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REPORT BY THE  
**Comptroller General**  
OF THE UNITED STATES

9904

**Evaluation Of Defense's Comments On  
A Critical Report: Were Transfers Of Army  
Pacific Support Functions Mismanaged?**

In an earlier report, ~~GAO~~ questioned the Army's retaining funded personnel spaces after support functions employing the personnel were transferred to other services, which gained new personnel spaces for the increased workloads. *were questioned*

Adding new spaces without concurrently reducing existing spaces for the Army increased recurring personnel costs by at least \$25 million, and possibly \$40 million. Defense's comments failed to change GAO's view that the increase is not justified.

The House and Senate Committees on Appropriations should ask the Secretary of Defense to show why future Defense budgets should not be reduced by at least \$25 million.

The Secretary should determine how the services are to share the budget reduction and should improve work force planning when workloads are transferred among the services.



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FPCD-79-50  
APRIL 23, 1979





COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

B-183257

Chairman, Senate Committee on Appropriations *SEN 00300*

Chairman, House Committee on Appropriations *HSE 00300*

*A previous report*

Our *DoD's* January 2, 1979, report, "Transfer of Army Pacific Support Functions Resulted in Unwarranted Personnel Costs" (FPCD-78-80) discussed unjustified recurring budget increases totaling at least \$25 million, and possibly \$40 million beginning in fiscal year 1978. The pivotal actions were:

- The Army transferred over 20 support functions, mostly on Okinawa, to the other services.
- The Secretary of Defense provided \$10 million in new personnel spaces for the services taking over the support functions.
- The Secretary also provided the gaining services an additional \$15 million to \$30 million in new personnel spaces for the transferred functions.
- The Army was not required to reduce its personnel spaces to offset the gains in spaces for the other services.

*F.P.C.* ~~We~~ *was* recommended that the Committees on Appropriations ask the Secretary of Defense to show why the fiscal year 1980 Defense budget should not be reduced by at least \$25 million. ~~We~~ *also* recommended that the Secretary take specific actions to improve Defense work force planning.

Officials in each service and the Office of the Secretary of Defense were given an opportunity to verify the accuracy of the data presented, and discussed it with us. They did not dispute the data. *However,* They emphasized in discussion and in writing that we had been provided all available data on the manpower changes resulting from the Pacific realignment program, yet they maintained *Free* our analysis was based on incomplete data.

On March 12, 1979, Defense replied to our recommendations in comments to the Senate and House Committees on Appropriations, the Senate Committee on Governmental Affairs, and the House Committee on Government Operations. We are *SEN 00600*

*HSE 01500*

pleased that Defense concurred in our recommendation to improve work force planning in the future for such realignments.

We are concerned because some of the remaining comments wander far from the specific pivotal actions discussed in ~~the~~ report and may obscure significant issues. The purpose of this report is to provide our views on Defense's comments and to reemphasize the need to eliminate the unwarranted recurring increase in resources. We do not believe Defense's comments justify changes in our recommendations. Our evaluation is in appendix I and Defense's comments are in appendix II.

Copies of this report are being sent to the Chairmen, House and Senate Committees on Armed Services; the Chairmen, House Committees on Government Operations and International Relations; the Chairmen, Senate Committees on Governmental Affairs and Foreign Relations; the Secretary of Defense; and the Director, Office of Management and Budget.

*Paul A. Atch*

Comptroller General  
of the United States

EVALUATION OF THE DEPARTMENT OF DEFENSE'S  
COMMENTS ON OUR JANUARY 2, 1979, REPORT

In 1974 the Office of Management and Budget recommended a reduction in the number of Defense support personnel in the Pacific area. In response, the Department of Defense (DOD) ordered realignments and reductions which, it reported to the Congress in 1976, resulted in \$93 million in savings available for redistribution. DOD currently estimates these savings at \$100 million (see app. II).

During these Pacific reductions, the Army proposed to completely phase out of Okinawa by transferring its remaining support functions to other services. In a series of related program budget decisions (PBDs), the Office of the Secretary of Defense (OSD) directed the transfer of the functions. Program Budget Decision 253, dated December 2, 1975, transferred over 20 support functions (see p. 4) involving 2,370 personnel spaces from the Army to the other services. Revisions 253R and 253R2 modified the initial 253 decision slightly. Subsequently, PBD 255, dated December 4, 1976, provided additional spaces requested by the services gaining the support functions.

