

GAO

Briefing Report to the Chairman,  
Committee on Armed Services,  
House of Representatives

May 1987

# NAVY SHORE MANPOWER PROGRAM

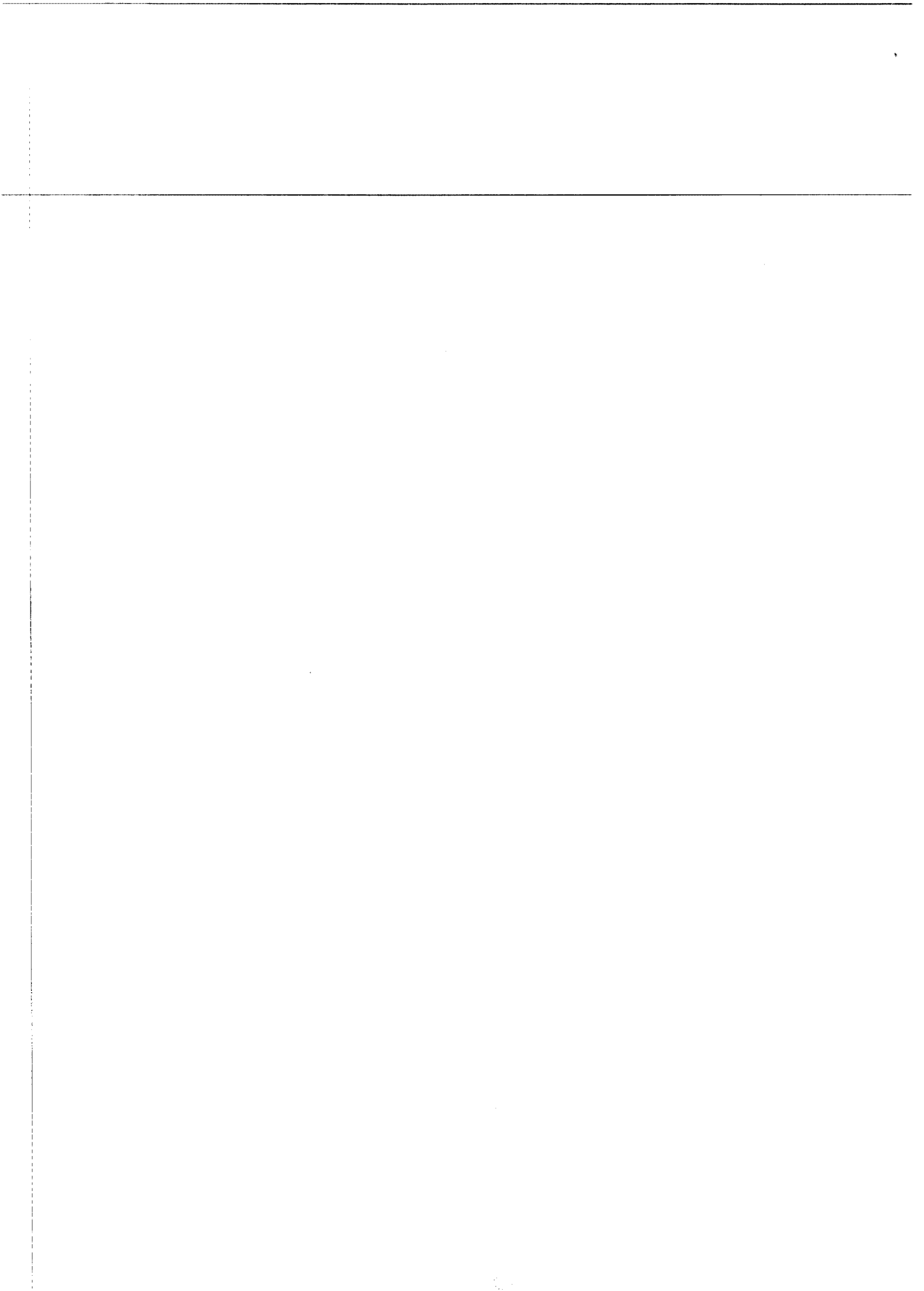
## Decision to Decentralize Needs to Be Rethought



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National Security and  
International Affairs Division

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May 11, 1987

The Honorable Les Aspin  
Chairman, Committee on Armed Services  
United States House of Representatives

Dear Mr. Chairman:

On December 4, 1986, you asked us to examine the Navy's decision to decentralize the responsibilities for the shore component of the Navy Manpower Engineering Program. Specifically, you asked us to examine

- the rationale for the program change and
- the potential effectiveness of decentralization.

