

GAO

Report to the Ranking Minority
Member, Subcommittee on Readiness,
Committee on Armed Services, House
of Representatives

June 2004

DOD CIVILIAN PERSONNEL

Comprehensive Strategic Workforce Plans Needed



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Highlights

Highlights of [GAO-04-753](#), a report to the Ranking Minority Member, Subcommittee on Readiness, Committee on Armed Services, House of Representatives

Why GAO Did This Study

During its downsizing in the early 1990s, the Department of Defense (DOD) did not focus on strategically reshaping its civilian workforce. GAO was asked to address DOD's efforts to strategically plan for its future civilian workforce at the Office of the Secretary of Defense (OSD), the military services' headquarters, and the Defense Logistics Agency (DLA). Specifically, GAO determined: (1) the extent to which civilian strategic workforce plans have been developed and implemented to address future civilian workforce requirements, and (2) the major challenges affecting the development and implementation of these plans.

What GAO Recommends

GAO recommends that DOD and the components include certain key elements in their civilian strategic workforce plans to guide their human capital efforts. DOD concurred with one of our recommendations, and partially concurred with two others because it believes that the department has undertaken analyses of critical skills gaps and are using strategies and personnel flexibilities to fill identified skills gaps. We cannot verify DOD's statement because DOD was unable to provide the gap analyses. In addition, we found that the strategies being used by the department have not been derived from analyses of gaps between the current and future critical skills and competencies needed by the workforce.

www.gao.gov/cgi-bin/getrpt?-GAO-04-753.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Derek Stewart at (202) 512-5559 or stewartd@gao.gov.

DOD CIVILIAN PERSONNEL

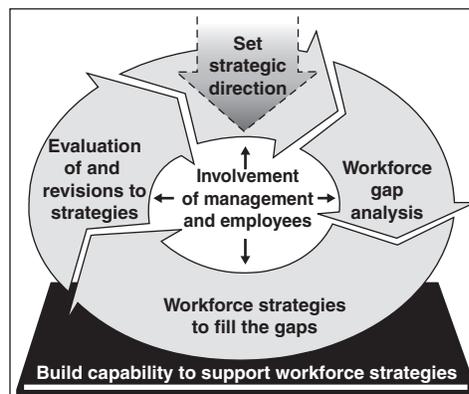
Comprehensive Strategic Workforce Plans Needed

What GAO Found

OSD, the service headquarters, and DLA have recently taken steps to develop and implement civilian strategic workforce plans to address future civilian workforce needs, but these plans generally lack some key elements essential to successful workforce planning. As a result, OSD, the military services' headquarters, and DLA—herein referred to as DOD and the components—do not have comprehensive strategic workforce plans to guide their human capital efforts. None of the plans included analyses of the gaps between critical skills and competencies (a set of behaviors that are critical to work accomplishment) currently needed by the workforce and those that will be needed in the future. Without including gap analyses, DOD and the components may not be able to effectively design strategies to hire, develop, and retain the best possible workforce. Furthermore, none of the plans contained results-oriented performance measures that could provide the data necessary to assess the outcomes of civilian human capital initiatives.

The major challenge that DOD and most of the components face in their efforts to develop and implement strategic workforce plans is their need for information on current competencies and those that will likely be needed in the future. This problem results from DOD's and the components' not having developed tools to collect and/or store, and manage data on workforce competencies. Without this information, it not clear whether they are designing and funding workforce strategies that will effectively shape their civilian workforces with the appropriate competencies needed to accomplish future DOD missions. Senior department and component officials all acknowledged this shortfall and told us that they are taking steps to address this challenge. Though these are steps in the right direction, the lack of information on current competencies and future needs is a continuing problem that several organizations, including GAO, have previously identified.

Strategic Workforce Planning Process



Source: GAO.

Contents

Letter		1
	Results in Brief	4
	Background	6
	Steps Have Been Taken to Develop and Implement Strategic Workforce Plans, but Some Key Elements Are Lacking	13
	Need for Information on Current and Future Workforce Competencies Is the Major Challenge to Effective Strategic Workforce Planning	19
	Conclusions	21
	Recommendations for Executive Action	21
	Agency Comments and Our Evaluation	22
Appendix I	Scope and Methodology	25
Related GAO Products		26
Tables		
	Table 1: Various Strategic Human Capital Management and Workforce Planning Guidance	12
	Table 2: Steps Taken by DOD and the Components to Develop and Implement Strategic Workforce Plans	14
Figures		
	Figure 1: Distribution of Civilian Employment by DOD Component, as of December 30, 2003 (655,545 Direct Hires)	8
	Figure 2: Strategic Workforce Planning Process	11

Abbreviations

DLA	Defense Logistics Agency
DOD	Department of Defense
GAO	General Accounting Office
NSPS	National Security Personnel System
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OSD	Office of the Secretary of Defense
OUSD/P&R	Office of the Under Secretary of Defense for Personnel and Readiness

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Accountability * Integrity * Reliability

United States General Accounting Office
Washington, DC 20548

June 30, 2004

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

Dear Mr. Ortiz:

The achievement of the Department of Defense's (DOD) mission is dependent in large part on the skills and expertise of its civilian workforce. DOD's civilian workforce, among other things, develops policy, provides intelligence, manages finances, and acquires and maintains weapon systems. During its downsizing in the early 1990s, DOD did not focus on reshaping the civilian workforce in a strategic manner. This downsizing has resulted in a workforce characterized by a growing gap between older, experienced employees and younger, less experienced ones. With more than 50 percent of its civilian personnel becoming eligible to retire in the next 5 years, DOD may find it difficult to fill certain mission-critical jobs with qualified personnel. The problem is exacerbated by today's emerging security threats and rapidly evolving technology. Civilian personnel have been deployed along with military personnel to participate in operations such as Iraqi Freedom, Desert Storm, Bosnia, and Kosovo. In addition, technological advances have generated the need for a DOD civilian workforce with more advanced education and greater technological skills.

DOD has undertaken several human capital reforms that will affect its future civilian workforce of approximately 700,000 personnel. One major initiative is DOD's creation of a new human capital management system, the National Security Personnel System (NSPS), which will give the department significant flexibility for creating a new framework of rules, regulations, and processes to govern the way civilians are hired, compensated, promoted, and disciplined. In addition, DOD has undertaken efforts to convert over 20,000 military positions to civilian positions in fiscal years 2004 and 2005, and more conversions are to be addressed in fiscal year 2006 and the out-years. Furthermore, DOD was granted permanent authority beginning in fiscal year 2004 to extend buyouts to as many as 25,000 civilian employees each year to downsize or restructure the workforce to meet mission objectives. For these and other human

capital reforms to have maximum effectiveness and value, it is critical that DOD engage in effective strategic workforce planning.

