

GAO

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

September 1988

MILITARY  
MANPOWER

Lack of Management  
Oversight Over  
Civilian Substitution



043170

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

National Security and  
International Affairs Division

B-231267

September 6, 1988

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

Dear Mr. Chairman:

This report responds to your September 8, 1987, request that we review practices for substituting civilian positions for military positions, compare budgeted to actual substitutions, evaluate the cost-effectiveness of these substitutions, and evaluate whether the services should be using civilian substitution to a greater degree. We reviewed civilian substitution in the Army and the Air Force, focusing on (1) the processes these services use to identify military positions that can be converted, (2) the procedures followed to make substitutions, and (3) the internal controls used to manage substitutions. Civilian substitution in the Navy must be considered within the context of the sea-to-shore rotation requirement and therefore is being pursued in a separate GAO assignment.

Briefly, we found that the Army and the Air Force did not monitor civilian substitution practices or routinely keep records on substitutions made or the disposition of military positions "freed" as a result of substitutions. Consequently, we were unable to compare budgeted to actual substitutions or to determine whether the freed military positions had been reallocated to higher priority missions to enhance readiness. Department of Defense (DOD) and service officials told us that cost is not the primary consideration in making substitutions. However, the military community believes that civilians generally cost less than military. Each service has several thousand positions with potential for civilian substitution. While the Air Force plans to make additional substitutions, the Army does not, in light of little prospect of obtaining funding in the near future.

These issues are summarized below and discussed in greater detail in appendix I. Our objectives, scope, and methodology are discussed in appendix II.

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## Background

Civilian substitution is the conversion of military positions to civil service positions in order to reallocate the military positions to higher priority assignments and enhance readiness.<sup>1</sup> This practice may take on increased importance in the future in light of recent military personnel end strength reductions in both the Army and the Air Force. Substitutions result in an increase in government personnel costs because civilians must be hired to replace the military personnel who are reassigned, thereby increasing the total DOD work force. However, DOD and service officials believe that civilians generally cost less than military to perform the same work.

Between fiscal years 1983 and 1988, the Army has had a formal plan to make over 9,500 civilian substitutions. The Air Force has not had a formal plan to make substitutions but, since 1983, has requested funding for over 3,300 substitutions. The two services have requested over \$883 million in operations and maintenance (O&M) funds to make and sustain civilian substitutions between fiscal years 1983 and 1988. In fiscal year 1988, civilian substitution funds requested represented only about 1 percent or less of each service's total O&M appropriation.

Civilian substitutions are not a separate budget line item but are funded primarily as part of the O&M lump sum appropriation. Service officials told us that they did not know the amount of funds received for substitutions, but Army officials believe that all funds requested, except for fiscal year 1987, were received. Air Force officials, however, said that, because the Air Force had not received all the O&M funds it requested, they assumed that it had not received all funds requested for civilian substitutions.

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## Records on Substitutions Are Not Maintained

The Army and the Air Force did not monitor civilian substitutions, nor did the military commands routinely retain records to document civilian substitutions made. In addition, the commands did not report this information to their headquarters offices. Consequently, it is generally not possible to compare planned versus actual substitutions. Although the justification for each service's O&M budget included funds requested for substitutions, headquarters officials in both services believe that recording and maintaining substitution information are unnecessary because

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<sup>1</sup>Our review did not include conversions of military positions to civilian positions made in conjunction with the services' commercial activities studies conducted under Office of Management and Budget Circular A-76.

funds are not specifically designated for substitutions in the annual O&M appropriation.

Because records on civilian substitutions made by the two services generally were not available, we attempted to reconstruct substitutions for selected fiscal years. Even with the commands' assistance, we could not always determine whether the commands had deleted military and added civilian positions or whether civilian employees had been hired to fill the positions established by the substitutions. For example, of 750 substitutions planned by the Army's Training and Doctrine Command for fiscal year 1987, we were only able to confirm that 126 substitutions had been made.

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## Records on Reallocated Military Positions Are Not Maintained

The Army and the Air Force did not maintain records to show the disposition of military positions freed by civilian substitution. As a result, we were not able to determine whether the freed military positions had been reallocated to higher priority missions to enhance readiness.

