 770,000 civilian workers—which included 642,404 civilians being furloughed for 6 days and 142,602 civilians being excepted. We believe that when making decisions with the goal of reaching a financial target that negatively affects so many people—including a 20 percent reduction in pay for 6 weeks—DOD’s ability to accurately account for spending or assets is an important factor related to this report. Further, in DOD’s comments, it states that it could not track cost savings in real time due to system and process limitations. We believe that this further illustrates the relevance of having accurate, complete, and timely financial information available to make management decisions.

- DOD commented that we misrepresented information regarding DOD’s cost savings estimates and recommended alternative
language for the report. Specifically, DOD stated that it excluded employees categorized as exempt from the cost savings estimate of $2.1 billion provided to Congress as well as the known exceptions as part of the per day cost projection developed using March payroll data. Similarly, DOD commented that the report misrepresented information provided during various meetings. We disagree.

We disagree with DOD’s characterization of our report. Our report accurately reflects information included in DOD’s documents related to how it calculated its estimated furlough savings and associated documentation it provided to Congress. As we stated in the report, DOD calculated a cost estimated savings of $300 per person per day and used this estimate in discussions including the initial decision to furlough until it decided to reduce the number of furlough days from 11 to 6 days even though additional information was available regarding which civilians DOD excepted, as the exceptions decision was made 3 months earlier. However, DOD did not initially include or update the estimated savings per person per day of $300 to account for the 142,602 civilians that were excepted from the furlough. These civilians excepted from the furlough represent approximately 18 percent of the total civilian workforce. To calculate the estimated cost savings as a result of the civilian workforce furlough, DOD multiplied the estimated number of civilians to be furloughed by the estimated savings of $300 per person per day. While DOD did adjust the numbers of civilians it included in its calculated cost savings, it never adjusted the per person per day estimate of $300 to account for the 18 percent of the civilian workforce excepted from the furlough. Further, as we state in the report, should DOD need to furlough civilians in the future, the incorporation of information as it becomes available would better inform decision makers because actions taken regarding DOD’s civilian workforce affects approximately 770,000 civilians.

We are sending copies of this report to other interested congressional parties; the Secretary of Defense; the Secretaries of the U.S. Army, the U.S. Navy, and the U.S. Air Force; and, the Commandant of the U.S.

40 Appropriated funds workforce
Marine Corps. In addition, this report will be available at no charge on the GAO website at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-3604 or at farrellb@gao.gov. Contact points for our Office of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix V.

Brenda S. Farrell
Director
Defense Capabilities and Management
List of Committees

The Honorable Carl Levin
Chairman
The Honorable James Inhofe
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Howard P. “Buck” McKeon
Chairman
The Honorable Adam Smith
Ranking Member
Committee on Armed Services
House of Representatives
This report: (1) examines how the Department of Defense (DOD) implemented its civilian workforce furloughs and any reported cost savings, (2) examines the extent to which DOD utilized up-to-date cost-savings information in the planning and implementation of civilian workforce furloughs, and (3) identifies any reported examples of impacts that resulted from the DOD civilian workforce furloughs.

To address how DOD implemented its civilian workforce furlough, we obtained and analyzed information and interviewed knowledgeable officials from the Under Secretary of Defense (Comptroller) (hereafter referred to as Office of the Comptroller), the Under Secretary of Defense for Personnel and Readiness, and the Departments of the Army, Navy, and Air Force. We obtained and analyzed guidance and policy documents outlining the furlough decision and subsequent reduction in the number of administrative furlough days. The guidance and policy documentation included the numbers of civilians furloughed, the categorical exceptions granted, and the numbers of civilians provided exceptions. In addition, we examined guidance outlining the decisions directly related to the decision to implement a furlough as well as guidance imposing limitations on utilizing other personnel within the department to augment the civilian workforce during the furlough. We also reviewed the Office of Personnel and Management’s (OPM) Guidance for Administrative Furloughs, June 10, 2013, and prior GAO reports on sequestration and furloughs within the federal government, including GAO’s reports on the 2013 sequestration and DOD’s implementation of the sequestration.