Leading public-sector organizations have found that strategic human capital management must be the centerpiece of any serious change management initiative to transform the culture of government agencies. Strategic workforce planning, an integral part of human capital management, helps ensure that an organization has the staff with the necessary skills and competencies to accomplish its strategic goals.¹ Critical skills are core mission and support occupations that are vital to the accomplishment of an agency's goals and objectives. Competencies are a set of behaviors that encompass knowledge, skills, abilities, and personal attributes that are critical to successful work accomplishment. They describe what employees know, what they do, and how they do it and translate into effective on-the-job performance. Strategic workforce planning is an iterative, systematic process that addresses two critical needs: (1) aligning an organization's human capital program with its current and emerging mission and programmatic goals and (2) developing long-term strategies for acquiring, developing, and retaining an organization's workforce to achieve programmatic goals. The strategic workforce planning process includes five elements used by leading public- and private-sector organizations: (1) involvement of management, employees, and stakeholders in developing, communicating, and implementing strategic workforce plans; (2) performing analyses to identify critical skill and competency gaps between current and future workforce needs; (3) developing strategies to fill these skill and competency gaps; (4) building the capability necessary to address administrative, educational, or other requirements to support workforce strategies; and (5) monitoring and evaluating progress and the contribution of strategic workforce planning efforts in achieving program goals.

In recent years, we have examined various aspects of DOD's human capital management of its civilian workforce. For example, in March 2000, we testified that a strategic approach should be used to guide DOD civilian

¹ The Government Performance and Results Act required that an agency's strategic plan cover a period of at least 5 years forward from the fiscal year in which it was submitted. We have reported that the act's strategic planning requirements provide a useful framework for agencies to integrate their human capital strategies with their strategic and programmatic planning. See U.S. General Accounting Office, *A Model of Strategic Human Capital Management*, GAO-02-373SP (Washington, D.C.: Mar. 15, 2002).

workforce management. We further testified that DOD must define the kind of workforce it will need in the coming years, develop plans for creating that workforce, and follow up with the actions and investments needed so that the right employees—with the right skills, training, tools, structures, and performance incentives—will be on hand in the years to come.² In March 2003, we reported on the department’s strategic planning efforts for civilian personnel both at DOD and selected defense components.³ In that report we recommended that the Secretary of Defense strengthen civilian human capital planning, including integration with military personnel and sourcing initiatives. DOD did not concur with our recommendation and stated that it presently has both a military and civilian plan; the use of contractors is just another tool to accomplish the mission, not a separate workforce, with separate needs, to manage. In April 2003, we issued a report on DOD’s strategic workforce planning efforts for its civilian industrial workforce.⁴ We recommended, among other things, that the Secretaries of the services and the Commandant of the Marine Corps improve the quality and comprehensiveness of the services’ workforce planning efforts for civilian industrial employees. DOD concurred with most of our recommendations and highlighted the importance the department places in human capital management.

In our 2001 High-Risk Series and Performance and Accountability Series and again in 2003, we designated strategic human capital as a high-risk area and stated that serious human capital shortfalls are threatening the ability of many federal agencies to economically, efficiently, and effectively perform their missions.⁵

² U.S. General Accounting Office, *Human Capital: Strategic Approach Should Guide DOD Civilian Workforce Management*, [GAO/T-GGD/NSIAD-00-120](#) (Washington, D.C.: Mar. 9, 2000).

³ U.S. General Accounting Office, *DOD Personnel: DOD Actions Needed to Strengthen Civilian Human Capital Strategic Planning and Integration with Military Personnel and Sourcing Decisions*, [GAO-03-475](#) (Washington, D.C.: Mar. 28, 2003).

⁴ U.S. General Accounting Office, *DOD Civilian Personnel: Improved Strategic Planning Needed to Help Ensure Viability of DOD’s Civilian Industrial Workforce*, [GAO-03-472](#) (Washington, D.C.: Apr. 30, 2003).

⁵ U.S. General Accounting Office, *High-Risk Series: An Update*, [GAO-01-263](#) (Washington, D.C.: January 2001); U.S. General Accounting Office, *Performance Accountability Series—Major Management Challenges and Program Risks: A Governmentwide Perspective*, [GAO-01-241](#) (Washington, D.C.: January 2001); and U.S. General Accounting Office, *Major Management Challenges and Program Risks: A Governmentwide Perspective*, [GAO-03-95](#) (Washington, D.C.: January 2003).

This report addresses DOD's efforts to strategically plan for its future civilian workforce at the Office of the Secretary of Defense (OSD), the military services' headquarters, and the Defense Logistics Agency (DLA). As agreed with your office, we determined (1) the extent to which civilian strategic workforce plans have been developed and implemented to address future civilian workforce requirements and (2) the major challenges affecting the development and implementation of civilian strategic workforce plans.

To determine the extent to which OSD, the military services' headquarters, and DLA (hereinafter referred to as "DOD and the components")⁶ have developed and implemented strategic workforce plans to address future civilian workforce requirements, we obtained their workforce planning documents and evaluated their strategic workforce planning efforts in terms of the five strategic workforce planning elements noted above. We tested the reliability of selected Defense Civilian Personnel Data System data used for workforce analysis and reviewed the internal controls related to the management of the system. We determined that the data were sufficiently reliable to meet our objectives. To determine what challenges affect OSD's, the service headquarters', and DLA's development and implementation of civilian strategic workforce plans, we interviewed officials and obtained, reviewed, and analyzed documentation to identify the challenges that affect planning. We conducted our review from April 2003 through June 2004 in accordance with generally accepted government auditing standards. Further details on our scope and methodology are presented in appendix I. A list of recent GAO products related to federal agencies' management of human capital is included at the end of this report.