When the two services make substitutions, they enter the new civilian positions in manpower authorization records for each unit and delete the military positions replaced. The freed military positions then become part of a pool of military authorizations that are available to meet unfilled needs. These positions are managed at the services' headquarters level. Because freed military authorizations resulting from substitutions are merged with other authorizations that are managed by headquarters staff and are not separately identified, it is not possible to determine where the replaced military positions are reallocated and, consequently, whether the positions are used for higher priority missions.

According to Army officials, however, since fiscal year 1983 there has been an increase in the number of authorized military positions for combat units and a decrease in the number of authorized military positions for noncombat units.

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## Cost Is Not the Primary Consideration in Making Substitution Decisions

According to Army and Air Force officials, the primary factor considered in a decision to use military or civilian personnel is whether a function must be military. According to DOD policy, a military person will be used if a position is determined to be military essential; otherwise, a civilian will be used to fill the position. DOD said that this policy also reflects its belief that civilians generally cost less than military.

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Some studies comparing the cost of military and civil service employees have shown that civilians cost less, but these studies generally do not make comparisons on a position-by-position basis. Our tests of recent Army and Air Force substitutions show that some civilian positions cost less and others cost more than the military positions they replace.

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## Potential Exists for More Substitutions

The two services have identified several thousand more military positions that have the potential to be made civilian. For example, in 1985 the U.S. Army Manpower Requirements and Documentation Agency identified over 20,000 Army military positions that might not have to be military. Also, preliminary results of an ongoing Air Force Audit Agency study indicate that several thousand Air Force military positions might not have to be military. While Air Force officials told us that they plan about 630 additional substitutions for fiscal year 1989, Army officials said that they are not planning additional substitutions, in light of little prospect of obtaining funds for this purpose in the near future.

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## Conclusions

Civilian substitution provides the Army and the Air Force with the opportunity to enhance readiness by freeing military positions for reallocation to higher priority missions. However, because the two services do not monitor civilian substitutions made compared to the number budgeted or routinely keep civilian substitution records, they cannot be sure of the number of civilian substitutions or whether the military positions were reallocated to higher priority missions to enhance readiness.

Because civilian substitution may take on increased importance in the future in light of recent military personnel end strength reductions, we believe that the Army and the Air Force should improve their management oversight and assess progress made towards achieving civilian substitution objectives. Although more military positions could be made civilian, the success of these substitutions depends on the services' ability to obtain funding for the additional civilian positions required and to implement the necessary internal control procedures to ensure that the substitutions accomplish their objectives.

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## Recommendation

We recommend that before the Army and the Air Force request funding for additional civilian substitutions, the Secretary of Defense direct them to examine the feasibility of implementing internal control procedures that would facilitate management oversight and enable the services to compare planned versus actual substitutions.

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## Agency Comments and Our Evaluation

We have included DOD comments on a draft of this report as appendix III. DOD generally agreed with the results of our audit. The Department said that it would examine the feasibility of our recommendation. It also said that it is implementing an initiative that should improve the Department's ability to analyze the execution of planned civilian substitutions. The initiative will allow DOD to use existing manpower data bases to identify aggregate trends in civilian substitutions and, conceptually, to determine the extent to which planned substitutions are executed. We believe that this initiative represents a cost-effective approach to improving management oversight over civilian substitutions.

In a draft of this report, we stated that civilian substitutions result in an increased cost to the government. DOD disagreed with this conclusion, stating that the Department operates a "Top Line" budget system under which available resources are allocated and reallocated within total control levels. These total control levels, DOD stated, are not adjusted without a change in work load or mission. We modified our conclusion to clarify that civilian substitutions result in increased government personnel costs.

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

Sincerely yours,

*for*   
Frank C. Conahan  
Assistant Comptroller General

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## Abbreviations

DOD	Department of Defense
GAO	General Accounting Office
O&M	operations and maintenance





# Lack of Management Oversight Over Civilian Substitution

Numerous jobs in the Army and the Air Force that are performed by military personnel could be performed by civil service personnel because they do not require military qualifications. Over the years, the Army and the Air Force have sought to substitute civil service positions for military positions in some of these jobs and to retain the military for other duties. Although not a permanent program, this frequently used manpower management<sup>1</sup> technique is referred to by the services as “civilian substitution.”