PBDs are used to announce all budget decisions of the Secretary of Defense incident to the annual review of budgets submitted by DOD components. As such, PBDs are the decision record documents for the DOD budget.

The Air Force was responsible for preparing a coordinated DOD implementation plan for PBD 253 actions. This plan identified a requirement of 2,924 new spaces for the gaining services, or 554 more spaces than provided by the PBD. (See p. 4 for spaces for each function.) In anticipation of the implementation plan, a DOD decision (PBD 255), dated December 4, 1976, approved 588 additional positions for fiscal year 1977 (reduced to 530 positions for fiscal year 1978) to offset the difference in what PBD 253 provided and what was identified in the plan.

In addition to not justifying the need for more personnel for the gaining services, DOD planners used an incorrect base for computing the increases. Even though the Army in Japan agreed that initial Army estimates of personnel spaces reflected in PBD 253 had been understated, the planners continued to use PBD 253 as the base from which to compute increases. As a result, the DOD implementation plan initially included unnecessary increases in personnel spaces.

As an example, the Air Force reported as of August 1976 that negotiations between the Army and Air force resulted in the Army's agreement to provide 181 spaces in addition to the number provided by PBD 253. Air Force personnel, however, did not consider these additional spaces as available resources when preparing the DOD implementation plan.

In spite of the fact that the Army had agreed to release additional resources in Japan, the Acting Under Secretary of the Air Force, in December 1976, reported to the Deputy Secretary of Defense that:

"\* \* \* The Army has no assets available over and above those transferred by the PBD to satisfy the stated additional requirements of the gaining Service. Likewise, the gaining Services do not have resources available to satisfy the shortfalls identified in the functions being transferred from the Army. Consequently (DOD) must provide the additional manpower and dollar resources by separate PBD to the Services--as amendments to the October 1976 Service/Agency budget submission. \* \* \*"

Accordingly, by means of PBD 255, DOD approved recurring increases costing \$10 million in fiscal year 1978.

#### FURTHER UNSUPPORTED BUDGET INCREASES

The following table reflects the fiscal year 1978 personnel impact of the Pacific support realignments according to DOD's analysis, which we have adjusted for an Army/Navy reallocation agreement.

#### Personnel Space Increases (Decreases) by DOD Components

<u>Program budget decision, series and date</u>	<u>Army</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Air Force</u>	<u>Defense Logistics Agency</u>	<u>Total</u>
253, December 1975	-2,043	+2,849	+166	+1,003	+48	+2,023
255, December 1976		-7	+234	+309	+2 a/	+538
Army/Navy agreement dated Mar. 17, 1976	+1,868	-1,868	—	—	—	0
Total	-175	+974	+400	+1,312	+50	+2,561

a/Other PBD data indicated 588 spaces for FY 1977 which were to be reduced to 530 spaces for FY 1978.

The table shows that DOD personnel spaces increased by 2,561 under DOD decisions implementing the transfer of PBD 253 functions. DOD officials said other decisions, involving 3,763 spaces, must also be considered in analyzing the transfers. We found, however, that 2,763 of the 3,763 spaces under the other decisions did not involve the same spaces, countries, or military bases. The remaining 1,000 spaces involved the Army in Japan, but not necessarily the transferred functions. Even if all 1,000 were applied as an offset, 1,561 spaces would still be increased under these DOD budget decisions. The total increase may involve as many as 2,561 personnel spaces. Based on cost data reported for PBDs 253 and 255, the resulting budget increase is at least \$25 million, and possibly \$40 million.

VALIDATION OF ARMY RESOURCES  
PRECLUDED BY AN ARMY MORATORIUM  
ON MANPOWER SURVEYS IN JAPAN

Almost all transfers in Okinawa were from the Army to one of the other military services. The Army used estimates of its authorized personnel spaces as the basis for resources to be released for each function, but agreed to changes during negotiations with other military services. The Department of the Army, in March 1975, approved a request by its command in Japan to suspend audits of manpower requirements on Okinawa. As a result, there were no tests of the reasonableness of authorized staffing levels for at least 2 years before the transfers.

As shown in our report, we examined over 50 percent of the 2,370 personnel spaces allocated to the PBD 253 workload. The functions transferred are listed below, including the hospital, family housing, and base support functions we examined.

