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General Accounting Office
Washington, D.C. 20548

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National Security and
International Affairs Division

B-277987

October 23, 1997

The Honorable Floyd D. Spence
Chairman, Committee on National Security
House of Representatives

Subject: Defense Acquisition Organizations: Reductions in Civilian and Military Workforce

Dear Mr. Chairman:

The fiscal years 1996 and 1997 National Defense Authorization Acts (P.L. 104-106 and P.L. 104-201, respectively) mandate the Department of Defense (DOD) to reduce its acquisition workforce. At your request, we reviewed personnel reductions in 20 acquisition organizations from the end of fiscal year 1995 through the end of the second quarter of fiscal year 1997. (See enclosure I for a listing of these organizations). Specifically, we identified the (1) extent reductions in the 20 organizations met legislative requirements, (2) number of civilians leaving the acquisition organizations but currently employed in other DOD organizations, and (3) occupational fields with the largest concentration of reductions. We also compared trends in DOD's contracting activity from fiscal year 1994 to 1996 with the occupational fields most affected by the reductions and identified DOD's efforts to redefine its acquisition workforce.

This letter is an interim response to provide the Committee with preliminary information. We are not drawing conclusions or making specific recommendations based on the data at this time. A final report addressing these and other issues, as requested, will be issued later.

BACKGROUND

The National Defense Authorization Act for Fiscal Year 1996, among other things, required the Secretary of Defense to reduce the number of personnel (civilian and military) in acquisition organizations (as defined in DOD Instruction 5000.58, dated January 14, 1992) during fiscal year 1996 by 15,000 less than the total number of such personnel as of October 1, 1995. The National Defense Authorization Act for Fiscal Year 1997 expanded on these acquisition workforce reductions, requiring that by October 1, 1997, the number of acquisition personnel be reduced by an overall

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total of 30,000 below the level as of October 1, 1995. Excluded from the reductions, however, are "personnel who possess technical competence in trade-skill maintenance and repair positions involved in performing depot maintenance functions."

The 1996 act further required that the Secretary submit a plan on how to restructure current DOD acquisition organizations in a manner that would enable the Secretary to reduce the number of military and civilian personnel assigned to or employed in DOD acquisition organizations (as defined by the Secretary) by 25 percent over a 5-year period beginning on October 1, 1995.

SUMMARY

The legislative mandates of fiscal years 1996 and 1997 to reduce the acquisition workforce allow the Secretary of Defense wide latitude in implementing those cuts. According to Defense Manpower Data Center (DMDC) data, DOD has exceeded the requirements to reduce its acquisition workforce by 30,000. If current trends in workforce reductions continue, it appears that DOD will also achieve an overall acquisition workforce personnel reduction of 25 percent (94,400 of 377,600) by the end of fiscal year 2000, consistent with its congressionally required plan.

Most of the downsizing was achieved through reductions in personnel, but a significant portion was also attained through DOD's streamlining efforts that resulted in disestablishing the Army Information Systems Command (AISC) and distributing the majority of its personnel into a nonacquisition organization (i.e., outside of the purview of DOD Instruction 5000.58). These efforts also redirected some personnel to other DOD organizations. Of approximately 40,000 civilian personnel reductions, about 9,000 (roughly 22 percent) persons remain employed in other DOD organizations. A review of reductions by occupational series shows that the largest concentrations were in the following occupational fields: Electronics Engineering, Secretary, Computer Specialist, Contracting, Management Analyst, and Administrative. By contrast, DOD's contract awards for services rose steadily for fiscal years 1994 to 1996 for most of the functions normally done by personnel in these occupational fields. DOD is currently developing a methodology for redefining its acquisition workforce.