Results in Brief

The Office of the Secretary of Defense, the military services' headquarters, and DLA have taken steps to develop and implement civilian strategic workforce plans to address future civilian workforce needs, but these plans generally lack some key elements essential to successful workforce planning. As a result, DOD and the components do not have comprehensive strategic workforce plans to guide their human capital efforts. None of the plans included analyses of the gaps between the

⁶ Throughout this report, the term "component" refers to DLA and all the services in DOD. The term "service" refers to the U.S. Air Force, the U.S. Army, the U.S. Marine Corps, or the U.S. Navy.

critical skills and competencies currently needed by the workforce and those that will be needed in the future. Analyses of gaps between critical skills and competencies are critical to mapping out the current condition of the workforce and deciding what needs to be done to ensure that the department and components have the right mix of skills and talents for the future. As a result, none of the human capital strategies contained in the strategic workforce plans were derived from such analyses. Without including analyses of gaps in critical skills and competencies, DOD and the components may not be able to design and fund the best strategies to fill their talent needs through recruiting and hiring or to make appropriate investments to develop and retain the best possible workforce. Furthermore, none of the plans contained results-oriented performance measures; that is, the plans did not reflect the measures that could provide meaningful data necessary to assess the outcomes of their civilian human capital initiatives. Without these measures, DOD and the components cannot gauge the extent to which their human capital investments contribute to achieving their organizations' programmatic goals.

The major challenge that DOD and most of the components face in their efforts to develop and implement strategic workforce plans is their need for information on current personnel competencies and those that will likely be needed in the future. This problem results from DOD and the components not having developed tools to collect and/or store, and manage data on workforce competencies. Without this information it cannot be determined whether DOD and the components are designing and funding workforce strategies that will effectively shape the civilian workforce with the appropriate competencies needed to accomplish future DOD missions. Senior department and component officials all acknowledged this shortfall and told us that they are taking steps to address this challenge. For example, in July 2003, the Army formed a working group to identify its civilian personnel competencies. In February 2004, the Navy implemented an online survey instrument to collect competency data for its civilian workforce. The Navy has also partnered with a contractor to manage its competency collection process. In July 2004, DLA plans to implement an automated skills inventory tool to capture the competencies of its current workforce. Though these are steps in the right direction, the lack of information on current competencies and future needs is a continuing problem that several organizations, including GAO, have previously identified.

We are making recommendations to the Secretary of Defense to have DOD and the components include more key elements in their civilian strategic workforce plans to help guide their human capital efforts. DOD provided

oral comments after reviewing a draft of this report, concurring with one of our three recommendations, and partially concurring with two others. In partially concurring with our recommendation to analyze and document critical skills and competency gaps between its current and future workforces, the department stated that it recently began analyses between gaps in the critical skills currently needed and those needed in the future. We cannot verify DOD's statement because DOD was unable to provide any specific documentation showing that it had performed gap analyses. Regarding gap analyses of competencies, DOD stated that the value of conducting a global gap analysis between current competencies and those needed for the future is unclear. Our recommendation did not suggest that DOD conduct a global gap analysis of competencies for its entire civilian workforce. Rather, we recommended that DOD analyze and document the gaps between current *critical* skills and *competencies* and those needed for the future workforce. In partially concurring with our recommendation to develop workforce strategies to fill identified workforce gaps in skills and competencies, the department stated that it is actively engaged in developing strategies to fill identified skills gaps and noted that its new human capital management system, the National Security Personnel System, will provide for increased personnel flexibilities designed to help support the department's strategic workforce planning efforts. The department also noted that it continues to use existing flexibilities such as recruitment and retention bonuses, and relocation allowances. In our report, we acknowledge that DOD and the components have implemented various strategies to address workforce imbalances. However, as we noted in our report, these strategies have not been derived from analyses of critical skills and competency gaps.

Background

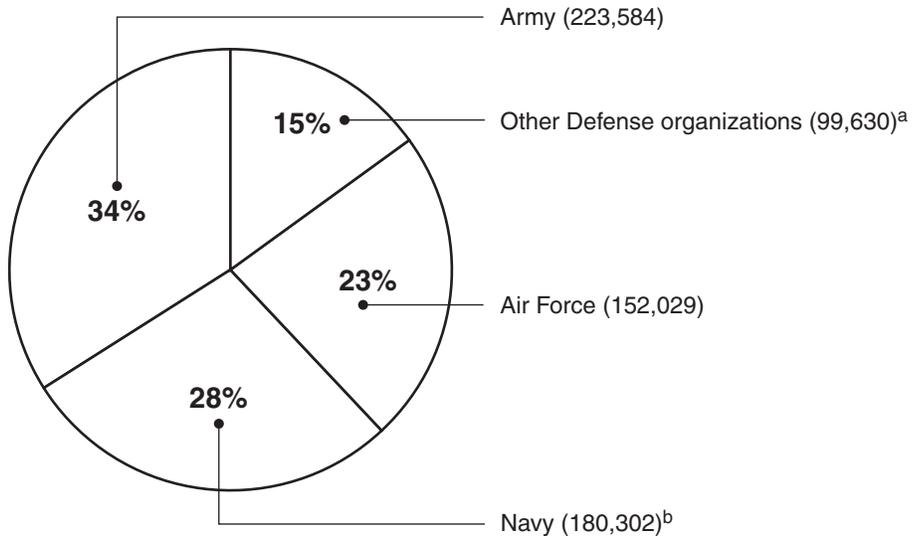
With almost 700,000 civilian employees on its payroll, DOD is the second largest federal employer of civilians in the nation, after the Postal Service. The achievement of DOD's mission is dependent in large part on the skills and expertise of its civilian workforce. DOD's civilian workforce, among other things, develops policy, provides intelligence, manages finances, and acquires and maintains weapon systems. Because of the global war on terrorism, the role of DOD's civilian workforce is expanding to include participation in combat support functions, thus enhancing the availability of military personnel to focus on warfighting duties for which they are uniquely qualified. Career civilian personnel possess "institutional memory," which is particularly important in DOD because of the frequent rotation of military personnel and the short tenure of the average political appointee.

Since the end of the Cold War, the civilian workforce has undergone substantial change, due primarily to downsizing, base realignments and closures, competitive sourcing initiatives, and DOD's changing mission. For example, between fiscal years 1989 and 2002, DOD's civilian workforce shrank from 1,075,437 to 670,166—about a 38 percent reduction.⁷ As of December 30, 2003, DOD's civilian workforce was down to 655,545 employees. DOD performed this downsizing without proactively shaping the civilian workforce to ensure that it had the specific skills and competencies needed to accomplish future DOD missions. A consequence of this lack of attention to force shaping can be seen in the age distribution of the civilian workforce in comparison to the distribution at the start of the drawdown. Today's workforce is older and more experienced, but 57 percent of the workforce will be eligible for early or regular retirement in the next 5 years.