FUNCTIONS TRANSFERRED UNDER PROGRAM BUDGET DECISION 253,DATED DECEMBER 2, 1975, AS REVISED

<u>Function</u> <u>(note a)</u>	<u>Spaces</u> <u>provided</u> <u>by PBD 253</u>	<u>Gaining</u> <u>service</u> <u>requirement</u>	<u>Increase</u> <u>(decrease)</u>
Hospital (notes b and c)	892	919	27
Family housing (note d)	321	504	183
Base support, Camp Butler	258	311	53
Commissaries	188	206	18
Telephone exchange, Zukeran	129	143	14
Tri-service laundry	105	87	(18)
Wholesale subsistence (note e)	103	164	61
Base support, Camp Kuwae (note f)	97	149	52
Base support to Navy, Kadena	90	90	0
Wholesale subsistence (mainland Japan)	73	94	21
Telephone exchange, Makiminato	40	42	2
Fire department, Zukeran	24	26	2
Taiwan subpost (Republic of China)	14	18	4
Miscellaneous base support	12	41	29
Civilian personnel servicing	3	45	42
Kanagawa milk plant (mainland Japan) (note e)	0	56	56
Miscellaneous functions involving less than 10 personnel each (Okinawa and mainland Japan)	<u>21</u>	<u>29</u>	<u>8</u>
	<u>2,370</u>	<u>2,924</u>	<u>554</u>

a/Okinawa, Japan, unless otherwise indicated.

b/Includes 128 spaces for a medical laboratory on mainland Japan.

c/Transferred to the Navy.

d/Transferred to the Air Force.

e/Transfer incomplete at time of our review.

f/Transferred to the Marine Corps.



The haphazard management of the spaces was seen not only in the Army's moratorium on manpower surveys in Japan, but also in the gaining service's actions. Pacific Air Force officials acknowledged duplication in their justification of family housing personnel and later returned 18 of these spaces to Air Force headquarters. Defense did not, however, withdraw these spaces from the Air Force.

The Navy did not apply staffing standards in determining its requirements of 919 personnel for the hospital function. Instead, Navy officials assumed that the spaces used by the Army were justified, and they accepted all personnel authorizations released. In addition, the Navy identified 27 more spaces not released by the Army and added those spaces to the Navy requirement.

Marine Corps supervisors observed the workload at Camp Kuwae and estimated that 124 personnel were required to do the work. Formal staffing standards were not used in preparing these estimates. During negotiations on Okinawa, the Marine Corps added 25 spaces to their supervisors' estimate, for a total requirement of 149. We did not find any basis for the 25 additional spaces. The Air Force, which was originally scheduled to take over this workload, indicated a need for 139 personnel.

### CONCLUSION

We are disappointed that <sup>our</sup> most of the facts and issues summarized above were not addressed in Defense's March 12, 1979, comments. Defense's most conspicuous omission is the failure to mention that the Army was permitted to transfer the functions without the related funded personnel spaces.

Defense's discussion of what happened to total Pacific personnel strength is the result of hundreds of decisions. Our report dealt with the few decisions for managing the transfer of certain Army functions. The questions raised in our report have not been answered. Each time we looked at a portion of the functions transferred, we found carelessness and disregard for good management of personnel resources.

Defense's concurrence in our recommendation to improve work force planning in the future for such realignments seems a tacit admission that the Army transfers could have been better managed by all concerned. In our opinion, Defense's comments are not responsive to a significant problem in resource management, nor do they justify changes in our recommendations.



MANPOWER,  
RESERVE AFFAIRS  
AND LOGISTICS

ASSISTANT SECRETARY OF DEFENSE  
WASHINGTON, D. C. 20301

12 MAR 1979

Honorable Warren G. Magnuson  
Chairman  
Committee on Appropriations  
United States Senate  
Washington, DC 20510

Dear Mr. Chairman:

In accordance with section 236 of the Legislative Reorganization Act of 1970, we are providing comments on the recommendations contained in the "Report by the Comptroller General of the United States on Transfer of Army Pacific Support Functions Resulted in Unwarranted Personnel Costs," dated January 2, 1979. (FPCD-78-80, OSD Case 5066)

The Department of Defense (DoD) believes that the General Accounting Office (GAO) report significantly oversimplifies the dynamics of DoD operations by implying that four different budget decisions, over a four year period should neatly explain one of the most complex realignment actions ever undertaken in an overseas area.