To understand how the civilian workforce furlough was implemented at a local level, we conducted site visits of a selected shipyard, a medical facility providing 24-hour support, and an air operations center. Specifically, we visited Norfolk Naval Shipyard, Brooke Army Medical Center at Fort Sam Houston, and Air Mobility Command at Scott Air Force Base. These sites were selected on the basis of the Secretary of Defense memorandum outlining categories of exceptions to the furlough, DOD statements about potential sequestration impacts, and mission-
critical occupations as outlined in DOD’s Strategic Workforce Plan. We developed a standard set of interview questions to use in discussions with officials at selected sites regarding what policy and guidance was generated and how the furlough was implemented, such as information about employee furlough notification and scheduling of furlough days, among other things. Information from these sites is not generalizable, but provides examples of how the furlough was implemented at these locations.

To examine any reported cost savings that resulted from the DOD civilian workforce furloughs, we obtained and analyzed information and interviewed officials from the Office of the Comptroller regarding DOD’s calculations of the actual cost savings as a result of the administrative civilian workforce furlough. We assessed DOD’s methods for calculating actual cost savings for the furlough; however, we did not independently verify these calculations. The cost savings were calculated from the civilian pay from those who were furloughed and did not account for other costs from implementing the furlough, such as administrative costs.

To determine the extent to which DOD utilized up-to-date cost savings information in the planning and implementation of civilian workforce furloughs, we obtained and analyzed information and interviewed officials from the Office of the Comptroller regarding how the department calculated the estimated cost savings for the furlough of civilian personnel in fiscal year 2013. We examined DOD’s methods for calculating estimated cost savings for the furlough; however, we did not independently verify the accuracy of these calculations. We also reviewed Standards for Internal Control in the Federal Government for best practices on using information in decision-making processes.

To identify any reported examples of impacts that resulted from the DOD civilian workforce furloughs, we obtained and analyzed information and interviewed knowledgeable officials at each of these sites—Norfolk Naval Shipyard, Brooke Army Medical Center at Fort Sam Houston, and Air Mobility Command at Scott Air Force Base. We developed a standard set of interview questions to use in discussions with selected site officials regarding any impacts from the furlough in areas such as morale, guidance, communication, and mission, among other things. Information from these sites is not generalizable, but provides examples of impacts of the furlough reported at these locations. We also reviewed the results of OPM’s 2013 Federal Employee Viewpoint Survey for DOD. While not specifically addressing sequestration, the survey captures employees’ general perceptions in areas including their work experiences and their
Agency that could be affected by sequestration. To assess the reliability of the survey data, we reviewed reports and other descriptions of the survey methodology available on the OPM website: http://www.fedview.opm.gov/2013/.

To analyze workforce and turnover trends from fiscal year 2009 through 2013, we used OPM’s Enterprise Human Resources Integration Statistical Data Mart (EHRI-SDM), which contains personnel action and on-board data for most federal civilian employees. We analyzed agency-level EHRI-SDM data for all DOD departments (Army, Navy, Air Force, and other DOD agencies). We focused on career permanent employees in our analysis of on-board and separation trends because these employees represent the long-term employee population and constitute most of the workforce. To calculate attrition rates, we added the number of career permanent employees with personnel actions indicating they had separated from one of the DOD departments (for example, transfers, resignations, retirements, terminations, and deaths) and divided that by the 2-year on-board average. We assessed the reliability of the EHRI data through electronic testing to identify logical inconsistencies, and followed up with DOD, where necessary, to understand these issues. We also reviewed our prior work assessing the reliability of these data. On the basis of this assessment, we believe the EHRI data we used are sufficiently reliable for the purpose of this report. Further, we interviewed officials and obtained information from the Merit Systems Protection Board on the appeals adjudication process and the status of appeals filed by DOD civilians regarding the furlough in fiscal year 2013.3

We conducted this performance audit from July 2013 to June 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

3We previously reported that government-wide data from CPDF were 96 percent or more accurate. See GAO, OPM's Central Personnel Data File: Data Appear Sufficiently Reliable to Meet Most Customer Needs, GAO/GGD-98-199 (Washington, D.C.: Sept. 30, 1998). Also, in a document dated February 28, 2008, an OPM official confirmed that OPM continues to follow the Central Personnel Data File data-quality standards and procedures contained in our 1998 report.
Appendix II: Department of Defense (DOD) Exceptions Granted to the Civilian Workforce in a May 14, 2013 Memorandum

