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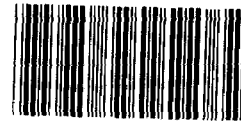
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Report to the Chairman, Subcommittee on
Defense, Committee on Appropriations,
House of Representatives

November 1988

NAVY MANPOWER

Management's Oversight of Civilian Substitution Lacking



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National Security and
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November 28, 1988

The Honorable Bill Chappell, Jr.
Chairman, Subcommittee on Defense
Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

In response to your request and subsequent discussions with your staff, we reviewed the Navy's practice of substituting civilian positions for military positions.¹ We evaluated whether (1) the Navy's requests for civilian substitution funding were adequately supported, (2) funds previously requested were used as intended, and (3) the Navy has adequate internal controls to monitor civilian substitution procedures.

Results in Brief

The Navy does not keep complete records to substantiate its funding requests for civilian substitutions; consequently, neither we nor the Navy can determine whether funds requested for civilian substitution were used for this purpose. Also, the Navy has not developed internal control procedures to monitor civilian substitutions or to determine how money requested for this purpose was used.

Our objectives, scope, and methodology are described in appendix I.

Background

Civilian substitution is the conversion of military positions to civil service positions and provides the services with the opportunity to reallocate the military personnel to units with higher priority assignments to enhance readiness. Substitutions initially increase the Navy's personnel costs because civilians must be hired to replace the military personnel who are reassigned, thereby enlarging the entire Department of Navy work force. In the long run, Navy officials told us that as military end strength is reduced money will be saved because they believe it generally costs less to employ civilians than military personnel to perform the same work.

Navy officials stated that civilian substitution is not a program with specific goals and objectives; instead it is one of several administrative

¹Civilian substitutions in the Army and Air Force are discussed in Military Manpower: Lack of Management Oversight Over Civilian Substitution (GAO/NSIAD-88-169, Sept. 6, 1988).

initiatives for the cost-effective use of available personnel. Although not a program, Department of Defense (DOD) policies support converting military positions to civilian positions when the military are not required. The Navy has developed a general position consistent with DOD Directives 1100.4 and 1400.5, which state that civilian personnel are to be employed unless military are required for reasons of law or for other matters, such as combat readiness, training, and security. Implementation of Navy civilian substitutions is subject to the constraints of the sea-to-shore rotation, sea- and shore-based staffing requirements, and staff training needs. Between fiscal years 1983 and 1988, the Navy planned to convert 4,900 military positions to civil service jobs.

Civilian substitutions can be achieved essentially in two ways, through direct and unplanned conversions. Direct conversions are part of the Navy's stated overall program objectives for reducing military end strength. They are accomplished through commercial activities' studies and internal surveys, such as efficiency reviews, designed to determine whether support activities would operate more economically if performed by contractor or civil service personnel. The goals are to enhance productivity and achieve savings in operating costs and to reduce military end strength. Unplanned conversions occur most frequently on the local level at the direction of the commanding officer who determines that operating costs can be reduced through the contracting out of prior military activities or through civilian substitutions.

Were Navy Requests for Civilian Substitution Funding Documented?

We found that the Navy did not have complete documentation to support its budget requests for civilian substitutions. The Navy funds civilian substitutions primarily through its operations and maintenance appropriation account but does not separately identify these funds as a budgeted line item. By examining budget justification support documents for the Navy's operation and maintenance account, we identified about \$20 million that the Navy had requested for civilian substitutions for fiscal years 1984 through 1988. However, the dollar amounts specified in the budget justification support documents were not tied to identifiable position substitutions.

While the Navy funds civilian substitutions primarily through its operation and maintenance account, other appropriation accounts also are used. These include

- research, development, testing, and evaluation and
- military construction.

The Navy did not have complete documentation on how much was requested through these appropriation accounts for civilian substitutions.

Were Funds Requested for Civilian Substitution Used for That Purpose?

We found that the Navy did not have documentation to show whether all substitutions were implemented as planned or whether the money requested was used for that purpose. We verified that as of April 1988, 2,677 positions, or about 55 percent of the 4,900 military positions that the Navy planned to convert to civilian positions during fiscal years 1983 through 1988, had been converted. However, we were unable to document a link to the specific positions converted, the positions planned for conversion, and the money requested for this purpose in the Navy's budget. Furthermore, documentation was not available to show whether the remaining positions were converted.

Navy officials told us that records of civilian substitutions were not routinely retained because it was not a requirement. Civilian personnel functions in the Navy are handled on a decentralized basis, with little or no oversight by higher levels of command. In addition, headquarters staff were not required to monitor whether civilian personnel were actually hired to replace military personnel.

Because of congressional interest in civilian substitutions, Navy officials said that in the future all civilian substitutions will be identified as part of the routine budget preparation process.

Are Navy Internal Controls Adequate?

We did not identify any internal controls for monitoring the civilian substitution process or for determining how money requested for this purpose was actually used. We found that the actual military positions converted to civilian positions were not well documented and that documents that may have existed were not maintained. Inadequate records management made it difficult for the Navy to confirm if military personnel converted for the purpose of civilian substitution were actually reallocated to higher priority missions to enhance readiness. Navy personnel agreed that deficiencies in the personnel database (Navy Manpower Data Accounting System) utilized in conducting civilian substitutions contributed to their inability to identify these substitutions.