## Background

Civilian substitution is a technique used by the services to reallocate military positions to higher priority missions in order to enhance readiness. This practice may take on increased importance in the future in light of recent military personnel end strength reductions in both the Army and the Air Force. Funds to pay for the additional civil service positions needed to replace the military positions that were reallocated are provided primarily by the operations and maintenance (O&M) appropriation. Thus, civilian substitution results in an increase in government personnel costs because the total Department of Defense (DOD) work force is increased. However, DOD and service officials believe that civilians generally cost less than military to perform the same work and that, therefore, civilian substitution minimizes the additional cost.

DOD and service policies support converting military positions to civilian positions when the military are not required. DOD Directives 1100.4 and 1400.5, Army Regulation 570-4, and Air Force Regulation 26-1 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. The Army regulation further states that the use of military should be held to a minimum. Both Army and Air Force regulations provide detailed guidance to assist service officials in determining what positions must be military. In addition, service headquarters offices usually provide criteria for selecting the military positions to be converted. Criteria used in the past have included making civilian those functions that (1) are currently performed by both military and civil service employees and (2) historically are military but are not required to be military based on guidance contained in Army and Air Force regulations governing manpower management.

<sup>1</sup>Manpower management refers to the management of positions authorized rather than the management of actual people employed.

According to Army and Air Force officials, civilian substitutions planned during the time period we studied, fiscal years 1983-88, were mainly directed by the services' manpower management organizations at the headquarters level: the Army Office of the Deputy Chief of Staff for Personnel and the Air Force Office of the Deputy Chief of Staff for Programs and Resources. These headquarters organizations determined how many substitutions should be made and which subordinate commands should make them.

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## Use of Civilian Substitution

Since fiscal year 1983, the Army and the Air Force have asked the Congress for over \$883 million to make and sustain over 12,000 substitutions. The Army and the Air Force have approached the use of civilian substitution differently. The Army developed a 6-year plan to make substitutions, while the Air Force decided to make substitutions only when a specific need arose.

The Army's substitutions were part of a plan for fiscal years 1983-88 to increase readiness by converting military positions in non-deployable support units to civilian positions and releasing the military for assignment to critical combat and combat-support positions. The substitutions were planned generally to (1) replace authorized field grade officer positions that the Army had been unable to retain enough officers to fill, (2) transfer enlisted positions from general support organizations to combat units, and (3) help staff the new or reorganized combat units developed under the "Army of Excellence" force restructuring.

The Air Force has not had a comparable civilian substitution plan. Generally, the Air Force has requested funds for substitutions whenever manpower managers at the headquarters level identified the need to make more military available for higher priority missions. For example, the Air Force requested substitutions to help staff weapon systems such as the B-1B and KC-10 aircraft.

Table I.1 shows the number of substitutions and the amount of funding requested by the Army and the Air Force for fiscal years 1983-88. The O&M funds requested each year for substitutions represent funds to continue to pay for the substitutions made in prior years plus one half the cost of new substitutions. The services request only one half the cost of new substitutions because they do not expect to hire all new employees at the beginning of the year. In fiscal year 1988, civilian substitution funds requested represented about 1 percent of the total Army O&M

**Appendix I  
Lack of Management Oversight Over  
Civilian Substitution**

appropriations and 0.5 percent of the total Air Force O&M appropriations.

**Table I.1: Cumulative Civilian Substitutions Requested by the Air Force and the Army**

Dollars in thousands

Fiscal year	Army		Air Force		Total	
	Number	Funds requested	Number	Funds requested <sup>a</sup>	Number	Funds requested
1983	1,000	\$10,500	0	\$0	1,000	\$10,500
1984	2,967	41,650	0	0	2,967	41,650
1985	4,674	92,408	278	3,852	4,952	96,260
1986	5,506	122,726	2,835	43,836	8,341	166,562
1987	8,508	167,785	3,183	88,007	11,692	255,792
1988	9,508	210,821	3,352	101,556	12,860	312,377
<b>Total</b>		<b>\$645,890</b>		<b>\$237,251</b>		<b>\$883,141</b>

<sup>a</sup>We estimated the Air Force funds requested by multiplying the number of civilian positions requested by the Air Force's average cost per civilian.