In order to minimize adverse effects on mission, the Secretary of Defense memorandum issued on May 14, 2013,\(^1\) granted exceptions to the furlough. Below are the categories of exceptions outlined in the Secretary’s memorandum:

- **Combat Zone:** All employees deployed (in a Temporary Duty status) or temporarily assigned (to include Temporary Change of Station) to a combat zone.\(^2\)

- **Safety of Life and Property:** Those employees necessary to protect safety of life and property, including selected medical personnel. The exceptions were to be granted with the understanding that these were the minimum exceptions needed to maintain operations and provide security on a 24/7 basis. Similarly, the exceptions for the medical category were to be approved with the understanding these exceptions preserve the minimum level of personnel needed to maintain quality of care in 24/7 emergency rooms and other critical care areas such as behavioral health, wounded warrior support, and disability evaluation.

- **Shipyards:** Employees in Navy shipyards. All other depot employees, whether mission-funded or working capital fund employees, were subject to furlough.\(^3\)

- **Intelligence:** Furloughs for employees funded with National Intelligence Program funds were determined by the Director of

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\(^1\) Secretary of Defense Memorandum, *Furloughs* (May 14, 2013).

\(^2\) Combat zone is defined as those locations listed as combat zones in Executive Orders 12744, 13119, or 13239, and locations where military personnel are eligible for combat-zone tax benefits under law or because DOD has certified that they are providing direct support to military operations.

\(^3\) In response to congressional inquiry regarding the furlough of working capital fund employees, the Under Secretary of Defense (Comptroller), in a letter dated July 5, 2013, addressed to Congressman Derek Kilmer, responded that working capital fund employees were furloughed based on reduced funding and reduced maintenance workloads resulting from reductions in funding. According to DOD’s letter, furloughing indirectly funded government employees was expected to result in a significant reduction of personnel costs to help offset sequestration reductions.
National Intelligence. Employees funded with Military Intelligence Program funds were subject to furlough.

- Foreign Military Sales: Foreign Military Sales employees whose positions were exclusively funded from Foreign Military Sales Administrative case funds, Foreign Military Sales case funds, and from Foreign Military Financing accounts. In addition, the Foreign Military Sales case-funded positions funded in whole or part by DOD appropriations (to include “pseudo–Foreign Military Sales” cases) were subject to furlough.

- All individuals appointed by the President, with Senate confirmation, who were not covered by the leave system in title 5, U.S. Code, chapter 63, or an equivalent formal leave system.

- All employees funded by nonappropriated funds (regardless of source of nonappropriated funding).

- All outside-the-contiguous United States foreign national employees.

- Any employees who were not paid directly by accounts included in the Department of Defense–Military budget, such as employees funded by the Arlington National Cemetery and DOD Civil Works programs.

- The exception for Child Development Centers was granted with the understanding that this was the minimum level needed to maintain accreditation and maintain high-quality care for children in military families. Some Department of Defense Education Activity employees, while not excepted from furlough, may have only been furloughed.

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4On May 15, 2013, the Director of National Intelligence issued a statement announcing that civilians funded with National Intelligence Program funds were not subject to furlough.

5Non-appropriated-fund employees are not covered by the requirements and procedures applicable to furloughs of appropriated-fund employees under fiscal year 2013 sequestration. However, non-appropriated-fund employees may be furloughed under DOD non-appropriated-fund and component policies and procedures for business-based reasons.
• When they were in a pay status. Therefore, they were only subject to furlough for up to 5 days at the beginning of the 2013 school year.⁶

• The Secretaries of the military departments and the Principal Staff Assistants for the defense agencies and field activities, may have approved up to 50 additional individual, mission-based, exceptions as needed.