As shown in figure 1, as of December 30, 2003, the military services employed about 85 percent of DOD's civilians; 15 percent were employed by other defense organizations.

⁷ These numbers do not include indirect-hire employees.

Figure 1: Distribution of Civilian Employment by DOD Component, as of December 30, 2003 (655,545 Direct Hires)



Sources: DOD (data); GAO (analysis).

^aOther Defense organizations include Defense agencies, DOD field activities, the Joint Chiefs of Staff, Office of the Inspector General, U.S. Court of Appeals for the Armed Forces, and the Office of the Secretary of Defense.

^bThe Department of the Navy includes Navy and Marine Corps personnel.

DOD Civilian Human Capital Reforms

DOD has undertaken several human capital reforms that will affect the future civilian workforce. In November 2003, Congress, in making authorizations for DOD, authorized the Secretary of Defense to establish a new human capital management system, the National Security Personnel System.⁸ The law granted DOD exemptions from laws governing federal civilian personnel management found in title 5 of the United States Code.⁹ Congress provided these flexibilities in response to DOD's position that the inflexibility of federal personnel systems was one of the most important constraints to the department's ability to attract, retain, reward, and develop a civilian workforce to meet the national security mission of

⁸ National Defense Authorization Act for Fiscal Year 2004, Pub. L. No. 108-136, § 1101 (codified at 5 U.S.C. § 9902).

⁹ Congress did not exempt DOD from provisions of title 5 pertaining to veterans' preference, merit systems principles, prohibited personnel practices, and equal employment opportunity.

the 21st century. The NSPS will give the department significant flexibility for creating a new framework of rules, regulations, and processes to govern the way that civilians are hired, compensated, promoted, and disciplined.

Congress also granted DOD other new personnel flexibilities, including permanent authority to extend separation incentives (commonly referred to as “buyouts”) to induce as many as 25,000 civilians to voluntarily leave federal service. These separation incentives may be used to, among other things, reshape or reduce the department’s civilian workforce. In December 2003, the Under Secretary of Defense for Personnel and Readiness authorized the military services’ headquarters and DOD components to immediately initiate buyouts as long as affected employees leave government service during fiscal year 2004.

In addition, DOD has undertaken efforts to expand the use of its civilian workforce to perform combat support functions traditionally performed by military personnel. In December 2003, the Under Secretary of Defense (Comptroller) directed the military services to convert over 20,000 military positions to civilian positions in fiscal years 2004 and 2005; more conversions are to be addressed in fiscal year 2006 and the out-years.

Strategic Workforce Planning

Studies by several organizations, including GAO, have shown that successful organizations in both the public and private sectors use strategic management approaches to prepare their workforces to meet present and future mission requirements. We have found that these organizations have used strategic workforce planning as a management tool to develop a case for human capital investments and to anticipate and prepare for upcoming human capital issues that could jeopardize the accomplishment of goals.¹⁰ Strategic human capital planning begins with establishing a clear set of organizational intents—including a clearly defined mission, core values, goals and objectives, and strategies—and then developing an approach to support these strategic and programmatic goals. Strategic workforce planning, an integral part of human capital management, requires systematic assessments of current and future human capital needs and strategies—which encompass a broad array of initiatives to attract, retain, develop, and motivate a top-quality

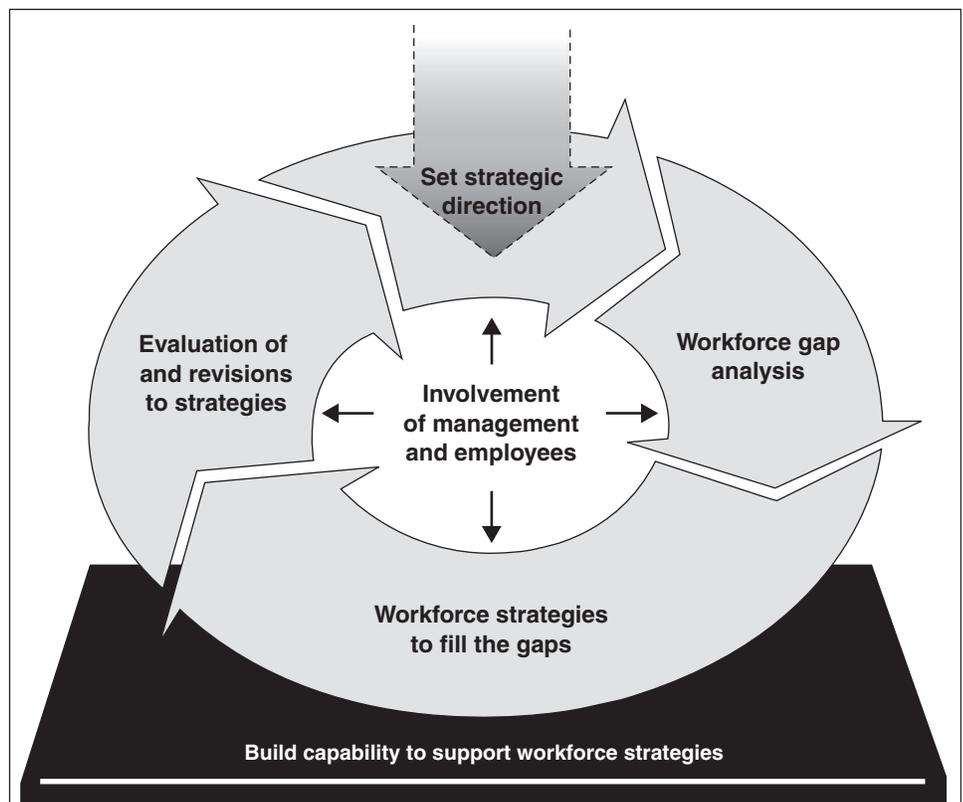
¹⁰ [GAO-02-373SP](#) and U.S. General Accounting Office, Human Capital: Key Principles for Effective Strategic Workforce Planning, [GAO-04-39](#) (Washington, D.C.: Dec. 11, 2003).

workforce—to fill the gaps between an agency’s current and future workforce needs. Approaches to such planning vary according to agency-specific needs and mission, but our work suggests that, irrespective of the context in which planning is done, such a process should address five key elements (see fig. 2):