REDUCTIONS IN DOD'S ACQUISITION WORKFORCE EXCEED REQUIREMENTS

According to DMDC data, DOD has reduced its acquisition workforce by 50,334 or 20,334 more than required (see table 1). If current trends in workforce reductions continue, it appears that DOD will also achieve an overall acquisition workforce personnel reduction of 25 percent (94,400 of 377,600) by the end of fiscal year 2000,

consistent with its congressionally required plan. By the end of the second quarter of fiscal year 1997, DOD has accomplished 54 percent (50,334) of the required reductions. If DOD continues to streamline, consolidate organizations, and reduce personnel at approximately the same rate, it could actually achieve its target reduction well before fiscal year 2000. However, DOD does not expect that this rate will continue throughout the next 3 years.

While most of the reductions identified in table 1 were achieved through actual personnel reductions, a significant portion was also attained through DOD's streamlining efforts that resulted in disestablishing AISC. According to DOD officials, the majority of AISC's personnel (which consisted primarily of military personnel) were transferred to the Army Forces Command, a nonacquisition organization. The remaining personnel (mostly civilian) were transferred to the Army Materiel Command, an acquisition organization.

Table 1: Overall Changes (Civilian and Military) in DOD's Workforce in Acquisition Organizations (End of Fiscal Year 1995 - End of the 2nd Quarter 1997)

Organization	FY 1995	FY 1996	FY 1997 (as of March 31, 1997)	Change FY95-97	Percentage change FY95-97
Undersecretary of Defense (Acquisition)	541	602	577	36	6.7
Army Information Systems Command	16,708	15,993	537	-16,171	-96.8
Army Materiel Command	59,324	54,796	54,338	-4,986	-8.4
Army Strategic Defense Command	1,029	1,015	1,005	-24	-2.3
Army Acquisition Executive	2,611	2,542	2,562	-49	-1.9
Total Army	79,672	74,346	58,442	-21,230	-26.7
Assistant Secretary of the Navy (Research, Development, and Acquisition)	121	118	116	-5	-4.1
Naval Sea Systems Command	34,482	32,635	31,568	-2,914	-8.5
Naval Air Systems Command	25,544	23,910	20,697	-4,847	-19.0
Naval Supply Systems Command	14,528	14,021	11,942	-2,586	-17.8
Naval Facilities Engineering Command	22,421	21,823	20,669	-1,752	-7.8
Office of the Chief of Naval Research	4,274	4,180	4,061	-213	-5.0
Space and Naval Warfare Systems Command	6,959	6,711	6,534	-425	-6.1
Navy Strategic Systems Program Office	5	5	4	-1	-20.0
Navy Program Executive Officers/Direct Reporting Program Manager Organization	2,777	2,909	2,957	180	6.8
Total Navy	111,111	106,312	98,548	-12,563	-11.3
Marine Corps Systems Command	752	754	743	-9	-1.2
Assistant Secretary of the Air Force (Acquisition)	485	434	420	-65	-13.4
Air Force Materiel Command	71,394	69,889	67,913	-3,481	-4.9
Air Force Program Executive Organization	52	52	49	-3	-5.8
Total Air Force	71,931	70,375	68,382	3,549	-4.9
Ballistic Missile Defense Organization	232	263	275	-43	-18.5
Defense Logistics Agency	50,660	47,417	48,237	2,423	-4.8
Depots	62,701	53,856	52,062	-10,639	-17.0
Total DOD	377,600	353,925	327,266	-50,334	-13.3

Source: DMDC.

Note: The numbers for depot personnel represent those defined by the Secretary of Defense as acquisition personnel. Excluded are personnel who possess certain trade skills involved in depot maintenance.

MANY PERSONNEL LEAVING ACQUISITION ORGANIZATIONS ARE EMPLOYED ELSEWHERE IN DOD

According to DMDC data, about 40,000 civilian personnel have left DOD's acquisition organizations since the beginning of fiscal year 1996 (see table 2). Of this number, about 9,000 (roughly 22 percent) persons remain employed in other DOD organizations. Our preliminary review indicates that the majority of these 9,000 individuals are employed in organizations not covered by DOD Instruction 5000.58. DOD stated that this redirection of personnel was beneficial to the Department in several ways because it helped to (1) avoid reductions-in-force, (2) reduce the strain on morale associated with downsizing, and (3) offset costs associated with training new personnel.

