

105116

United States General Accounting Office

GAO

Report to Congressional Requesters

April 1988

DEFENSE PERSONNEL

Actions Planned to Implement Reorganization Act



135776

[Empty header section]

[Empty main body section]

National Security and
International Affairs Division

B-230535

April 26, 1988

The Honorable Sam Nunn
Chairman, Committee on Armed Services
United States Senate

The Honorable Bill Nichols
Chairman, Subcommittee
on Investigations
Committee on Armed Services
House of Representatives

As part of our overall assessment of the Department of Defense's (DOD) implementation of the Goldwater-Nichols Department of Defense Reorganization Act of 1986 (Public Law 99-433), we have reviewed DOD's planned action on section 601 of title VI of the act. This section requires the reduction of personnel assigned to permanent duty in management headquarters activities as well as certain other activities.¹ Section 601 details how the reductions are to be applied to the military departments, combatant commands, defense agencies, and DOD field activities.

Personnel Reductions

Section 601(a) of the act requires that, effective October 1, 1988, the number of personnel assigned to headquarters staffs within the military departments and combatant commands (with certain exceptions) are not to exceed 90 percent of the number of such personnel assigned or detailed as of September 30, 1986. Section 601(b) requires that, by September 30, 1988, the total number of personnel assigned or detailed to duty in the defense agencies and DOD field activities² be reduced by a number that is at least 5 percent of the number assigned or detailed to such duty on September 30, 1986. Section 601(b) further requires an additional reduction by September 30, 1989, of not less than 10 percent in management headquarters staffs of the defense agencies and field

¹Management headquarters activities are defined in DOD Directive 5100.73, entitled "Department of Defense Management Headquarters and Headquarters Support Activities," dated January 7, 1985. The directive also identifies the specific organizations performing these activities.

²Defense agencies and field activities are established on the authority of the Secretary of Defense when he determines that centralization of a supply or service activity that is common to more than one military department would be more effective, economical, or efficient. There are 12 defense agencies (e.g., Defense Logistics Agency) and 8 field activities (e.g., Defense Medical Support Activity).

activities from their levels on September 30, 1988, as well as an additional reduction of not less than 5 percent of their nonheadquarters staffs.

In reviewing DOD plans to implement the title VI reductions, we have identified one issue that DOD needs to resolve, and another that your Committees may want to resolve, before the initial reductions take effect by September 30, 1988. The first issue relates to the fact that DOD is planning to base reductions on authorized strength, although our reading of the Reorganization Act is that it requires actual on board strength be used to compute reductions. The second issue relates to end strength growth in the defense agencies and field activities subsequent to enactment of the Reorganization Act. This issue arises because the relevant section of the act did not place a ceiling on the end strength of the agencies and activities, while the section relevant to the departments and commands did impose a ceiling.

Departmental and Command Headquarters Reductions

Section 601(a) requires that the reductions in the military departments and combatant command headquarters be based on the number of personnel assigned or detailed to duty on September 30, 1986. DOD has chosen to base the reductions on the number authorized, as opposed to actually assigned or detailed, because (1) authorizations were used in the conference report to illustrate the required reductions³ and (2) DOD has always used authorizations when making mandated reductions in employment levels.

The language of section 601(a) and the legislative history support the position that the Congress intended the reductions to be based on personnel assigned rather than authorized. The term "authorized" does not appear in that section. In contrast, several authorization bills enacted in recent years clearly referred to authorized levels when mandating headquarters reductions.

Using the actual number assigned or detailed results in a reduction of 350 more personnel than using authorized levels. The Department of the Navy would be most affected because the Navy was well below its authorized headquarters strength on September 30, 1986. The Navy said that sound management judgment dictated it not hire personnel simply

³At the time of conference committee deliberations on the bills subsequently enacted as the Reorganization Act, the number of personnel actually assigned or detailed on September 30, 1986, was unknown; but the number authorized was known and was used by the conferees to illustrate the reductions.

to be at authorized strength by September 30, 1986, because it would have had to release those additional personnel at a later date. The Army was above its authorized strength; therefore, using the actual number assigned or detailed would result in it having less reductions. The Air Force was about at its authorized strength on September 30, 1986.