⁶On August 6, 2013, the Secretary of Defense issued a memorandum entitled Reducing Furlough Days, which reduced the number of furlough days from 11 to 6 days for most civilians. This action also cancelled furloughs for Department of Defense Education Activity instructional and support staff on 10-month contracts, and required new hires whose furlough period began after July 8, 2013, to take 2 furlough days per pay period between their furlough start date and August 17, 2013.
In examining the attrition rate for on-board civilian medical officers and nurses at Army Medical Command between fiscal years 2009 and 2013, we found that the attrition rate of on-board civilian nurses and medical officers at Army Medical Command peaked in fiscal year 2011 at 22 percent and rose again in fiscal year 2013 to 14 percent after declining in 2012, compared to a 10 to 11 percent attrition rate in fiscal year 2009 (see fig. 2 below). Many factors can affect attrition which may be unrelated to job satisfaction and events such as the furlough. For example, according to Army Medical Command officials, the command was affected by the 2005 Base Realignment and Closure process, the deadline for completion of which was in September of fiscal year 2011. The Base Realignment and Closure Commission’s recommendations included transferring personnel from Walter Reed Army Medical Center and Belvoir Army Community Hospital to the purview of what is now Defense Health Agency’s National Capital Region Medical Directorate.

Figure 2: Army Medical Command Attrition Rates from Fiscal Year 2009 to Fiscal Year 2013

Note: Information is based on the 2-year, on-board average of career permanent, civilian medical officers and nurses in Army Medical Command with any type of separation. This information does not include transfers within a department; however, it does include transfers from one department to another. Therefore, such interdepartment transfers would not result in a loss to the Department of Defense (DOD) as a whole, though they do count as attrition as the actions are recorded as separation actions within the Office of Personnel Management’s Enterprise Human Resources Integration data. Percentages have been rounded to the nearest whole number.
In further examining attrition rates across the DOD components between fiscal years 2009 and 2013, we found the Army overall experienced a similar peak in attrition rates in 2011, at 11 percent. In addition, the Air Force’s attrition rates peaked in fiscal year 2012 (9 percent), with the Navy’s attrition rates increasing between fiscal years 2010 and 2011 (from 6 to 7 percent). Overall, during fiscal year 2013, DOD components had an attrition rate between 7 percent and 9 percent of on-board civilian employees, compared to an attrition rate between 6 percent and 8 percent in 2009; see figure 3 below.

Figure 3: DOD Component Attrition Rate from Fiscal Year 2009 to Fiscal Year 2013

Note: Information is based on the 2-year, on-board average of career permanent, DOD civilian employees with any type of separation from the Army, Navy, Air Force, or DOD agency. This information does not include transfers within a department; however, it does include transfers from one department to another. Therefore, such inter-department transfers would not result in a loss to the Department of Defense (DOD) as a whole, though they do count as attrition as the actions are recorded as separation actions within the Office of Personnel Management’s Enterprise Human Resources Integration data. Percentages have been rounded to the nearest whole number.
Appendix IV: Comments from the Department of Defense

Ms. Brenda Farrell  
Director, Defense Capabilities and Management  
U.S. Government Accountability Office  
441 G Street, N.W.  
Washington, DC 20548

Dear Ms. Farrell,

This is the Department of Defense (DoD) response to the GAO Draft Report, GAO-14-529, “Sequestration: Comprehensive and Updated Cost Savings Would Better Inform DOD Decision makers if Future Civilian Furloughs Occur” dated May 6, 2014 (GAO Code 351837). The Department appreciates the opportunity to review and comment on this draft report, and has several concerns with the findings.

First, important information regarding the size of the total force that now appears on page 5 of the draft report is not included. Without context, we are concerned that readers are likely to perpetuate the common misconception of some that the Department’s workforce is not thoughtfully and purposefully sized. We would recommend the below in whole or part to add context:

The Department’s mission/workload has grown since September 11, 2011, with a commensurate growth in the workforce. An increase to the number of government civilians freed up military personnel for post 9/11 duty – this was a then Secretary of Defense Rumsfeld led effort related to “relieving stress on the force.” From 2001 to 2011, active military grew from 1,451,000 to 1,501,000 (50 thousand) and civilians grew from 687,000 to 807,000 (120 thousand.) More than 40% (50 thousand) of the growth in civilians supported the war requirements by converting functions from military to civilian performance. This conversion refocused the military force on military essential operational roles and civilians on supporting functions and was more cost effective than continued military performance. Without this conversion, the growth in military would have been twice the actual amount (7%) while civilian growth would have been lower (10%).