Table 2: Number of Civilian Personnel Separated from Defense Acquisition Organizations (End of Fiscal Year 1995 - End of the 2nd Quarter 1997)

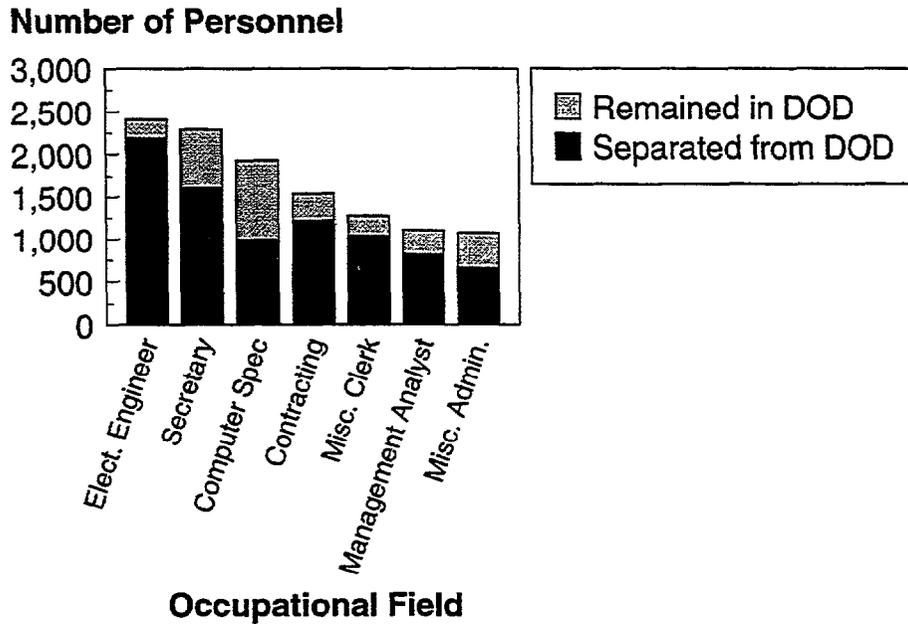
Acquisition Organization	Transferred	Left DOD	Total
Defense Logistics Agency	681	5,945	6,626
Under Secretary of Defense (Acquisition)	64	149	213
Army Information Systems Command	3,472	673	4,145
Office of Chief of Naval Research	72	446	518
Naval Air Systems Command	496	4,887	5,383
Army Strategic Defense Command	17	107	124
Naval Supply Systems Command	346	1,226	1,572
Naval Sea Systems Command	386	3,758	4,144
Naval Facilities Engineering Command	1,033	2,632	3,665
Ballistic Missile Defense Organization	14	24	38
Navy Program Executive Officer/Direct Reporting Program Manager Organization	93	207	300
Space & Naval Warfare Systems Command	132	632	764
Assistant Secretary of the Navy (Research, Development, and Acquisition)	5	6	11
Air Force Program Executive Organization	2	0	2
Air Force Materiel Command	949	4,122	5,071
Assistant Secretary of the Air Force (Acquisition)	20	41	61
Army Acquisition Executive	41	258	299
Army Materiel Command	1,174	6,008	7,182
Total	8,997	31,121	40,118

Source: DMDC.

REDUCTIONS ARE CONCENTRATED IN SEVERAL OCCUPATIONAL FIELDS

The largest concentration of personnel reductions occurred in seven occupational fields (see table 3). Table 3 also shows reductions of civilian personnel in these occupational fields who are currently employed in other DOD organizations.