The two services do not know the amount of funds they actually received for substitutions. Civilian substitutions are not a separate budget line item but rather are funded as part of the O&M lump sum appropriation. Army officials in the headquarters Directorate of Manpower and Force Integration said that they believe all funds requested were received, except for fiscal year 1987 when the Congress reduced the amount requested by \$10 million. Air Force officials in the Manpower and Organization Directorate told us that, because the Air Force had not received all O&M funds requested, they assumed it had not received all the funds requested for civilian substitution.

**Records on Substitutions Are Not Maintained**

The Army and the Air Force did not monitor civilian substitutions, nor did the military commands routinely retain records to document substitutions made. In addition, the commands did not report this information to the services' headquarters. Consequently, it is generally not possible to compare planned versus actual substitutions.

Although the justification for each service's O&M budget included funds requested for substitutions, headquarters officials in both services believe that recording and maintaining substitution information are not necessary because funds are not specifically designated for civilian substitution in the annual O&M appropriation. Even though funds are not specifically designated for substitutions, we believe that the services should seek to establish effective management oversight by exploring

the feasibility of implementing control procedures which, at a minimum, would enable them to compare planned versus actual substitutions.

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## How the Two Services Make Substitutions

Army and Air Force headquarters organizations determine how many military and civilian positions are needed each year through their manpower planning process. This process includes deciding how many civilian substitutions are needed to reallocate military positions for higher priority missions. Each service budgets substitutions primarily as a part of its request for O&M funds. While substitution is not a separate line item in the budget, justifications submitted to the Congress as part of the services' formal budget requests include the number of substitutions they plan and the funds required. Included in O&M lump sum appropriations made by the Congress are amounts for civilian pay, contract services for maintenance of equipment and facilities, fuel, supplies, and repair parts for weapons and equipment. The funds for substitutions are included in the civilian pay account. However, the services have the flexibility to spend the funds as they deem appropriate to satisfy priority needs that arise within the broad category of O&M and were not included in their budget justifications.

The Army and Air Force headquarters direct the major commands on how many civilian substitutions they are to make. The major commands pass this direction on to their subordinate units who then select, either independently or in consultation with the major commands, the specific military positions for civilian substitution. Military positions selected for conversion are then deleted from manpower authorization records, and the replacement civilian positions are added. Army and Air Force officials told us that the freed military positions become part of a pool of military authorizations that are available to meet unfilled needs. These positions are managed at the service headquarters level.

Changes to the authorization records are made about 2 years before the fiscal year in which the substitutions are actually made. However, the updated authorization records resulting from substitutions usually do not show the positions that were changed. After a short period, 2 years or less, the services discard the documents showing the actual positions involved in the civilian substitutions. Army officials said that the Army has no specific retention period for these records. The Air Force generally requires supporting documents to be retained for 2 years.

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### The Two Services Do Not Monitor Civilian Substitutions

Civilian substitutions are only one of many reasons for changes to service authorization records. For example, the number of positions authorized can change as a command's work load changes. However, the services do not keep information on substitutions that could be used by management to monitor the extent to which substitution goals or objectives are achieved. Each service's major commands report to headquarters the total number of military and civilian positions resulting from authorization changes. However, changes resulting from civilian substitutions are not identified separately.

The authorization process is but one half of the total civilian substitution process. The other half consists of hiring civilians to fill positions that were previously military. While headquarters offices receive information on the number of civilian positions added, Army and Air Force officials told us that they do not receive information on the actual number of civilian personnel hired by the major commands or the amount of money spent for civilian substitution.

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### The Two Services Do Not Know Whether All Planned Substitutions Were Made

Because records were generally not available on the civilian substitutions made by the two services, we attempted to reconstruct substitutions made in fiscal year 1987 by three Army major commands—the U.S. Army Training and Doctrine Command; the U.S. Army, Europe; and the U.S. Army Materiel Command. These commands accounted for about 70 percent of the Army's substitutions planned for that year. Even with the commands' assistance, we could not always determine whether the commands had deleted military and added civilian positions or whether civilian employees had been hired to fill the positions established by the substitutions. In addition, because the Army commands did not maintain historical records on civilian substitution, we were unable to make complete comparisons of planned and actual civilian substitutions.