In our view, the language of the statute and the legislative history are clear. Therefore, DOD has to base reductions on the number of personnel actually assigned as opposed to authorized. To ameliorate any inequities that would result from basing the headquarters reductions on the number of personnel actually assigned or detailed, DOD could reallocate the additional Navy reductions among the services. We will inform the Secretary of Defense about this issue in separate correspondence.

Defense Agencies and Field Activities Reductions

As with the military departments and combatant commands, DOD is using the authorized strengths for fiscal year 1986 rather than the actual numbers assigned or detailed on September 30, 1986, as the baseline for determining the reductions required by section 601(b). Also, for the defense agencies and field activities, DOD is planning to make the reductions against staffing levels that are higher than they were on September 30, 1986.

DOD believes it is in full compliance with the act in allowing for growth subsequent to September 30, 1986, because the wording of section 601(b) is different from that of section 601(a) that specifically establishes a ceiling of 90 percent of the number of personnel assigned as of September 30, 1986. Section 601(b) states that:

"Not later than September 30, 1988, the Secretary of Defense shall reduce the total number . . . assigned or detailed to permanent duty . . . by a number that is at least 5 percent of the total number of such employees assigned or detailed to such duty on September 30, 1986."

DOD interprets section 601(b) as simply requiring a one-time personnel reduction by September 30, 1988, plus another reduction in 1989, rather than placing a maximum ceiling on the total number of employees that may be assigned or detailed. Thus, DOD believes that section 601(b) does not affect any overall manpower increases in the defense agencies and field activities that occurred subsequent to the enactment of the Reorganization Act.

We agree with DOD's legal position: section 601(b) does not establish a maximum ceiling. Section 601(b) only requires that the Secretary of Defense "shall reduce" the total number of employees by a certain percentage. This is different from the wording of other provisions of the Reorganization Act, establishing personnel ceilings in various DOD elements. All of these other provisions clearly establish a ceiling—for example, by providing that personnel levels "may not exceed" a particular figure. Even the defense agencies and the field activities, as a result of title III of the act, are specifically capped after September 30, 1989.

DOD's position on reducing the number assigned or detailed on September 30, 1986, allows the agencies and activities to retain most of the growth that occurred subsequent to the Reorganization Act.⁴ However, DOD's planned September 30, 1988, end strength may not be what the conferees on the bills subsequently enacted as the Reorganization Act envisioned because it is unlikely that in reducing strength, they anticipated subsequent growth.

The legislative history of section 601(b) contains some evidence that the conferees may have expected that it would in fact reduce the number of personnel assigned to defense agencies and field activities below September 30, 1986, levels. The Senate bill going into conference clearly provided for a maximum ceiling. It required a 15 percent reduction "below" strength levels on September 30, 1985. The House did not have a similar provision in its bill, but with some changes in the Senate bill, it agreed to require reductions for defense agencies and field activities. However, one of the changes in the bill agreed to by the conferees and subsequently enacted as section 601(b) is that reductions "below" a certain level are no longer required. The section does not contain the "may not exceed" language found in several other provisions of the act. Instead, it only requires a reduction by a certain amount.

The conferees described the reasons and effects of most of the changes. But with respect to the new language of section 601(b) the conferees only comment was that it "requires that the reductions be applied to the total number of personnel assigned on September 30, 1986, instead of September 30, 1985." The remark appears to focus on the change from 1985 to 1986. However, it also seems to anticipate that reductions will be made from the number of personnel assigned on September 30, 1986,

⁴The estimated September 30, 1988, end strength before the reduction will be 100,302, which is 3,397 greater than actual strength on September 30, 1986. DOD plans to reduce the 100,302 level by 4,921 (5 percent of the authorized level on September 30, 1986) to give it a strength of 95,381 on September 30, 1988.

an expectation that does not conform with the language of the section. This would be consistent with the effect to be obtained from the language establishing personnel ceilings in other provisions of the act. However, the problem arises because, unlike other personnel reduction provisions of the act, section 601(b) did not set a ceiling.