Table 3: Occupational Fields Associated with Largest Concentration of Civilian Reductions (End of Fiscal Year 1995 - End of the 2nd Quarter 1997)

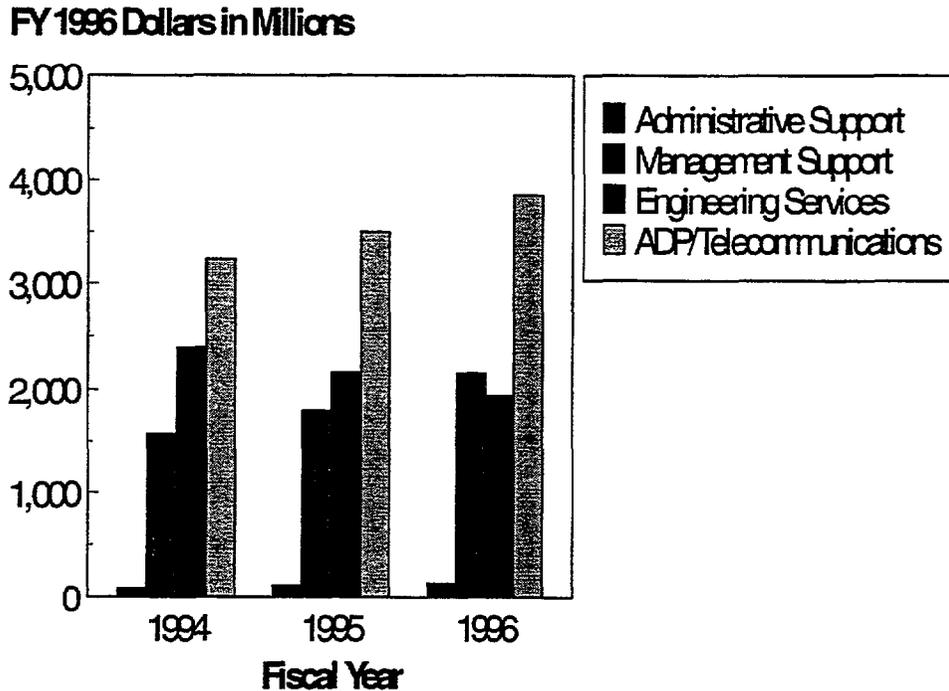


Source: DMDC.

**SUPPORT SERVICES CONTRACT AWARDS
ARE INCREASING**

Although we did not correlate specific contract awards to specific reductions in the acquisition workforce, table 4 shows that support services contract awards increased for certain occupational fields that are closely related to the occupational fields with the largest personnel reductions as identified in table 3.

Table 4: Changes in DOD Support Service Contracts Fiscal Year 1994 - Fiscal Year 1996



Source: DOD Form 350, Individual Contract Action Report.

DOD INITIATES STUDY TO REDEFINE THE ACQUISITION WORKFORCE

In response to section 906 of the National Defense Authorization Act for Fiscal Year 1996, DOD established an Integrated Product Team to redefine the acquisition workforce. To assist it in this endeavor, the Integrated Product Team has hired a consulting firm to develop a model that can be used for redefining the composition of the acquisition workforce. The model will be based on an updated version of a framework developed by the Packard Commission in the mid-1980s¹. According to DOD officials, under the new definition, the acquisition workforce is expected to include

- all personnel employed by DOD in certain acquisition occupations, such as contracting, auditing, and property disposal, wherever they are located;
- all personnel employed in certain acquisition support occupations, such as engineering, finance and accounting, mathematics and statistics, and working within acquisition organizations; and
- an appropriate share of the clerical and administrative support personnel providing direct support to the acquisition workforce.

Additionally, DOD officials told us that they plan to identify separately all DOD acquisition functions and activities wherever they are performed in the Department to improve manpower planning, oversight, and training.

AGENCY COMMENTS

We provided DOD with copies of a draft of this report for its review and comment. We met with DOD officials, including the Director of Acquisition Education, Training, and Career Development, who generally concurred with the information contained in this report. However, DOD noted that because the Department does not plan to continue the rate of reductions identified in this report it should not be used for forecasting personnel reductions. DOD's comments are presented in their entirety in enclosure II.

¹See Final Report to the President, by the President's Blue Ribbon Commission on Defense Management, June 1986.

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We are sending copies of this letter to DOD and other interested parties. If you have any questions please contact me on (202) 512-4841, or Mr. Clifton E. Spruill, Assistant Director, on (202) 512-4531, or Mr. James L. Morrison, Evaluator-in-Charge, on (202) 512-7078.

