CIVILIAN AND CONTRACTOR WORKFORCES

Highlight: Complete Information Needed to Assess DOD’s Progress for Reductions and Associated Savings

Why GAO Did This Study
With long-term fiscal challenges likely to continue, DOD must operate strategically and efficiently, including through cost-effective management of its human capital. Section 955 of the NDAA for Fiscal Year 2013 required DOD to, among other things, develop and implement a plan to achieve savings in the total funding for civilian and contractor workforces from fiscal years 2012 through 2017.

Section 955 also includes a provision that GAO review each of the Section 955 reports DOD submits to Congress to determine whether the required savings are being achieved and whether the plan is being implemented consistently with workforce-management laws.

This report addresses the extent to which (1) DOD, as shown in its September 2014 and February 2015 reports, is meeting the requirements specified in section 955 and (2) has achieved the cost savings required under section 955 and identified the savings in these reports. GAO reviewed the two reports DOD has submitted to Congress and supporting documents and interviewed cognizant officials.

What GAO Found
The Department of Defense’s (DOD) September 2014 and February 2015 reports did not fully address most statutory requirements identified in section 955 of the National Defense Authorization Act (NDAA) for fiscal year 2013. Specifically, DOD partially addressed three statutory requirements and did not address three statutory requirements. For example, DOD’s September 2014 report to Congress partially addressed the requirement to develop and implement a plan for achieving savings by outlining reductions in its civilian and contractor workforces, but DOD does not describe a process for implementing the planned reductions. Also, DOD did not address savings the department intends to achieve through reductions in the number of military, civilian, and contractor personnel. Instead the report outlined reductions in full-time equivalent (FTE) positions, which may not equate to savings, and did not outline savings in funding for the contractor workforce beyond fiscal year 2015. Without this information, Congress has limited assurance on how the department will achieve required savings and whether the savings will be achieved in a manner that is consistent with workforce-management laws.

Moreover, according to its reports, DOD has made civilian personnel reductions; however, GAO’s analysis indicates that the reductions may not achieve the savings required by section 955, and DOD has not provided an explanation of the reasons for the projected shortfall in achieved savings in the contractor workforce. Section 955 requires DOD to achieve savings in the cost of the civilian and contractor workforces between fiscal year 2012 and fiscal year 2017 at least as large in percentage terms as the savings in military basic pay resulting from reductions in military end strength over the same period. In its section 955 reports, DOD reports on reductions to civilian FTEs, but does not report the civilian personnel savings associated with the reductions. Civilian FTEs by themselves, however, may not be reliable measures of the cost of the civilian workforce. For instance, GAO’s analysis shows that from fiscal years 2012 through 2016, civilian FTEs declined by 3.3 percent, but civilian personnel costs declined by only 0.9 percent adjusted for inflation. Because DOD’s focus has been on making and reporting on FTE reductions, DOD and Congress lack information on the extent to which the reductions will achieve savings, and DOD may risk falling short of the statutory requirement for cost savings in the civilian workforce. In addition, in its fiscal year 2016 budget, DOD shows a planned increase in spending on the contractor workforce that, if carried out, will mean that about half the reduction to contractor workforce spending that DOD has identified as its goal through fiscal 2017 remains to be achieved. Further, GAO’s analysis shows that DOD would need to reduce its spending on the contractor workforce by about $4.1 billion from fiscal year 2012 through fiscal year 2017 in order to match the approximately 7.0 percent reduction in military average strength over the same period. DOD has not provided an explanation of the reasons for the shortfall as required by section 955, in part because complying with other statutory requirements has been a main focus of DOD’s efforts to limit spending on the contractor workforce. Without this information, it is uncertain whether DOD will achieve the required section 955 savings in contractor spending, which hinders Congress’s insight into what additional actions are required to achieve this goal.

What GAO Recommends
GAO recommends that the Secretary of Defense fully address ongoing section 955 requirements in its next two status reports to Congress. DOD generally concurred with the recommendation.