As a result of using authorizations as the baseline and allowing the reductions against the higher staffing levels, the actual end strength for this year could be 3,321 greater than the conferees on the Reorganization Act may have expected.

Matter for Congressional Consideration

Your Committees may want to resolve whether or not the defense agencies and field activities should be allowed to retain the end strength growth subsequent to passage of the Reorganization Act.

The appendixes contain a more detailed discussion of the section 601 issues and our review. Due to the time constraints, we did not request written comments from DOD. However, we discussed our findings with DOD representatives, who generally agreed with our figures. They did not agree with our interpretation of what numbers to use as the baseline or with the question we raised of whether subsequent growth in the agencies and activities should be retained.

We are sending copies of this report to the Chairman, House Committee on Armed Services; Chairmen, Senate Committee on Governmental Affairs, House Committee on Government Operations, and the Senate and House Committees on Appropriations; the Secretaries of Defense, the Army, the Navy, and the Air Force; the Director, Office of Management and Budget; and other interested parties upon request.



Frank C. Conahan
Assistant Comptroller General

Contents

| | | |
|-----------------------|--|----|
| Letter | | 1 |
| Appendix I | | 8 |
| Implementation of | Selection of Reduction Baseline | 8 |
| Military Department | Additional Reductions May Be Required | 9 |
| and Combatant | | |
| Command | | |
| Headquarters | | |
| Reductions | | |
| Appendix II | | 11 |
| Defense Agencies and | Actual Versus Authorized | 11 |
| Field Activities | Authorized Strength Plus Growth | 12 |
| Reduction Plans | Possible Additional Reduction | 14 |
| Appendix III | | 15 |
| Objective, Scope, and | | |
| Methodology | | |
| Tables | | |
| | Table I.1: Comparison of Service Reductions Computed | 9 |
| | Using Actual Versus Authorized Strength | |
| | Table II.1: Effect of Using Actual Versus Authorized | 12 |
| | Strengths for Defense Agencies and Field Activities | |
| | Reductions | |
| | Table II.2: Effect of Using Actual Strengths and Placing a | 14 |
| | Ceiling as of September 30, 1986, on Defense | |
| | Agencies and Field Activities | |

Abbreviation

DOD Department of Defense

Implementation of Military Department and Combatant Command Headquarters Reductions

Section 601, subsection (a) of the Goldwater-Nichols Department of Defense Reorganization Act of 1986 requires reductions in personnel in the military departments and combatant commands. The section limits the total number of members of the Armed Forces and civilian employees assigned or detailed to permanent duty to perform management headquarters activities or management headquarters support activities. As of October 1, 1988, the number may not exceed 90 percent of the total number of members and employees that were assigned or detailed to such duty as of September 30, 1986. Those members and employees who were assigned or detailed to permanent duty in the offices of the Secretaries of the military departments and the Chiefs of each service, as well as the immediate staff of the commander of each unified or specified combatant command, were excluded from these reductions.

Subsection (d) states that the Secretary of Defense shall allocate the reductions "... in a manner consistent with the efficient operation of the Department of Defense." The service Secretaries were notified in March 1987 by the Office of the Secretary of Defense that the reductions would be 10 percent for each service and that these reductions could be achieved by reassigning personnel to positions not involved with management headquarters activities. Therefore, the reductions can be accomplished without any overall end strength reduction.

Selection of Reduction Baseline

In establishing the baseline from which to calculate the required reductions, DOD is planning to use the authorized number, rather than the actual number, of military and civilian employees assigned or detailed to duty on September 30, 1986. DOD officials said they will use these figures because the authorized figures were the ones that were used to illustrate the required reductions in the defense agencies and field activities in the conference report on the Reorganization Act. Officials also said they have always used authorized levels when making headquarters personnel reductions.