Execution of direct civilian substitutions (i.e., planned substitutions) begins at the Chief of Naval Operations level and direction to implement the plan moves downward from the Naval Military Personnel Command

and command headquarters to the local units where civilian substitutions are carried out. The Naval Military Personnel Command annually determines long-term military staffing needs based on the planning guidance, assessments of staff resource availability, and requirements for key staffing and training areas—i.e., shore-based functions, ships, and aircraft squadrons. The converted military positions resulting from civilian substitutions become part of a pool of military authorizations that are available to meet unfilled needs.

Generally, the major commands report to headquarters the total number of military and civilian positions resulting from authorization changes. Because civilian substitutions are only one of the many reasons for changes to civilian personnel authorization levels, changes in authorizations resulting from civilian substitutions are not identified separately. We found some exceptions to this at the Navy Personnel Support Detachment and the Navy Personnel Recruiting Command where officials had developed methods for recording and reporting civilian substitutions. In both cases, the information was recorded and maintained at the local activity only. In some cases, local activities did record and report this information to the next higher level, but higher level offices told us that this information was neither recorded nor used.

Navy officials in the field recalled that large numbers of civilian substitutions were made and definite internal controls were implemented in the late 1970s (i.e., special reports to headquarters, formal reporting requirements). Officials at Navy headquarters, however, were unfamiliar with this guidance. Also, field officials stated that there is no need for such controls because the current volume of civilian substitutions is much less than that of the 1970s.

Navy officials acknowledged that the service does not have a civilian substitution database capable of accurately tracking civilian substitutions and that manual record management is unreliable.

Conclusions

Civilian substitution provides the Navy with the opportunity to enhance readiness by freeing military positions for reallocation to higher priority missions. However, because the Navy does not monitor civilian substitutions made compared to the number budgeted or routinely keep civilian substitution records, it cannot be sure of the number of civilian substitutions that actually occurred.

To resolve these concerns, the House Committee on Appropriations, in its report on the Department of Defense Appropriations Bill, 1989, directed the military services to establish the necessary internal control procedures to permit management oversight of civilian substitutions and enable a comparison of planned versus actual substitutions.

Views of Agency Officials

As requested, we did not obtain official DOD comments on this report. However, we did discuss our findings and observations with Navy officials and their comments were incorporated where appropriate.

Navy officials agreed with our observations and acknowledged the need to improve the management of information to track civilian substitutions. They told us that changes in the budget preparation process should yield better information on funding civilian substitutions. These officials were concerned that more detailed record-keeping and internal control procedures would result in the "micromanagement" of an otherwise highly decentralized civilian personnel operation.

We plan to send copies of this report to interested parties and make copies available to others upon request.

The major contributors to this report are listed in appendix II.

Sincerely yours,



John Landicho
Senior Associate Director

Objectives, Scope, and Methodology

Our objectives were to (1) evaluate the supportability of the Navy's request for funding civilian substitutions, (2) determine if funds previously requested were used as intended, and (3) assess whether proper internal controls had been developed to monitor the Navy's civilian substitution procedures. We obtained guidance on military and civilian manpower management practices from DOD and Navy headquarters offices in Washington, D.C. We interviewed officials at several military commands and installations where civilian substitutions had been programmed and executed to determine the extent of compliance with headquarters guidance on civilian substitutions. Also, we reviewed Navy budget justification documents to determine the amounts of funds requested for civilian substitutions for fiscal years 1983 through 1988. We obtained available documentation used to implement and monitor civilian substitutions below the headquarters level.

Our work was performed from January through September 1988 in accordance with generally accepted government auditing standards. In performing our work, we obtained information from officials at the following offices:

- Office of the Assistant Secretary of Defense (Production and Logistics; Force Management and Personnel; Inspector General); Washington, D.C.
- Assistant Secretary of the Navy (Administration); Washington, D.C.
- Office of the Navy Comptroller (Civilian/Contractor Manpower Division; Operations Division); Washington, D.C.
- Office of Program Planning (Manpower and Training Programs); Washington, D.C.
- Office of the Deputy Chief of Naval Operations, Chief of Naval Personnel (Total Force Programming and Manpower Division; Civilian Personnel Programs Division); Washington, D.C.
- Naval Recruiting Command (Personnel and Logistics Division; Naval Recruiting District, Washington); Washington, D.C.
- Naval Military Personnel Command (Administration; Internal Review; Claimancy Program Budget and Execution Division; Shore Manpower Resource Section); Washington, D.C.
- Naval District Washington Headquarters (Comptroller and Supply Department); Washington, D.C.
- Field Support Activity (Personnel Support Activity, Washington); Washington, D.C.
- Center for Naval Education and Training (Civilian Manpower Programs); Pensacola, Florida.

Appendix I
Objectives, Scope, and Methodology

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- Naval Air Test Center, Naval Air Station (Office of Executive Director; Comptroller; Internal Review; Civilian Personnel Division); Patuxent River, Maryland.
 - Center for Naval Analysis (Office of Navy Planning, Management and Logistics), Washington, D.C.

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