The U.S. Army Training and Doctrine Command planned 750 civilian substitutions in fiscal year 1987. We found that the military positions selected for civilian substitution had been deleted from the authorization records in September 1985. However, based on the limited documentation available at the Command, we were only able to confirm that 126 of the 750 planned substitutions had been made.<sup>2</sup> Command officials told us that they did not monitor civilian substitutions and did not know how many substitutions had been made.

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<sup>2</sup>Our numbers include only substitutions of civilian authorizations for military authorizations. We did not determine whether civilians had been hired to fill the authorized positions.

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**Appendix I**  
**Lack of Management Oversight Over**  
**Civilian Substitution**

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The U.S. Army, Europe, planned about 1,000 substitutions for fiscal year 1987. However, we were only able to confirm that it had made about 470 substitutions. Moreover, Army officials told us that there was no information available to determine whether the military positions to be replaced had been deleted from the authorization documents.

Based on information available at the U.S. Army Materiel Command, we were able to confirm that all 236 of its planned substitutions had been made for fiscal year 1987.

Army headquarters officials stated that the Army could not substantiate that all planned civilian substitutions had been made and that it was possible some planned substitutions had not been made. However, these officials said that they did not believe that the Army needed to account for all planned substitutions because O&M funds are not appropriated solely for civilian substitutions and can be used for many other purposes.

At the U.S. Air Force Tactical Air Command, we requested the Directorate of Manpower and Organization to reconstruct civilian substitutions made in fiscal year 1986. Although primary source documents were generally not available, officials in this office were able to substantiate that 119 of the 173 substitutions planned for this period had been made. Our review of supporting documentation confirmed the accuracy of the Command's work.

Air Force headquarters officials stated that they did not know how many of the planned substitutions had been made. Moreover, these officials said that the lack of primary source records at the Tactical Air Command to support whether substitutions had been made was representative of what would be found at other Air Force commands. The officials said that records on substitutions were not routinely retained because there was no need or requirement to do so. Air Force officials said that, like the Army, the Air Force does not have a need to account for each planned substitution, even though its budget requests for O&M funds are justified partially on the basis of planned substitutions.

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## Records on Reallocated Military Positions Are Not Maintained

The Army and the Air Force did not maintain records to show the disposition of military positions freed by civilian substitution. Consequently, we were not able to determine whether the freed military positions had been reallocated to higher priority missions to enhance readiness.

Army officials told us that when the major commands make substitutions, they enter the new civilian positions in the authorization records for each unit and delete the military positions replaced. The military positions then become part of a pool of military authorizations that is managed by Army headquarters to meet unfilled needs. The positions in the pool that result from civilian substitution are not separately identified. Army officials told us that, as a result, the Army does not have a means to determine where the military positions replaced by substitution are reallocated, and therefore it does not know whether they are used for higher priority missions. According to Army officials, however, since fiscal year 1983, authorized military positions for combat units have increased by about 7,700, while authorized military positions for noncombat units decreased by about 2,700.

The Air Force also lacks procedures to allow it to determine how military positions are reallocated. As in the Army, the military positions deleted from each unit as a result of civilian substitution lose their identities and become part of a pool of military positions available for use throughout the Air Force.

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## Cost Is Not the Primary Consideration in Making Substitution Decisions

According to Army and Air Force officials, a decision to use military or civilian personnel is based on whether a function must be military. Although the services do not make a position-by-position comparison of military and civilian personnel costs, DOD believes that civilians generally cost less than military.<sup>3</sup> Studies comparing the cost of military and civil service employees have shown that civilians cost less, but these studies generally did not make comparisons on a position-by-position basis.

According to DOD and service officials, a military person will be used if a function is determined to be military essential; otherwise, a civilian will be used to fill the position. DOD cited two major reasons underlying its policy calling for the use of civilians whenever possible. First, DOD's policy is to maintain the smallest standing military force possible consistent

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<sup>3</sup>Section 115(b)(5) of title 10 United States Code requires the Secretary of Defense to use the least costly form of personnel consistent with military requirements.



with mission objectives. Second, the personnel policy reflects a belief, based on available analysis, that civilians generally cost less than military personnel. For example, DOD said that the House of Representatives Budget Committee staff has published a series of military and civilian pay comparisons which show that military personnel cost more than equivalent civilian personnel. DOD also said that its experience supports this conclusion.