The Navy's decision was not thoroughly analyzed, and it may adversely affect the Navy's ability to meet congressional directives calling for determination of manpower requirements through an effective manpower management system. Specifically, (1) the Office of the Secretary of Defense and the major Navy organizations affected by the decision were not consulted, (2) no cost-benefit studies were done and the only option considered was decentralization, and (3) the resources and management controls necessary for an effective decentralized program have not been provided. The appendix contains further details of our review.

We recommend that the Secretary of the Navy suspend the decision to decentralize manpower responsibilities for shore activities until a thorough analysis to determine the best way to organize the shore manpower program can be performed. Adoption of this recommendation would not preclude eventual implementation of a decentralized program, especially for efficiency reviews, provided adequate resources and essential management controls are in place.

This briefing report is based on reviews of documents and interviews with Navy and DOD officials. Our review was conducted from December 1986 to March 1987, in accordance with generally accepted government auditing standards. We discussed the results of our review with officials from the Office of the

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Secretary of Defense and the Office of the Secretary of the Navy. Their comments have been incorporated where applicable. As requested, we did not obtain official agency comments.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 5 days from the date of its issuance. At that time, we will send copies to the Chairmen, Senate Committee on Armed Services, House and Senate Committees on Appropriations, House Committee on Government Operations, Senate Committee on Governmental Affairs; the Office of Management and Budget; and the Secretaries of Defense and the Navy. We will also make copies available to other interested parties upon request.

If you have any questions, please call Martin M Ferber, Associate Director for Manpower, Logistics and Financial and General Management on 275-8412.

Sincerely yours,



Frank C. Conahan  
Assistant Comptroller General

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## ABBREVIATIONS

DOD	Department of Defense
ER	Efficiency Review
NAVMEC	Navy Manpower Engineering Center
NAVMEP	Navy Manpower Engineering Program
OSD	Office of the Secretary of Defense
SHMD	Shore Manpower Documents
SHORSTAMPS	Shore Requirements, Standards, and Manpower Planning System

DECISION TO DECENTRALIZE NAVY  
SHORE MANPOWER PROGRAM NEEDS  
TO BE RETHOUGHT

BACKGROUND

In recent years, Navy manpower and costs have increased significantly. Between fiscal years 1982 and 1986, active military and civilian manpower increased by 5.6 percent, from about 851,870 to 899,950. Over that same time, costs increased even more dramatically--by 44 percent, from \$18.6 billion to \$26.8 billion. Around two thirds of the Navy's military and civilian workforce are assigned to shore-based jobs.

Cognizant congressional oversight and appropriations committees have been concerned about the problems we and others have identified with the Navy's program for determining manpower requirements of shore-based activities. Further, they have questioned the credibility of the Navy's personnel budget. On several occasions, Congressional committees have directed the Navy to develop a more rigorous and credible system and to speed up the program's development and coverage.

Establishment of the Navy's  
shore manpower program

In 1972, in response to congressional concerns, the Navy established the Shore Requirements, Standards, and Manpower Planning System (SHORSTAMPS) program. Through that program, the Navy developed staffing standards based on mathematical equations that translate work load data into a determination of how many people are needed and what kind of skills they should have. In 1976, the House Committee on Armed Services recommended that the SHORSTAMPS program receive priority attention in the allocation of funds and staff. Three years later, however, the Committee concluded that the Navy was too slow in developing staffing standards for shore activities and directed it to devise a new implementation plan immediately. The Navy responded by setting 1987 as the target date by which it would have staffing standards for 70 percent of its shore population.