1. *Involvement of management and employees:* Efforts that address key organizational issues, like strategic workforce planning, are most likely to succeed if, at their outset, agencies’ top program and human capital leaders set the overall direction, pace, tone, and goals of the effort, and involve employees and stakeholders in establishing a communication strategy that creates shared expectations for the outcomes of the process.
2. *Workforce gap analysis:* Identifying whether gaps exist between the current and future workforces needed to meet program goals is critical to ensuring proper staffing. The absence of fact-based gap analyses can undermine an agency’s efforts to identify and respond to current and emerging challenges. The analysis of the current workforce should identify how many personnel have the skills and competencies needed to meet program goals and how many are likely to remain with the agency over time, given expected losses due to retirement and other attrition. The characteristics of the future workforce should be based on the specific skills and competencies that will be needed. The workforce gap analyses can help justify budget and staff requests by linking the program goals and strategies with the budgetary and staff resources needed to accomplish them.
3. *Workforce strategies to fill the gaps:* Developing strategies to address any identified workforce gaps in critical skills and competencies creates the road map needed to move from the current to the future workforce. Strategies address how the workforce is acquired, developed and trained, deployed, compensated, motivated, and retained.
4. *Build-up of capability to support workforce strategies:* As agencies develop tailored workforce plans and the administrative, educational, and other requirements that are important to support them, it is especially important to educate managers and employees about the human capital flexibilities so that the flexibilities are implemented openly, fairly, and effectively.
5. *Evaluation of and revisions to strategies:* Evaluating the results of the workforce strategies and making needed revisions helps to ensure that

the strategies work as intended. A key step is developing results-oriented performance measures as indicators of success in attaining human capital goals and program goals, both short- and long-term. Periodic measurement and evaluation provide data for identifying shortfalls and opportunities to revise workforce plans as necessary.

Figure 2: Strategic Workforce Planning Process



Source: GAO.

These concepts are especially relevant in considering the human capital reforms that DOD has under way that will fundamentally change the way it manages its civilian workforce. Because DOD is one of the largest employers of federal civilian employees, how it approaches human capital management sends important signals about trends and expectations for federal employment across the government. More importantly, the role that DOD's civilian workforce plays in support of our national security makes DOD's approach to managing its people a matter of fundamental public interest.

Guidance for Managing Strategic Workforce Planning

Four agencies—GAO, the Office of Management and Budget (OMB), the Office of Personnel Management (OPM), and the Office of the Under Secretary of Defense for Personnel and Readiness (OUSD/P&R)—have developed guidance for human capital management and workforce planning. Highlights of this guidance are presented in table 1.

Table 1: Various Strategic Human Capital Management and Workforce Planning Guidance

Agency	Guidance
GAO	In March 2002, we issued an exposure draft of our model of strategic human capital management to help federal agency leaders effectively lead and manage their people. The model is designed to help agency leaders effectively use their people and determine how well they integrate human capital considerations into daily decision making and planning for the program results they seek.
OMB	In October 2001, OMB developed standards of success for strategic human capital management—one of five governmentwide reform initiatives in the President’s Management Agenda.
OPM	In December 2001, OPM released a human capital scorecard to assist agencies in responding to the OMB standards for success; later in October 2002, OMB and OPM developed—in collaboration with GAO—revised standards for success. To assist agencies in responding to the revised standards, OPM released the Human Capital Assessment and Accountability Framework.
OUSD/P&R	In April 2002, OUSD/P&R published a departmentwide strategic plan, the Civilian Human Resources Strategic Plan, to set forth its vision to design, develop, and implement human resource policies, strategies, systems, and tools to ensure a mission-ready civilian workforce.

Source: GAO.

Congress has additionally recognized the importance of workforce planning and, in 2002, added to the Government Performance and Results Act a provision requiring the Chief Human Capital Officer of each agency to prepare an annual plan that provides a description of how the performance goals and objectives are to be achieved, including the operation processes, training, skills, and technology, and the human capital, information, and other resources and strategies required to meet those performance goals and objectives.¹¹

¹¹ See Pub. L. No. 107-296, § 1311(a)(1), which rewrote 31 U.S.C. § 1115(a)(3); See Pub. L. No. 107-296, § 1311(a)(2-3), which redesignated former subsection (f) as (g) and added a new subsection (f).

Steps Have Been Taken to Develop and Implement Strategic Workforce Plans, but Some Key Elements Are Lacking

Although the DOD and the components have taken steps to develop and implement strategic workforce plans, the plans lack some key planning elements. As a result, the plans are not comprehensive. DOD and most of the components we reviewed have involved top-level management, staff, and stakeholders in the development and implementation of their strategic workforce plans; however involvement has been limited in the Navy but increasing. The strategic workforce plans have also included the identification of critical skills currently needed by the workforce and those needed in the future, as well as administrative, educational, and other requirements developed to support workforce strategies. However, the plans are not comprehensive because they lack some key elements essential for successful workforce planning. For example, the strategic workforce plans lacked analyses of gaps in critical skills and competencies, human capital strategies derived from analyses that identified such gaps, and results-oriented performance measures.

DOD and Components Have Taken Some Strategic Workforce Planning Steps

DOD and most of the components we reviewed have involved top-level management, staff, and stakeholders in the development and implementation of their strategic workforce plans. However, involvement has been limited but increasing in the Navy. The strategic workforce plans have also included the identification of critical skills currently needed by the workforce and those that will be needed by the workforce in the future, as well as agencywide plans and procedures to support workforce strategies. Table 2 provides an overview of the steps taken by DOD and the components toward developing and implementing strategic workforce plans in terms of the five key strategic workforce planning elements.

Table 2: Steps Taken by DOD and the Components to Develop and Implement Strategic Workforce Plans

Key strategic workforce planning elements	OSD	Army	Navy	Marine Corps	Air Force	DLA
Involvement of management and employees						
Top management set the overall strategic direction.	Yes	Yes	Yes ^a	Yes	Yes	Yes
Employees and stakeholders involved in developing and implementing future workforce strategies.	Yes	Yes	Yes	Yes	Yes	Yes
Communication strategy established to create shared expectations, promote transparency, and report progress.	Yes	Yes	Yes	Yes	Yes	Yes
Workforce gap analysis						
Identification of current and future critical skills.	Yes	Yes	Yes	Yes	Yes	Yes
Analysis of gaps between current and future critical skills.	No	No	No	No	No	No
Identification of current and future competencies.	No	No	No	Yes	No	No
Analysis of gaps between current and future competencies.	No	No	No	No	No	No
Workforce strategies to fill the gaps						
Strategies derived from analyses of critical skills and competency gaps.	No	No	No	No	No	No
Build capability to support workforce strategies						
Administrative, educational, and other requirements developed to support workforce strategies.	Yes	Yes	Yes	Yes	Yes	Yes
Evaluate and revise strategies						
Result-oriented performance measures established to evaluate plans.	No	No	No	No	No	No

Sources: DOD (data); GAO (analysis).