Senate Appropriations Committee Report 99-176, dated November 6, 1985, stated that in many cases civilian employees, especially indirect hire foreign nationals, are significantly less expensive than military. A recent GAO study<sup>4</sup> also found that military compensation generally was higher than federal civilian compensation for the same age, gender, and level of education. However, neither report based its conclusion on a position-by-position analysis that would be needed to determine the cost-effectiveness of substitutions.

Our comparison of the cost of 160 positions showed that civilian substitution was less costly most of the time. Of 57 Army substitutions compared, 88 percent were less costly, while 77 percent of 103 Air Force substitutions were less costly. The results of this analysis, however, cannot be projected to other substitutions because insufficient records were available to make a statistically valid comparison.

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## Potential Exists for More Substitutions

Recent studies by both services have assessed the potential for making more civilian substitutions. These studies revealed that the Army and the Air Force may each have several thousand positions with potential for civilian substitution. While the Air Force plans to make additional substitutions, the Army does not, in light of little prospect of obtaining funding for this purpose in the near future.

In 1985, the U.S. Army Manpower Requirements and Documentation Agency at Fort Belvoir, Virginia, analyzed about 88,000 military positions in noncombat organizations to identify military positions that might be converted to civilian positions. The analysis identified about 20,000 positions that were candidates for substitution. As a result, the Army increased the number of substitutions it planned in 1987 from about 1,000 to just over 3,000. The Army also planned to increase the number of substitutions scheduled for fiscal year 1988 by almost 2,000

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<sup>4</sup>Military Compensation: Comparison With Federal Civil Service Compensation (GAO/NSIAD-88-67BR, Nov. 19, 1987).

but later cancelled the increase when the Chief of Staff imposed a limit on civilian personnel.

Of the almost 20,000 military positions identified as candidates for civilian substitution, about 8,000 were in the Training and Doctrine Command. Managers in this Command told us that they generally concurred with the study results. They said that many more substitutions than the 750 planned for this Command in fiscal year 1987 could be made if additional funding for civilian positions were available and the Command were not limited by the number of civilians it could employ.

Also in 1987, as part of the officer reductions mandated by the Congress, the Manpower Requirements and Documentation Agency identified about 10,000 officer positions in base operations support organizations that did not have to be military positions. This study overlaps somewhat with the 1985 study because some of the officer positions included in the 1987 study were included in the 1985 study. Although Army officials said that there is a continuing need to free military positions for higher priority missions, the Army does not plan to request funding for substitutions beyond 1988 because officials believe that funds for additional civilian positions will not be available in the near future. The Congress reduced the Army's budget request for civilian personnel twice in the last 3 years, by \$149.8 million (0.7 percent) for fiscal year 1986 and by \$130.9 million (1.2 percent) for fiscal year 1988.

At the time of our review, the Air Force Audit Agency was analyzing the results of its audit of military-essential positions in eight Air Force commands. The objective of the audit was to assess the Air Force criteria and procedures for determining whether positions designated as military essential were required to be military. Based on preliminary analysis of a statistical sample of over 47,000 peacetime-only military positions, Air Force auditors project that several thousand military positions might not need to be military. The Air Force plans to request funding for about 630 spaces for civilian substitution for fiscal year 1989.

The Congress has also reduced the Air Force budget request for civilian personnel in the last 2 years, by \$80 million (2.1 percent) for fiscal year 1987 and by \$164.4 million (3.6 percent) for fiscal year 1988.

# Objectives, Scope, and Methodology

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The Chairman of the Subcommittee on Defense, House Committee on Appropriations, asked us to

- review the services' practices for converting military positions to civilian positions, including a comparison of budgeted and actual conversions;
- evaluate the cost-effectiveness of these conversions; and
- evaluate whether the services should be using civilian substitutions to a greater degree.

We reviewed civilian substitution practices in the Army and the Air Force, focusing on (1) the processes the services use to identify military positions that can be converted, (2) the procedures followed to make substitutions, and (3) the internal controls used to manage substitutions. We limited our review of internal controls to those pertaining to the achievement of civilian substitution objectives. As part of our review, we wanted to determine whether the substitutions made were more or less costly and whether the services had taken steps to ensure that military positions were reallocated to higher priority missions. We did not make a complete evaluation of the internal control systems at the activities where we conducted our work. An assessment of the Navy's civilian substitution practices must be considered within the context of the sea-to-shore rotation requirement and therefore is being pursued in a separate GAO assignment.