In December 1983, the Navy redesignated SHORSTAMPS as the Shore Manpower Documents (SHMD) program and incorporated it into a new Navy Manpower Engineering Program (NAVMEP) with a goal of providing total coverage of the shore establishment within 2 years. The Navy established the Navy Manpower Engineering Center (NAVMEC) in Norfolk, Virginia, to administer NAVMEP. NAVMEC responsibilities included doing efficiency reviews (ERs) and developing and maintaining staffing standards. The objective of

the ER program, mandated by the Department of Defense (DOD), is to identify and eliminate inefficient work processes and to incorporate ER results into staffing standards.

In a 1985 report, we noted that major problems existed with SHORSTAMPS and that potential problems faced SHMD. However, we recommended that the program be improved rather than abandoned.<sup>1</sup>

Navy decision to decentralize  
shore manpower program

On October 14, 1986, the Navy announced its decision to decentralize the determination of shore manpower requirements by transferring this responsibility to claimants--the major commanders and bureaus responsible for accomplishing the Navy's missions.

Exactly which manpower responsibilities were to be transferred was initially unclear. In the memorandum announcing the program change, the Secretary of the Navy mentioned only the transfer of ER studies. However, an October 28, 1986, memorandum from the Chief of Naval Operations stated that claimants would be expected to conduct "efficiency review/staffing standards development and maintenance studies." In response to our questions, the Navy told us on January 7, 1987, that the program change was made to improve "one aspect of manpower requirements determination by involving the manpower claimants more directly in the Efficiency Review process," although the Navy did not describe the nature and type of involvement envisioned. The confusion between the Offices of the Secretary of the Navy and the Chief of Naval Operations concerning the scope of the responsibilities affected by the change has since been resolved. It is now clear that the decision involved decentralizing both the ER program and the development and maintenance of staffing standards.

In conjunction with the decision to decentralize, the Navy reduced the staff of NAVMEC and its detachments to a maximum of 150, thereby eliminating an estimated 650 positions. The Navy planned to reallocate these positions to other Navy organizations, but while the reallocation was being considered, a DOD budget cut eliminated them. Navy plans call for the claimants to receive no additional positions to perform their added manpower responsibilities and for displaced personnel to be assigned to existing open positions elsewhere within the Navy.

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<sup>1</sup>Navy Manpower Management: Continuing Problems Impair the Credibility of Shore Establishment Requirements, GAO/NSIAD-85-43, Mar. 7, 1985.

The memorandum announcing the program change stated that the reasons for decentralizing the ER program were that (1) the investment in personnel at NAVMEC and its detachments was not cost-effective when compared with alternative methods, and (2) the centrally managed and detailed methodology NAVMEP used was contrary to the spirit of the managing-to-payroll program, which allocates a fixed dollar amount for civilian personnel expenses and gives managers some flexibility in determining the actual mix of personnel they hire.

#### OBJECTIVES, SCOPE, AND METHODOLOGY

The Chairman of the House Committee on Armed Services requested that we review the Navy's decision to decentralize its process for determining manpower requirements. In particular, he asked that we examine

- the rationale for the program change, including who was involved in the decision, what options were considered, and what studies or analyses were done; and
- the potential effectiveness of decentralization, including consideration of the way in which the change will be implemented and the capability of the claimants to perform their new responsibilities.

Because of the need to respond to the Committee quickly, we requested a written response from the Offices of the Secretary of Defense and the Secretary of the Navy to specific questions regarding these issues. We reviewed their responses and other documentation and discussed the issues with officials at

- the NAVMEP programming office under the Deputy Chief of Naval Operations for Manpower, Personnel and Training;
- NAVMEC headquarters and two of its detachments--one in Pensacola, Florida, and one in Jacksonville, Florida; and
- three claimant organizations--the Chief of Naval Education and Training, the Naval Sea Systems Command, and the Commander-in-Chief, Atlantic Fleet--which represent about 41 percent of funded shore positions and about 49 percent of shore positions now covered by standards.