It is agreed that DoD does not always have uniform workload and staffing standards to use in deciding how many people should be transferred from one Service to another for similar functions. In practice, the Department usually transfers all applicable resources to the gaining Service. Subsequent adjustments are made as needed. However, we believe that it is quite misleading to repeatedly refer to "unjustified increases" as stated in the GAO report. While the report may reasonably question whether a given increase was more or less than absolutely needed, it should recognize that the Services, and the Office of the Secretary of Defense (OSD) spent many hundreds of hours examining, explaining and justifying the transfers based on the best available information. If one Service received more resources than GAO thinks appropriate, it was not for want of intense scrutiny by the Services and OSD.

The GAO report does not clearly focus on the DoD objective behind the Program Budget Decision (PBD) documents. The objective of this multi-year effort was to reduce the Army's presence in Japan/Okinawa to only those functions and personnel needed to support the Army's actual peacetime and mobilization missions in those areas. The Army's activities, especially in the common support area on Okinawa, had built up over the

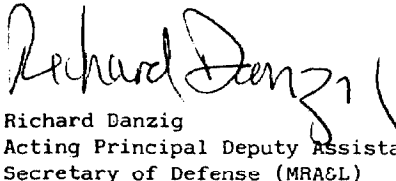
years due to the Army administration of Okinawa after World War II and the conflict in Southeast Asia. It was, therefore, essential that this presence be scaled down in the interest of economy and efficiency and as the result of the reversion of Okinawa to Japan.

Although the report does not address overall manpower in Japan/Okinawa, a reader could easily infer that the Services had more manpower in the region after realignment than before. This is simply not so. As the attached table shows, DoD decreased manpower in Japan/Okinawa by over 28,000 military and civilian personnel from end FY 1973 to end of FY 1978 (the representative period starting before the multi-year reduction effort to the date of the latest available data). This reduction represents a 29 percent decrease in total DoD personnel with the Army reduction during this period amounting to almost 72 percent. As the Army continues its phasedown in Okinawa, even more reductions are expected. A modest estimate of the savings so far is \$100 million yearly.

It is recognized that PBDs may confuse efforts to track changes over a number of budget cycles. The difficulty is caused in large measure by the fact that PBDs address only a few of the many changes which occur in DoD during any given year. In the case of PBD #s 253 and 255, the Secretary of Defense dealt solely with the changes between Services which were still in dispute after PBD #280 of the previous year. Most of the major changes within a Service, and some of the changes between Services, were not in dispute and, therefore, did not require Secretarial resolution during the budget process. In essence, most of the Pacific realignment actions were reflected in the initial submissions of the Services; they did not require subsequent Secretarial decisions and, therefore, cannot be traced through PBD documentation.

In conclusion, in our view, the multi-year DoD goal to reduce the Army's presence in Japan/Okinawa to only those essential functions needed to support their missions was accomplished at considerable dollar and manpower savings. As we advised the GAO representatives, our approach was to accomplish this main objective, and once accomplished, to have the Military Departments conduct manpower surveys in accordance with their staffing guides in order to make any necessary adjustments in staffing of those support functions involved in the realignments. This is being done. In addition, we concur in the GAO's recommendation to improve workforce planning in the future for such realignments.

Sincerely,

  
Richard Danzig  
Acting Principal Deputy Assistant  
Secretary of Defense (MRA&L)

Attachment

DOD PERSONNEL STRENGTHS IN JAPAN/OKINAWA

	<u>As of</u> <u>30 Sep 73</u>	<u>As of</u> <u>30 Sep 78</u>	<u>Difference</u>
<u>TOTAL</u>			
Military	56,240	45,939	-10,301
Civilians	40,044	22,081	-17,963
<u>(ARMY)</u>			
Military	10,360	2,702	- 7,658
Civilians	19,093	5,636	-13,457
<u>(NAVY)</u>			
Military <u>1/</u>	7,300	8,140	+ 840
Civilians <u>2/</u>	11,895	9,681	- 2,214
<u>(MARINE CORPS)</u>			
Military <u>1/</u>	22,142	21,055	- 1,087
<u>(AIR FORCE)</u>			
Military	16,438	14,042	- 2,396
Civilians	8,757	5,476	- 3,281
<u>(OTHER DEFENSE)</u>			
Civilians	299	1,288	+ 989

1/ Ashore personnel only.

2/ Includes both Navy and Marine Corps employees.

SOURCE: Summary of DOD strengths by regional area and by country—Military functions; Report #309 prepared by Directorate for Information Operations and Reports, Washington Headquarters Services, Department of Defense.

(961069)

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