To gain an understanding of the Air Force's and the Army's practices in making substitutions, we obtained documents stating current policy and guidance on civilian substitution and manpower management in general from several Army and Air Force headquarters offices in Washington, D.C. These offices included the Army's Directorate of Manpower, Budget and Force Integration, Office of the Deputy Chief of Staff for Personnel; the Force Programs Directorate, Office of the Deputy Chief of Staff for Operations and Plans; and Office of the Comptroller; and the Air Force's Directorate of Manpower and Organization, Office of the Deputy Chief of Staff for Programs and Resources; and the Office of the Comptroller. We also obtained from these offices available information on the funding and number of substitutions planned.

We interviewed officials and reviewed available civilian substitution documents at the following major commands:

- the U.S. Army Training and Doctrine Command, Fort Monroe, Virginia; and

- the U.S. Air Force Tactical Air Command, Langley Air Force Base, Virginia.

At each command, we determined (1) how the military positions selected for substitution had been identified, (2) what records were available to substantiate that substitutions had been made, and (3) the extent of the commands' management oversight. Using available documents at these commands and documents we obtained from the U.S. Army, Europe, and the U.S. Army Materiel Command, Washington, D.C., we were able to reconstruct some substitutions made in fiscal year 1987.

In examining the cost-effectiveness of substitutions, we compared the cost of all 160 civilian substitutions for which supporting records were available at the U.S. Army Training and Doctrine Command and the U.S. Air Force Tactical Air Command. The results of our analysis, however, cannot be projected to other substitutions because insufficient records were available to make a statistically valid comparison. In addition to base pay, the cost of military positions includes such factors as allowances for retirement, quarters, permanent changes of station, subsistence, and life insurance. The cost of civilian positions includes pay plus such factors as retirement and health and life insurance.

To evaluate whether the Army and the Air Force could use substitution to a greater degree, we interviewed officials at the U.S. Army Manpower Requirements and Documentation Agency, Fort Belvoir, Virginia, concerning studies it had made of military positions that might be converted to civilian positions. We discussed the studies' scope and methodology and the criteria officials had used to select the positions reviewed. We also obtained information from the Air Force Audit Agency regarding its ongoing evaluation of military-essential positions, including the positions studied and the study's methodology.

We conducted our work between July 1987 and February 1988 in accordance with generally accepted government auditing standards.

# Comments From the Department of Defense

Note: GAO comment supplementing those in the report text appears at the end of this appendix.



FORCE MANAGEMENT  
AND PERSONNEL

ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301-4000

03 AUG 1988

Mr. Frank C. Conahan  
Assistant Comptroller General  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Conahan:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "MILITARY MANPOWER: Lack of Management Oversight Over Civilian Substitution," Dated May 23, 1988 (GAO Code 393210), OSD Case 7645.

The DoD generally concurs with the GAO findings on management oversight of the Department's military/civilian substitution efforts. The DoD is implementing an initiative that should improve the Department's ability to identify aggregate military and civilian manpower trends, including trends in military/civilian substitution.

In response to the report's recommendation, the Office of the Secretary of Defense (OSD) will ask the Military Services to examine the feasibility of implementing internal control procedures that facilitate management oversight and enable a comparison of planned versus actual military/civilian substitutions. However, the Department suggests that it may be more cost-effective to enhance OSD and Service oversight through better maintenance of existing manpower data rather than through requirements to collect additional data specifically for a single purpose.

The detailed DoD comments on the report findings and recommendation are provided in the enclosure. The Department appreciates the opportunity to comment on this draft report.

Sincerely,

A handwritten signature in dark ink, appearing to read "David J. Armor".