We also examined the reliability of reported dollar savings resulting from ERs performed by NAVMEC by reviewing the three ER studies that had the highest reported dollar impact at each of the two detachments visited. We validated the manpower costs associated with identified position increases or decreases and the



calculation of the results, some of which included non-manpower savings or costs.

We conducted our review from December 1986 to March 1987, in accordance with generally accepted government auditing standards.

#### DECISION TO DECENTRALIZE NOT THOROUGHLY ANALYZED

In making the decision to decentralize, the Navy did not consult with the Office of the Secretary of Defense (OSD) or the major Navy organizations affected. Also, no option other than decentralization was considered and no cost-benefit analyses were performed. For example, although some Navy officials stated that the change was made because of dissatisfaction with NAVMEC's effectiveness, no evaluation of NAVMEC was performed. Our review indicated that the limited results of NAVMEP's first 2 years appear to be due to the complications experienced in the start-up of new programs and to a lengthy review process. In addition, the implementing memorandum incorrectly stated that the centralized NAVMEP program was contrary to the managing-to-payroll concept.

#### Other organizations not consulted

The Navy decided to decentralize without consulting OSD, NAVMEC, or claimant officials. OSD Officials said that they learned of the decision when they received the implementing memorandum. According to officials in NAVMEC and the NAVMEP programming office, neither was involved in the decision-making, other than the NAVMEP programming office's being asked to provide a briefing on what NAVMEP did and what resources it needed to carry out its functions. Officials at the claimant activities we visited said that they had had no indication that a change was being considered.

#### Cost-benefit studies not made

Although the memorandum announcing the change stated that the NAVMEP approach was not "cost-effective when compared with alternative methods," Navy officials stated that the decision was not based on cost. In response to our request, the Navy could provide no background studies or decision papers related to the change. While the Navy stated that it anticipated some savings in overhead costs, no cost-benefit studies were done. Further, costs associated with potential reductions in force and the geographic relocation of personnel displaced by the decision were not analyzed.

Efficiency and effectiveness  
of NAVMEP not evaluated

Although some Navy officials stated that the change was made because they were dissatisfied with NAVMEP, the Secretary of the Navy's response to our questions stated that NAVMEP had "produced most of the results envisioned at its inception." However, the Navy made no formal evaluation of the efficiency or effectiveness of NAVMEP.

NAVMEP was established in December 1983, after a 6-month study involving both a working group and a flag officer steering group. It had to develop organizational units at eight geographic locations and began operations with limited staff untrained and inexperienced in conducting ER studies. For example, the Pensacola detachment was not established until about May 1984 with only a technical director and one senior chief. In September 1984, the detachment hired 27 civilians and started its first group of students in the Management Engineering Course. Only when that group completed training, 2 months later, did the detachment begin to do ER studies. Before that, the detachment had conducted only two data collection studies to assist NAVMEC.

Although NAVMEP completed only 14 studies during calendar year 1985, it completed 75 studies in calendar year 1986, and had 59 more underway at the end of the year. The 89 studies completed by the end of 1986 identified a potential net reduction of about 995 positions and a dollar savings of about \$46.3 million. As of December 1986, a net reduction of 26 positions and savings of about \$1 million had actually been achieved through implementation of the results of 11 of the 89 completed ER studies. The Navy also implemented the results of another ER study involving a reduction of another 103 positions (information on the dollar savings associated with those positions was not available).

The delay in realizing implemented savings may have resulted, in part, from the time consumed in reviewing completed studies by NAVMEP quality control, claimants, and Navy headquarters. Of the 12 ER studies that have had their results implemented, the review processes took about as much time as the detachment took to do the studies, although virtually all the recommended changes were made. Navy headquarters was considering a NAVMEC proposal to streamline this review process at the time the decentralization decision was announced.

During the period in which the detachments completed the 89 ER studies that identified potential savings of about \$46.3 million, NAVMEC estimates that the operating costs for the SHMD program were about \$27.3 million.

Other Options Not Considered

Navy officials stated that the only alternative considered was decentralizing the NAVMEP program. For example, an alternative of decentralizing only the ER program was not evaluated.