During this period two additional initiatives drove increases in the civilian workforce. Under then Secretary of Defense Gates, about 20,000 civilians were added to the acquisition workforce, supporting specific efforts to improve the Department’s acquisition performance and create the Defense Acquisition Workforce Development Fund (DAWDF). The DAWDF was established by the FY 2008 National Defense Authorization Act to recruit, train and retain the highest quality acquisition personnel. The Congress and the acquisition community have supported this increase because the resulting acquisition savings far outweigh the increase in personnel costs. The second initiative involved in-sourcing, a major initiative under the Obama Administration, using DoD civilians to perform functions then being done by contractors. In-
sourcing added 17,000 civilians to cut costs and minimize the chances that contractors were performing inherently governmental tasks. In addition to these three larger initiatives, the Department added civilians in certain functional areas to support the warfighter and meet strategic requirements. Two of the larger growth areas included medical support (7,000) and cyber protection (8,000).

With regard to the recommendation offered by the GAO, the Department provides the following:

**RECOMMENDATION:** To help ensure DOD is better informed in its decision making processes, we recommend that the Secretary of Defense direct the Under Secretary of Defense (Comptroller) and the Under Secretary of Defense for Personnel and Readiness to utilize comprehensive and up-to-date furlough cost savings information as it becomes available in the event that DOD decides to implement another administrative furlough in the future.

**DoD RESPONSE:** The Department partially concurs with this recommendation. However, significant changes are needed to accurately reflect the information provided to the GAO regarding this recommendation:

a. Page 5, last sentence of the first paragraph. Insert "actual" before civilian pay.

b. Page 7, first paragraph. The paragraph should be deleted since it is unrelated to this report on administrative furlough.

c. Page 11. Table 1 should be appropriately labeled as "Number of Civilians DOD Reported Were Furloughed and Exempted from Furlough in Fiscal Year 2013, by DOD Component, as of September 30, 2013."

d. Page 14, last paragraph, first sentence. This is a misrepresentation of the facts. DoD excluded employees categorized as exempt from the cost savings estimate of $2.1 billion provided to Congress in May 2013, as well as the known exemptions of 21,792 as part of the per day cost projection developed using the March payroll data.

e. Page 15, first paragraph, first full sentence. The estimate provided in May 2013 excluded the known exemptions as well as the March 2013 estimate. Rewrite the sentence as "The estimate was developed using aggregated payroll data from Defense Finance and Accounting Service and civilian personnel data from the Defense Civilian Personnel Data System."

f. Page 17-18. Beginning on page 17, paragraphs one and two misrepresent information provided to GAO during various meetings and the exit conference. Recommended rewrite of both paragraphs is attached.

g. Page 26, Conclusions section, third sentence. Based on the comments provided in this response and item 2.e. above, GAO should strike the third sentence entirely.

h. Page 26, Conclusions section, fourth sentence. Replace section of the sentence "did not track cost savings in real time" with "could not track cost savings in real time due to system and process limitations."
Appendix IV: Comments from the Department of Defense

Should you have any questions, please contact my primary action officer Mr. Bill Mann, Chief, Staffing and Civilian Transition Programs Division, Defense Civilian Personnel Advisory Service, at 571-372-1714, or at william.mann@opms.osd.mil.

Sincerely,

[Signature]

F. E. Vollrath

Attachments
As stated
Appendix V: GAO Contact and Staff

Acknowledgments

**GAO Contact**

Brenda S. Farrell, (202) 512-3604 or farrellb@gao.gov

**Staff Acknowledgments**

In addition to the contact named above, Lori Atkinson, Assistant Director; Arkelga Braxton; Tim Carr; Grace Coleman; Cynthia Grant; Amber Lopez Roberts; Rebecca Shea; Norris “Traye” Smith; Amie Steele; John Van Schaik; and Michael Willems made key contributions to this report.
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