We disagree with DOD's interpretation of this part of the act. We believe that, in using the wording "assigned or detailed," Congress intended that the reductions be taken from the actual number of military and civilian personnel on board at September 30, 1986. Although we recognize that DOD may have used the authorized personnel levels in making personnel adjustments in the past, we found no indication in either the language or the legislative history of section 601(a) that the Congress intended the authorized levels to be used. The term "authorized" does not appear in

**Appendix I
Implementation of Military Department and
Combatant Command
Headquarters Reductions**

that section, and the pertinent committee reports dealing with this legislation likewise do not use "authorized" in describing the intended personnel reduction. This is in contrast to several DOD authorization acts enacted in recent years, which clearly referred to authorized levels in requiring personnel reductions.

The express terms of section 601(a) strongly suggest that the Congress intended the actual number of personnel on September 30, 1986, be used by DOD. This section states that on October 1, 1988, the total number of members and civilian employees assigned or detailed to duty "... may not exceed the number equal to 90 percent of the total number of such members and employees assigned or detailed to such duty on September 30, 1986," (emphasis added). Not only does the language of section 601(a) seem clear in this case, but the legislative history supports the proposition that the intent was to use the actual number of members and employees assigned or detailed to duty in the relevant management activities on September 30, 1986.

Additional Reductions May Be Required

The legislative requirement to use the actual number of personnel assigned or detailed on September 30, 1986, in calculating the reduction would require that DOD make a reduction of 350 more personnel than would be required under its approach. Table I.1 shows the reductions planned by the services and how the services would be affected if the reductions are taken from actual rather than authorized numbers.

**Table I.1: Comparison of Service
Reductions Computed Using Actual
Versus Authorized Strength**

| | Army | Navy | Air Force | Total |
|----------------------------|--------|--------|-----------|--------|
| Authorized Strength | | | | |
| Baseline ^a | 17,497 | 14,174 | 16,052 | 47,723 |
| Reduction | 1,750 | 1,417 | 1,605 | 4,772 |
| October 1, 1988, ceiling | 15,747 | 12,757 | 14,447 | 42,951 |
| Actual Strength | | | | |
| Baseline ^a | 17,913 | 13,431 | 15,990 | 47,334 |
| Reduction | 1,791 | 1,343 | 1,599 | 4,733 |
| October 1, 1988, ceiling | 16,122 | 12,088 | 14,391 | 42,601 |
| Differences | | | | |
| Baseline ^a | (416) | 743 | 62 | 389 |
| Reduction | (41) | 74 | 6 | 39 |
| October 1, 1988, ceiling | (375) | 669 | 56 | 350 |

^aAs of September 30, 1986

**Appendix I
Implementation of Military Department and
Combatant Command
Headquarters Reductions**

The Navy would be the most affected if DOD uses fiscal year 1986 actual strength as the baseline for reductions rather than the authorized strength. It would have to absorb a reduction of 669 more positions than it currently plans. Navy officials told us they had been concerned that Congress had intended the reductions be made based on actual strength. However, the officials said they used authorized strength based on oral guidance from the Office of the Secretary of Defense. In addition, the Navy was under a hiring freeze during mid-1986, which prevented them from being fully staffed during the year.

The Navy said that if it had known that it would have had to take the title VI reductions from actual on board numbers, it could have easily hired the necessary personnel at the end of fiscal year 1986, just to increase the actual on board numbers. The Navy concluded, however, this action would have been inappropriate since to do so would require hiring and then firing personnel, which would have served no real purpose.

Air Force officials told us that they planned their reductions based on actual strength at September 30, 1986. The Air Force's actual strength was close to its authorized strength at September 30, 1986; therefore, its reduction would be about the same using either strength figure.

The Army's fiscal year 1986 actual end strength was greater than its authorized strength. Therefore, if its reduction was based on actual strength, its ceiling would be increased by 375 personnel. DOD can reallocate the reduction among the services as long as the total reduction is achieved. For example, the increases in the Army can be used to offset the larger Navy decreases.