The Navy has substituted private contractor studies for ER studies in certain activities. Although, in response to our questions, the Navy stated that these contractor studies are not related to its decision to decentralize, it also stated that the contractor's methodology provides evidence that a decentralized process will be more effective.

The private contractor, unlike NAVMEP, used personnel from the activity being studied on a full-time basis for the duration of the on-site studies which lasted from 16 to 20 weeks. In one shipyard study, for example, 69 shipyard personnel and 8 Navy personnel from NAVMEP and other shipyards worked 4 months under the direction of the contractor's management team, gathering and analyzing data and identifying potential reductions in shipyard staff.

While the contractor efforts may not be directly comparable to NAVMEP's efforts, the contractor's approach does offer a possible alternative for revamping the NAVMEP approach to involve claimants more directly in the ER process.

No conflict with managing-to-payroll concept

In the October 14, 1986, memorandum, the Navy stated that the centralized NAVMEP process conflicted with the spirit of the managing-to-payroll concept implemented in fiscal year 1987. However, in the written response to our questions, the Navy acknowledged that the two are complementary since managing-to-payroll is a budget execution tool, not a budget programming tool. That is, the manpower planning process is used to establish budget levels. Once those levels are established, managing-to-payroll allows managers to determine, within defined limits, the size and grade structure of their civilian staffs.

CAPABILITY OF CLAIMANTS AND NECESSARY  
MANAGEMENT CONTROLS NOT PROVIDED

Although Navy officials identified several benefits they expect to result from decentralization of the shore manpower program, such as faster results and greater support from commanders, no data is available to assess whether the expected benefits will actually occur. However, we are concerned that the Navy did not consider several factors, such as claimants' capabilities, which may

adversely affect the decentralized approach and increase the need for management oversight.

Claimants are not prepared to perform added functions

Claimants are not prepared to perform ER studies and determine manpower requirements because they have not been given additional staff to perform the added functions, and the staff they have are inexperienced and untrained in how to perform ER studies and how to develop and maintain staffing standards. When claimants were previously assigned the responsibility for conducting ER studies, they were allocated a total of 175 positions for that program. When the Navy transferred ER responsibility to NAVMEP, it also transferred the 175 positions. Under decentralization, claimants will again have the responsibility for ER studies and will be given staffing standard responsibilities also, but they will not receive additional positions. To conduct ER studies and manpower requirements determination within existing staffing, claimants will have to discontinue some of their present work, but the Navy could not tell us what the discontinued work would be.

Since the claimants will not receive additional staff, responsibility for performing ERs must fall to the claimants' current staff. However, the claimants have no staff fully trained or experienced in the conduct of ER studies or developing and maintaining staffing standards. The only staff with experience closely related to that needed to conduct ER studies are those who perform commercial activities studies, which are used to determine whether a function can be performed more efficiently in-house or by a private contractor.

While the Navy said that it would make every effort to place NAVMEC analysts in positions with claimants where they can continue to use their manpower expertise in the decentralized ER process, this is not occurring. From October 15, 1986, until February 5, 1987, 105 civilian manpower analysts left NAVMEC and its detachments for other jobs. Of those 105, only 21 (20 percent) have gone into other Navy manpower jobs.

Because of staff resource and skill limitations, claimants said that they could not conduct standards development and maintenance studies. If these functions are not performed, the credibility of the manpower requirements determination program will deteriorate.