^aSubsequent to our exit conference with DOD and the components to discuss the results of our work, a Department of the Navy official provided us with a draft human capital strategic plan for the civilian workforce (*Department of the Navy Human Capital Management: An Overview, April 2004*). However, we did not have time to assess the plan because of the short period of time between the time when the draft plan was provided and the issuance of this report.

Strategic Workforce Plans Lack Some Key Elements

While DOD and the components have taken steps to develop and implement civilian strategic workforce plans, their plans generally lacked some key elements essential to successful workforce planning.

Specifically, none of the plans included analyses of gaps between the critical skills and competencies currently needed by the workforce and those that will be needed in the future. As a result, none of the human capital strategies contained in the strategic workforce plans were derived from analyses that identified gaps in critical workforce skills or competencies needed by DOD and the components to meet future strategic goals. Furthermore, none of the plans contained results-oriented performance measures. As a result, DOD and the components do not have comprehensive strategic workforce plans to guide their human capital efforts. Without comprehensive strategic workforce plans, DOD and the components may not know the competencies of the current and future staff, what gaps exist in skills and competencies, and what their workforce strategies should be. This is especially important as changes in national security, technology, budget constraints, and other factors alter the environment within which DOD operates.

Strategic Workforce Plans Did Not Analyze Critical Skills and Competency Gaps

As previously discussed, the civilian strategic workforce plans we reviewed included information about the current and future critical skills. However, none of the plans included analyses of gaps between the critical skills and competencies currently needed and those needed in the future. GAO and others have reported that it is important to analyze future workforce needs to (1) assist organizations in tailoring initiatives for recruiting, developing, and retaining personnel to meet their future needs and (2) provide the rationale and justification for obtaining resources and, if necessary, additional authority to carry out those initiatives. We also stated that to build the right workforce to achieve strategic goals, it is essential that organizations determine the critical skills and competencies—a set of behaviors that encompass knowledge, skills, abilities, and personal attributes—that are critical to successful work accomplishment. To do so, the following data are needed:

- What is available—both current workforce characteristics and future availability. This is accomplished by assessing the current workforce—defining the number and types of competencies for employees in each occupational group; determining the skill levels for each competency; and assessing how they will evolve over time, factoring in such events as retirements.
- What is needed—the critical workforce characteristics needed in the future. This is accomplished by analyzing the future workforce—developing specifications for the kinds, numbers, and location of personnel it will need to address its future challenges.
- What is the difference between what will be available and what will be needed—that is, the gap. This is especially important as changes in

national security, technology, and other factors alter the environment within which DOD and the components operate.

We reported that DOD and the four military services lacked information about their future workforce needs in a March 2003 report on strategic planning efforts for civilian personnel.¹² We pointed out that a National Academy of Public Administration study noted DOD's increasing reliance on contractor personnel, and its need for civilian personnel expertise to protect the government's interest and ensure effective oversight of contractors' work. We recommended that DOD define the future civilian workforce, identifying the required characteristics (e.g., the skills and competencies, number, deployment, etc.) of personnel needed, and determine the workforce gaps that needed to be addressed through human capital initiatives. DOD did not concur with our recommendation and stated that this action was already being accomplished through information provided to OMB and OPM for the President's Management Agenda Scorecard.¹³ However, DOD did not provide us with this information during the course of our prior review. Based on our current review of the data being supplied to OMB and OPM, we determined that the data are not sufficiently comprehensive to fully address the broader elements of workforce planning that we have endorsed to ensure that workforce data be compiled and analyzed as an integral part of the strategic workforce planning process and factored into planning for human capital initiatives.

Workforce Strategies Generally Not Derived from Analyses of Critical Skills and Competency Gaps

Though DOD and the components have implemented various strategies to address expected workforce imbalances, these strategies have not been derived from analyses of gaps between the critical skills and competencies currently needed by the workforce and those that will be needed in the future. Without analyzing critical skills and competency gaps, DOD and the components may not be able to design and invest in strategies that will effectively and efficiently transition to the future workforce they desire and need.

Applying this principle to strategic workforce planning means that agencies consider how hiring, training, staff development, performance

¹² GAO-03-475.

¹³ As part of the President's management agenda for improving government performance, OMB evaluates executive agencies, including DOD's performance in five major management categories, including human capital management.

management, and other human capital strategies can be used to close gaps and gain the critical skills and competencies needed in the future. GAO and others have reported that it is important to analyze future workforce needs to assist organizations in tailoring initiatives for recruiting, developing, and retaining personnel to meet their future needs, and to provide the rationale and justification for obtaining and targeting resources and, if necessary, additional authority to carry out those initiatives. Although not based on formal analyses of skills and competency gaps, DOD and the components have implemented various recruitment, retention, training and professional development, and compensation strategies to address workforce imbalances.

- The Army is planning to hire more entry-level professional, administrative, and technical personnel through its career intern program in preparation for expected retirements of civilians in leadership positions. In addition, it is offering bonuses for engineers, scientists, and computer specialists; accelerated promotions for engineers; permanent change-of-station moves for all interns; and in some cases, advanced in-hire pay rates. According to the Army, all of these initiatives will help grow the leaders of tomorrow, accomplish the necessary transfer of institutional knowledge, and restore a more balanced age distribution to the Army's workforce.
- The Navy (including the Marine Corps) has implemented a variety of recruitment, retention, and retirement strategies to address its aging civilian workforce. One particular strategy involves hiring retired military personnel, who are well-seasoned employees already familiar with the knowledge and skills necessary to maintain the Navy's mission.
- The Air Force has developed a strategy centered on enhancing recruitment efforts, investing in the workforce through skill proficiency training and leadership development, and establishing incentives for force shaping. As of April 2004, the Air Force had hired 1,381 interns since fiscal year 2000. According to the Air Force, the intern program is a key element of the Air Force renewal effort. In addition, the Air Force believes that force development plays a central role in creating a workforce that is ready for the challenges of its aerospace mission to ensure the orderly transfer of institutional knowledge as well as develop new skills for the aerospace mission. According to an Air Force official, in fiscal year 2002, the Air Force invested \$9 million in civilian leadership training as a direct result of its aging workforce profile.
- DLA has created a Corporate Intern Program that provides systematic training and on-the-job training work experience. DLA plans to hire approximately 150 interns per year through fiscal year 2007. According to a DLA official, 518 interns had been hired since 2000. DLA developed a Professional Enhancement Program to help high-potential employees in grades 12 to 15 to increase their knowledge and/or skills.