Defense Agencies and Field Activities Reduction Plans

Section 601, subsection (b), of the Goldwater-Nichols Department of Defense Reorganization Act of 1986 states that defense agencies and DOD field activities must reduce the number of personnel (military and civilian) from the total number assigned or detailed as of September 30, 1986. For headquarters of these agencies and activities, the reduction is to be at least 5 percent of the September 30, 1986, level, which must be accomplished by September 30, 1988, with an additional reduction of not less than 10 percent from this new, lower level to be accomplished by September 30, 1989. In addition, military members and civilian employees, other than those assigned or detailed to management headquarters or management headquarters support activities, must also be reduced by at least 5 percent of the September 30, 1986, level not later than September 30, 1988. An additional reduction of not less than 5 percent from this new, lower level must be taken by September 30, 1989.

The Reorganization Act specifies that the Secretary of Defense is to allocate the reductions in a manner consistent with the efficient operation of DOD. However, "... if the Secretary determines that national security requirements dictate . . .," the Secretary may take the reduction, or any part of the reduction, from other than defense agencies or field activities (i.e., the services).

There are two issues concerning how DOD is implementing these reductions. First, like the section 601(a) reductions, DOD plans to calculate the 5 percent reduction based on the authorized instead of actual end strength for fiscal year 1986. Second, DOD plans to take the reductions from the 1986 authorized strength plus the growth that occurred in fiscal years 1987 and 1988. The result could be an end strength of 3,321 greater than the conferees on the Reorganization Act may have expected.

Actual Versus Authorized

As shown in table II.1, if DOD had calculated the reduction from the actual number of personnel assigned or detailed on September 30, 1986, rather than from authorized strength, it would have to reduce 76 fewer personnel because the actual strength in the agencies and activities on September 30, 1986, was below authorized strength.

**Appendix II
Defense Agencies and Field Activities
Reduction Plans**

Table II.1: Effect of Using Actual Versus Authorized Strengths for Defense Agencies and Field Activities Reductions

| | |
|--|-----------|
| Actual strength as of September 30, 1986 | 96,905 |
| 5 percent reduction | (4,845) |
| October 1, 1988, strength | 92,060 |
| Authorized strength as of September 30, 1986 | 98,429 |
| 5 percent reduction | (4,921) |
| October 1, 1988, strength | 93,508 |
| Difference in reductions | 76 |

Authorized Strength Plus Growth

The wording of subsection (b) of section 601 is different from that of subsection (a) that specifically establishes a ceiling of 90 percent of the number of personnel assigned as of September 30, 1986. Subsection (b) states:

“Not later than September 30, 1988, the Secretary of Defense shall reduce the total number . . . assigned or detailed to permanent duty . . . by a number that is at least 5 percent of the total number of such employees assigned or detailed to such duty on September 30, 1986.”

DOD interprets section 601(b) as simply requiring a one-time personnel reduction by September 30, 1988, plus another reduction in 1989, rather than placing a maximum ceiling on the total number of employees that may be assigned or detailed. Thus, DOD believes that section 601(b) does not affect any overall manpower increases in the defense agencies and field activities that occurred subsequent to the enactment of the Reorganization Act.

We agree with DOD's legal position: section 601(b) does not establish a maximum ceiling. Section 601(b) only requires that the Secretary of Defense “shall reduce” the total number of employees by a certain percentage. This is markedly different from the wording of other provisions of the Reorganization Act, establishing personnel ceilings in various DOD elements. All of these other provisions clearly establish a ceiling—for example, by providing that personnel levels “may not exceed” a particular figure. Even the defense agencies and the field activities, as a result of title III of the act, are specifically capped after September 30, 1989.

DOD's position on reducing the number assigned or detailed on September 30, 1986, allows the agencies and activities to retain most of the growth

that occurred subsequent to the Reorganization Act.¹ However, DOD's planned September 30, 1988, end strength may not be what the conferees on the bills subsequently enacted as the Reorganization Act envisioned because it is unlikely that in reducing strength, they anticipated subsequent growth.

The legislative history of section 601(b) contains some evidence that the conferees may have expected that section would in fact reduce the number of personnel assigned to defense agencies and field activities below September 30, 1986, levels. The Senate bill going into conference clearly provided for a maximum ceiling. It required a 15 percent reduction "below" strength levels on September 30, 1985. The House did not have a similar provision in its bill, but with some changes in the Senate bill, it agreed to require reductions for defense agencies and field activities. However, one of the changes in the bill agreed to by the conferees and subsequently enacted as section 601(b), is that reductions "below" a certain level are no longer required. The section does not contain the "may not exceed" language found in several other provisions of the act. Instead, it only requires a reduction by a certain amount.