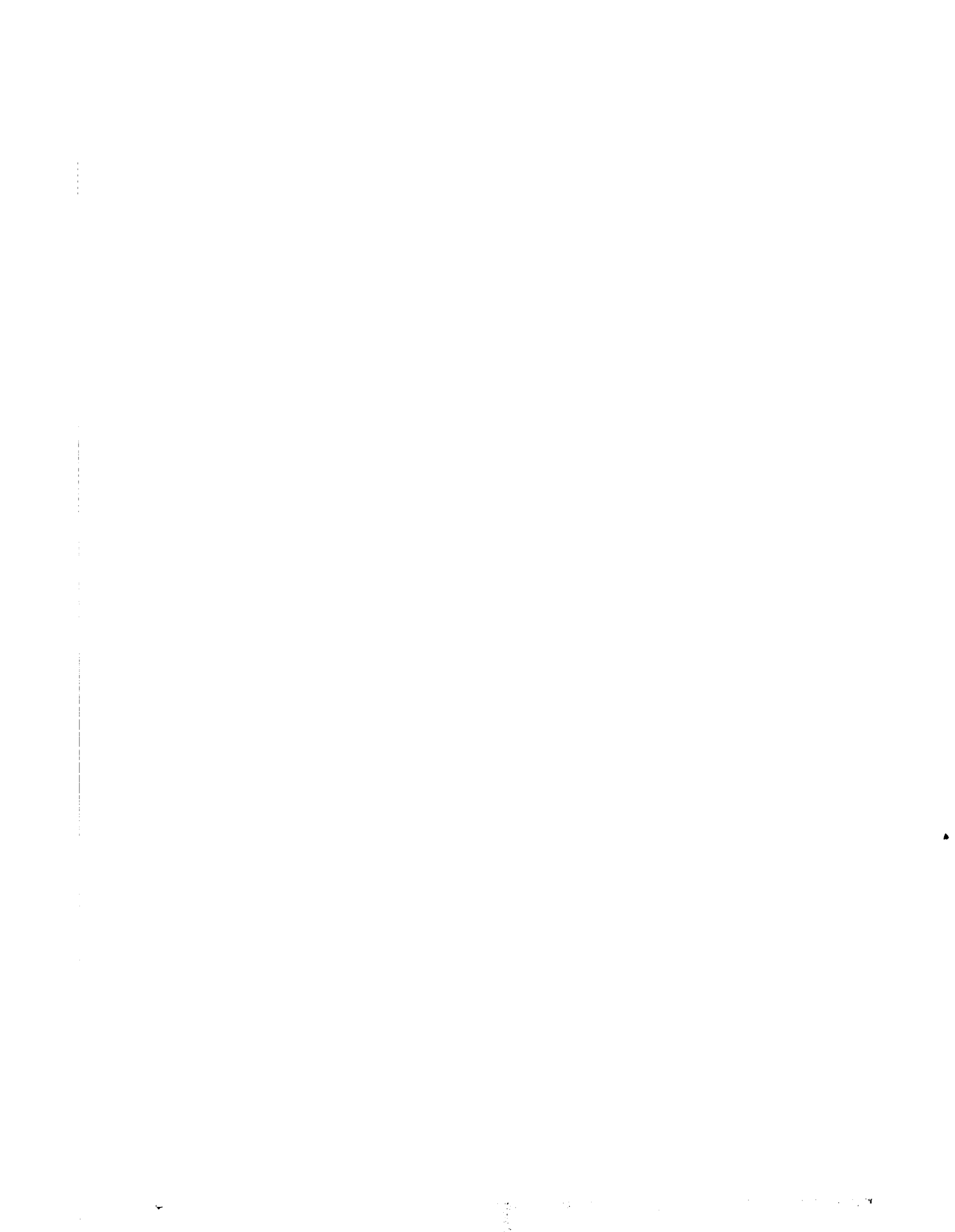
Management Oversight

Under decentralization, the claimants will be in charge of the shore manpower program. Unlike NAVMEP, which could be more

detached in its oversight of the manpower program, claimants have a vested interest in the results. Claimant commanders may tend to be more reluctant than NAVMEP to conduct studies in areas where a reduction in staff is likely. For example, officials at one claimant said that the commander will be in a position to determine which functions are examined and how thoroughly.

How OSD and the Navy will ensure adequate oversight of the claimants is unclear. OSD has directed the Navy to develop a plan for meeting existing OSD policy guidance on manpower requirements under the decentralized structure. OSD said that the response will provide the basis for future reviews of Navy manpower requests.

The controls the Navy is citing at present are likely to be inadequate. With decentralization, the Navy says that NAVMEP is to retain policy and procedural guidance and, possibly, quality control responsibilities. However, the extensive reduction of staff at NAVMEC is likely to prevent NAVMEP from providing adequate guidance and oversight.



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