Strategic Workforce Plans for
Civilian Personnel Lack
Results-Oriented Performance
Measures to Monitor and
Evaluate Progress

While these strategies are important efforts to help shape DOD's and the components' future as the current workforce becomes eligible for retirement, these strategies have not been derived from analyses of gaps between the critical skills and competencies currently needed by the workforce and those that will be needed in the future. Therefore, it is unknown whether these strategies will lead to a desirable future workforce that will help attain programmatic goals.

DOD and the components have not developed results-oriented performance measures to provide a basis for evaluating workforce planning effectiveness. Thus, DOD and the components cannot gauge the extent to which their human capital initiatives contribute to achieving their organizations' missions. Performance measures, appropriately designed, can be used to gauge two types of success: (1) progress toward reaching human capital goals and (2) the contribution of human capital activities toward achieving programmatic goals. These measures can also improve the effectiveness of workforce planning strategies, the overall workforce planning process, and oversight, by identifying shortfalls in performance and other improvement opportunities, such as corrective actions that can be incorporated into the next planning cycle. Without results-oriented measures, it is difficult for an organization to assess the effectiveness of its human capital initiatives in supporting its overarching mission and goals.

DOD and the components have not defined practical, meaningful measures that assess the effectiveness of human capital management. For example, DOD's fiscal year 2003 Annual Report on civilian human resources emphasized the department's efforts to achieve activity-oriented goals, such as employee satisfaction with DOD employment, diversity in management positions, and new hire turnover rates. While this is useful for tracking DOD's progress, it does not gauge how well DOD's human capital efforts helped the department achieve its programmatic goals. As a result, the link between specific human capital strategies and strategic program outcomes is not clear.

Need for Information on Current and Future Workforce Competencies Is the Major Challenge to Effective Strategic Workforce Planning

The major challenge that DOD and most of the components face in their efforts to develop and implement strategic workforce plans is their need for information on current workforce competencies and the competencies they anticipate needing in the future. This problem results from DOD's and the components' not having developed tools to collect and/or store, and manage data on workforce competencies that are critical to successful work accomplishment. As a result, it is not clear whether they are designing and funding workforce strategies that will effectively shape the civilian workforce with the appropriate competencies needed to accomplish future DOD missions.

Effective workforce planning requires that human capital staff and other managers base their workforce analyses and human capital decisions on complete, accurate, and timely personnel data. Senior department and component officials all acknowledged this shortfall, and told us that they are taking steps to address this challenge. Though these are steps in the right direction, the lack of information on current competencies and future needs is a continuing problem that several organizations, including GAO, have previously identified.

In our March 2003 report on DOD strategic human capital management, we reported that DOD had begun adopting the Army's Civilian Forecasting System and its Workforce Analysis Support System for departmentwide use. According to DOD, those systems are still being evaluated by the Strategic Integration Division in the Civilian Personnel Management Service (CPMS) at OSD and CPMS is trying to make this software easier to use. However, the systems do not collect, store, and manage data on current and future competencies. The Army is working with OPM to link its Civilian Forecasting System and Workforce Analysis Support System to OPM's Human Resources Management database to perform competency forecasts.

In April 2001, the Army commissioned a contractor to, among other things, assist in assessing its civilian workforce and to develop new concepts for workforce planning. The contractor concluded that the Army's forecasting models are largely based on the current occupational series and grade structure and do not lend themselves to forecasting the supply of multiskilled civilians with the competencies needed in the future. The contractor recommended that the Army develop a competency-based inventory of the current workforce using, among other types of information, core and occupation-specific competencies. According to an Army official, in July 2003, the Army formed a Competency Area Review Work Group that consists of the Chief of Workforce Analyses and

Forecasting in Civilian Personnel Policy, some operations research analysts, and personnel specialists to identify the civilian personnel competencies and competency measures. According to an Army official, the group is constructing a competency database that will eventually contain competencies on all employees. By the end of July 2004, the Army will have occupational forecasts linked to competencies for a subset of the Army's workforce. In fiscal year 2005, the remaining workforce will be linked by occupation to competencies.

Like the other agencies, the Navy currently does not have the means to collect, store, and manage data on workforce competencies. In August 2000, a National Academy of Public Administration study for the Navy pointed out that strategic workforce planning should include automated tools to identify the tasks and competency requirements of its civilian workforce. In February 2004, the Navy implemented an online survey instrument to collect competency data for its civilian workforce. It has also partnered with a private-sector contractor to manage the competency collection process. The safety community of the Navy was the first to initiate the pilot. The process is the same that is being used to collect competencies for Navy sailors and officers.

The Marine Corps has collected data on workforce competencies. It has a system under development (the Civilian Workforce Development Application) that will be used to store and manage data on these competencies. The target date for completing construction of the application is July 2005.

The Air Force has identified leadership competencies for the total force (i.e., active duty military, Air National Guard, Air Force Reserves, and civilians). It has begun to develop an analytical information system—the Total Human Resource Managers' Information System—to capture occupational codes for the total force. But according to Air Force officials, the system will not collect, store, and manage data on workforce competencies.

DLA also currently lacks competency data but has included an objective in its 2002-2007 Strategic Plan to identify gaps between the workforce competencies and the skills to meet mission requirements for all DLA positions by the end of fiscal year 2007. According to a DLA official, the agency is in the process of constructing a skills management tool. With the help of a contractor, DLA plans to roll out an automated skills inventory tool (Competency Analysis Management Tool) expected in July 2004 to capture the competencies of its current workforce. The analysis tool will

be a Web-based system that employees can access and provide input regarding their proficiency levels in competencies that have been identified for the respective job families, according to a DLA official.

Conclusions

DOD's current efforts to establish a new personnel system and convert thousands of military positions to civilian positions, and permanent authority to offer annual cash buyouts to thousands of employees—when taken together—provide for wide-ranging changes in DOD's civilian personnel reforms. However, it is questionable whether DOD's implementation of these reforms will result in the maximum effectiveness and value because DOD has not developed comprehensive strategic workforce plans that identify future civilian workforce needs.