Sincerely yours,

A handwritten signature in cursive script that reads "Katherine V. Schinasi".

Katherine V. Schinasi
Associate Director,
Defense Acquisitions Issues

Enclosures

LIST OF DEFENSE ACQUISITION ORGANIZATIONS

DOD Instruction 5000.58 states that an acquisition organization is an organization, including its subordinate elements, whose mission includes planning, managing, and/or executing acquisition programs that are governed by DOD Directive 5000.1 (reference (n)), DOD Instruction 5000.2 (reference (o)), and related issuances. Specifically, these organizations are as follows (and any successor organizations of these commands):

- Office of the Under Secretary of Defense (Acquisition and Technology)
- Army Materiel Command
- Army Information Systems Command
- Army Strategic Defense Command [now Army Space and Strategic Defense Command]
- Army Acquisition Executive
- Office of the Assistant Secretary of the Navy (Research, Development, and Acquisition)
- Naval Sea Systems Command
- Naval Air Systems Command
- Naval Supply Systems Command
- Naval Facilities Engineering Command
- Office of the Chief of Naval Research
- Space and Naval Warfare Systems Command
- Navy Strategic Systems Program Office
- Navy Program Executive Officer/Direct Reporting Program Manager Organization
- Marine Corps Research, Development, and Acquisition Command [now Marine Corps Systems Command]
- Office of the Assistant Secretary of the Air Force (Acquisition)
- Air Force Systems/Air Force Logistics Commands [now Air Force Materiel Command]
- Air Force Program Executive Organization
- Defense Logistics Agency
- Strategic Defense Initiative Organization [now Ballistic Missile Defense Organization]
- Special Operations Command

We excluded the Special Operations Command from our analysis because, according to DOD acquisition officials, only 110 of the Command's 31,907 personnel are classified as acquisition personnel.

COMMENTS FROM THE DEPARTMENT OF DEFENSEACQUISITION AND
TECHNOLOGY

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

10 OCT 1997

Ms. Katherine V. Schinasi
Associate Director, Defense Acquisitions Issues
National Security and International Affairs Division
U.S. General Accounting Office
Washington, DC 20548

Dear Ms. Schinasi:

This is the Department of Defense response to the General Accounting Office (GAO) draft interim report, "Defense Acquisition Organizations: Reductions in Civilian and Military Workforce," dated September 24, 1997 (GAO Code 707254 / OSD Case 1470

The Department of Defense concurs that this report provides an interim response to the request for a review of personnel reductions in acquisition organizations. Basing its analysis on independently derived data, the report notes that the Department of Defense is on track to achieve an overall reduction in acquisition organizations of 25 percent over a five year period ending in fiscal year 2000, which is the target in the plan required by the Congress. The report documents that reductions to date exceed Congressional mandates, that many personnel who leave acquisition organizations find employment elsewhere in DoD, that reductions tend to be concentrated in certain occupations, that support-contract awards are increasing, and that DoD is redefining the acquisition workforce as called for. These are factual findings which reflect compliance and sound management of the acquisition workforce.

There is one matter of interpretation that warrants comment. On page 2 the report accurately extrapolates the rate of reduction during 1996 and the first two quarters of 1997 to state that the DoD "could actually achieve their target reduction well before fiscal year 2000." However, the Department of Defense's Congressionally required plan explicitly shows that the rate during these two years is not to continue into the final three years of the plan. While continued efficiency gains in these latter years are expected to reduce workload and to permit personnel reductions, the slope of the line flattens, because major organizational efficiencies were realized early in the plan. Therefore the straight-line extrapolation should not be used for planning purposes, to impose constraints, or for forecasting personnel reductions.

Thank you for the opportunity to comment on the GAO draft interim report.

Sincerely,

A handwritten signature in cursive script that reads "Donna S. Richbourg".

Donna S. Richbourg
Acting Deputy Under Secretary of Defense
(Acquisition Reform)

(707254)

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