The conferees described the reasons and effects of most of the changes. However, with respect to the new language of section 601(b), the conferees only comment was that it "requires that the reductions be applied to the total number of personnel assigned on September 30, 1986, instead of September 30, 1985." The remark appears to focus on the change from 1985 to 1986. However, it also seems to anticipate that reductions will be made from the number of personnel assigned on September 30, 1986, an expectation that does not conform with the language of the section. This would be consistent with the effect to be obtained from the language establishing personnel ceilings in other provisions of the act. However, the problem arises because, unlike other personnel reduction provisions of the act, section 601(b) did not set a ceiling.

The Senate appeared to expect that section 601(b) will impose a maximum ceiling. The Senate report on the Defense Appropriations bill for fiscal year 1988 observes that the Reorganization Act will require a reduction of about 10,800 from the authorized personnel levels. This is about equal to an end strength ceiling for September 30, 1988, that is 5

¹The estimated September 30, 1988, end strength before the reduction will be 100,302, which is 3,397 greater than actual strength on September 30, 1986. DOD plans to reduce the 100,302 level by 4,921 (5 percent of the authorized level on September 30, 1986) to give it a strength of 95,381 on September 30, 1988.

**Appendix II
Defense Agencies and Field Activities
Reduction Plans**

percent below the ceiling for September 30, 1986.² Therefore, the Senate proposed a reduction of about \$95 million to account for the cut of 10,800. The conference committee on the continuing resolution for fiscal year 1988 accepted a reduction of \$47 million instead of \$95 million. However, the expected impact on personnel strength was not specified.

**Possible Additional
Reduction**

As shown in table II.2, if DOD had calculated the reductions required by section 601(b) in the defense agencies and field activities by imposing a ceiling of 95 percent of the number actually assigned or detailed on September 30, 1986, an additional reduction of 3,321 personnel over what DOD is currently planning would be required.

Table II.2: Effect of Using Actual Strengths and Placing a Ceiling as of September 30, 1986, on Defense Agencies and Field Activities

| | Number |
|---|---------------|
| Actual strength as of September 30, 1986 | 96,905 |
| 5 percent reduction | (4,845) |
| October 1, 1988, ceiling | 92,060 |
| DOD estimated September 30, 1988 strength | 100,302 |
| 5 percent reduction based on September 30, 1986, <u>authorized strength of 98,429</u> | (4,921) |
| October 1, 1988, ceiling | 95,381 |
| Additional reductions | 3,321 |

²At the time of the Senate report, estimated personnel strength for September 30, 1988, was 103,465. Reducing it to 95 percent of the September 30, 1986, actual or authorized level, would require reductions of 11,405 or 9,957, respectively.

Objective, Scope, and Methodology

The House and Senate Committees on Armed Services asked us to assist the Committees in assessing DOD's implementation of the Goldwater-Nichols DOD Reorganization Act of 1986. Our objective during this review was to evaluate how personnel reductions, mandated by title VI of the act, are being implemented in the military departments, combatant commands, defense agencies, and field activities. To accomplish this objective we reviewed and analyzed staffing and budget documents and discussed the planned implementation of the reductions with DOD and service officials responsible for overseeing the reductions.

We conducted our review from November 1987 to April 1988, in accordance with generally accepted government auditing standards.

Vertical line of text on the left side of the page.

Requests for copies of GAO reports should be sent to:

U.S. General Accounting Office
Post Office Box 6015
Gaithersburg, Maryland 20877

Telephone 202-275-6241

The first five copies of each report are free. Additional copies are \$2.00 each.

There is a 25% discount on orders for 100 or more copies mailed to a single address.

Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents.

United States
General Accounting Office
Washington, D.C. 20548

Official Business
Penalty for Private Use \$300

First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100