Although DOD and the components have taken steps to develop and implement civilian strategic workforce plans to address future civilian workforce needs, they generally lack some key elements essential to successful workforce planning. Because DOD and the components have not addressed all of the elements of strategic workforce planning, they do not know what gaps exist in skills and competencies; what type of recruitment, retention, and training and professional development workforce strategies should be developed and implemented to meet future organizational goals; and what competencies their staff need to do their work now and in the future. More complete information on the competencies needed for the future workforce would, for example, enhance DOD's decisions on which employees to offer cash buyouts. In addition, DOD and the components lack defined practical, meaningful measures to gauge outcomes of their workforce strategies. Without including these key elements, their civilian strategic workforce plans lack comprehensiveness and consequently, DOD's future strategic workforce plans may not result in workforces that possess the critical skills and competencies needed.

Recommendations for Executive Action

To improve the comprehensiveness of strategic workforce planning for the DOD civilian workforce, we recommend that the Secretary of Defense direct the Office of the Secretary of Defense, the military service headquarters, and the Defense Logistics Agency to build upon their strategic workforce planning efforts through the following three actions:

- Analyze and document the gaps between current critical skills and competencies and those needed for the future workforce.

-
- Develop workforce strategies to fill the identified skills and competency gaps.
 - Establish results-oriented performance measures to use in evaluating workforce planning efforts.

Agency Comments and Our Evaluation

We requested comments on a draft of this report from the Department of Defense. The Office of the Under Secretary of Defense for Personnel and Readiness provided oral comments on a draft of this report. The department partially concurred with our recommendation that it analyze and document critical skills and competency gaps between its current and future workforces. Also, the department partially concurred with our recommendation that it develop workforce strategies to address identified workforce gaps in skills and competencies. The department concurred with our recommendation that it establish results-oriented performance measures to use in evaluating its workforce planning efforts. DOD also provided technical and general comments that we have incorporated where appropriate.

DOD partially concurred with our recommendation that the department analyze and document critical skills and competency gaps between its current and future workforces. The department stated that in the first quarter of fiscal year 2004, it began analyses between gaps in the critical skills currently needed and those needed in the future, and that it supplements the analyses, as necessary, to meet emerging technologies and missions. We cannot verify DOD's statement because DOD was unable to provide any specific documentation showing that it had performed gap analyses. Regarding gap analyses of competencies, DOD stated that the value of conducting a global gap analysis between current competencies and those needed for the future is unclear, particularly as applied to over 650,000 jobs in nearly 700 occupations. Our recommendation did not suggest that DOD conduct a global gap analysis of competencies for its entire civilian workforce. Rather, we recommended that DOD analyze and document the gaps between current *critical* skills and *competencies* and those needed for the future workforce.

DOD partially concurred with our recommendation that the department develop workforce strategies to fill identified workforce gaps in skills and competencies. The department stated that it is actively engaged in developing strategies to fill identified skills gaps and noted that its new human capital management system, the National Security Personnel System, will provide for increased personnel flexibilities designed to address workforce challenges and help support the department's strategic

workforce planning efforts. The department also noted that it continues to use existing flexibilities such as recruitment and retention bonuses, and relocation allowances. In our report, we acknowledge that the NSPS will give the department significant flexibility for creating a new framework of rules, regulations, and processes to govern the way civilians are among other things, hired, compensated, and promoted. We also acknowledge that DOD and the components have implemented various recruitment, retention, training and professional development, and compensation strategies to address workforce imbalances. However, as we noted in our report, these strategies have not been derived from analyses of critical skills and competency gaps. Without such analyses, DOD and the components may not be able to design and invest in strategies will effectively and efficiently transition them to the future workforce they desire and need.

Regarding our recommendation that the department establish results-oriented performance measures to use in evaluating its workforce planning efforts, the department concurred, noting that it is committed to focusing on results and using data in evaluating workforce planning efforts.

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

If you or your staff have any questions regarding this report, please contact me at (202) 512-5559 (stewartd@gao.gov) or Sandra F. Bell at (202) 512-8981 (bells@gao.gov). Major contributors to this report were Janine Cantin, Jeanett H. Reid, Jose Watkins, Alissa Czyz, and Cheryl Weissman.

Sincerely yours,

A handwritten signature in black ink that reads "Derek B. Stewart". The signature is written in a cursive style with a large, looped initial 'D'.

Derek B. Stewart
Director, Defense Capabilities and Management

Appendix I: Scope and Methodology

To determine the extent to which civilian strategic workforce plans have been developed and implemented to address future civilian workforce requirements, we obtained and reviewed Office of Management and Budget (OMB) guidance on standards for success for strategic human capital management, and the Office of Personnel Management (OPM) Human Capital Assessment and Accountability Framework. We also obtained and reviewed civilian human capital strategic plans, workforce planning documents, and workforce analysis submitted by the Department of Defense (DOD) to OMB. We assessed the reliability of data used for the workforce analysis by (1) reviewing existing information about the system and the data produced by the system; (2) interviewing agency officials knowledgeable about the data and reviewing their responses to questions on system controls; and (3) making basic comparisons of the data with OPM's Civilian Personnel Data File's data for obvious errors in accuracy. We determined that the data were sufficiently reliable to meet our objectives. Using the workforce planning documents, we evaluated DOD's and the components' strategic workforce planning efforts in terms of five strategic workforce planning elements that we identified through our prior work in review of studies by leading workforce planning organizations that included the OPM, other U.S. government agencies, the National Academy for Public Administration, and the International Personnel Management Association. We also held discussions with the following cognizant officials to obtain their views on their strategic workforce planning efforts: the Office of the Under Secretary of Defense for Personnel and Readiness; the Army, Navy, Marine Corps, and Air Force headquarters; and the Defense Logistics Agency. Additionally, we obtained and reviewed civilian employee data and personnel retirement eligibility data from the Defense Civilian Personnel Data System.

To determine the challenges affecting the development and implementation of civilian strategic workforce plans, we interviewed officials and obtained, reviewed, and analyzed documentation to identify the types of challenges that might affect planning. We also assessed the extent to which the DOD components had efforts under way to develop and implement tools to collect, store, and manage data on workforce competencies.

We conducted our work from April 2003 through June 2004 in accordance with generally accepted government auditing standards.

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