David J. Armor  
Acting

Enclosure:  
As Stated

GAO DRAFT REPORT - DATED MAY 23, 1988  
(GAO CODE 393210) OSD CASE 7645

"MILITARY MANPOWER: LACK OF MANAGEMENT OVERSIGHT  
OVER CIVILIAN SUBSTITUTION"

DEPARTMENT OF DEFENSE COMMENTS

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FINDINGS

FINDING A: Civilian Substitution. The GAO noted that civilian substitution is a technique used by the Services to reallocate military positions to higher priority missions in order to enhance readiness. The GAO reported that the funds to pay for the additional civil service positions needed to replace the relocated military positions are provided primarily by the operations and maintenance (O&M) appropriation. The GAO concluded that civilian substitution results in an increase in cost to the Government because the total DoD work force is increased. The GAO noted, however, that according to DoD and Service officials, civilians generally cost less than the military to perform the same work and, therefore, civilian substitution minimizes the additional cost. The GAO observed that, since FY 1983, the Army and the Air Force have asked the Congress for over \$883 million to make and sustain over 12,000 substitutions. The GAO further found, however, that the two Services do not know the amount of funds they actually received for substitution because civilian substitutions are not a separate budget line item; instead they are funded as part of the O&M lump sum appropriation. The GAO noted that, according to Army officials in the headquarters Directorate of Manpower and Force Integration, they believed all funds requested were received, except for FY 1989, when the Congress reduced the amount requested by \$10 million. On the other hand, the GAO noted that, according to Air Force officials in the Manpower and Organization Directorate, because the Air Force had not received all the requested O&M funds, they assumed all the funds requested for civilian substitution had not been received. The GAO also observed that the Army and the Air Force have approached the use of civilian substitutions differently, with the Army developing a 6-year plan to make substitutions, while the Air Force decided to make substitutions only when a specific need arose.  
(pp. 1-2, p. 6/GAO Draft Report)

Now on pp. 2 and 8-9.

Enclosure

DOD POSITION: Partially concur. The Department generally concurs with the GAO finding that DoD does use civilian substitution to reallocate military manpower to higher priority positions in order to enhance readiness.

The Department does not agree, however, with the GAO conclusion that the civilian substitution effort results in an increased cost to the Government. To the extent there is an increased cost to the military payroll because individuals were not removed from DoD rolls, these individuals have gone toward mission accomplishment, and the additional military cost must be accommodated within the overall priorities of available DoD funding. Since total DoD funding is not adjusted without a change in work load or mission, higher priority programs are generally funded at the expense of lesser priority programs in order to remain within fiscal constraint. The principal rationale for the civilian substitution effort is to purchase the most manpower within existing resources, thus achieving comparably more mission capability within fixed total DoD resources.

The Department acknowledges that it is difficult to track civilian substitution efforts through the course of the DoD budget cycle. This is a function of the nature of the Operations and Maintenance funds and a DoD perception that there were sufficient tracking mechanisms in place to follow civilian substitution efforts on an "as needed" basis.

FINDING B: Records on Substitutions Are Not Maintained.

The GAO found that the Army and Air Force do not monitor civilian substitutions, nor do the Military commands routinely retain records to document those civilian substitutions made. The GAO also found that, in addition, the Commands did not report this information to their headquarters offices and, therefore, it was generally not possible to compare planned versus actual substitutions. Although the O&M budget justification for each Service included funds requested for substitutions, the GAO reported that officials in both Services asserted that recording and maintaining substitution information is unnecessary because funds are not specifically designated for substitutions in the annual O&M appropriation. Because records of civilian substitutions made by the two Services generally were not available, the GAO attempted to reconstruct substitutions for selected years: but even with Command assistance, it could not always be determined whether the Command had deleted military and added civilian positions, or whether civilians had been hired to fill the positions established by the substitutions. As an example, the

Now on pp. 2-3 and 10-11.

GAO noted that of the 750 substitutions planned by the Army Training and Doctrine Command for FY 1987, it was only able to confirm 126 substitutions had actually been made. The GAO concluded that, although civilian substitution provides the Army and the Air Force with the opportunity to enhance readiness by freeing military positions for reallocation to higher priority missions, because the two Services do not monitor substitutions, they cannot be sure of the number of civilian substitutions or whether all the planned substitutions were made. (pp. 3-4, p. 6, pp. 12-17/GAO Draft Report)

DoD POSITION: Concur. The Department acknowledges that it is difficult to track civilian substitution efforts through the course of the DoD budget cycle. This is a function of the length of the Planning, Programming, and Budgeting cycle. On some occasions, over the course of time, the work loads and missions of specific organizations have changed since the submission of a civilian substitution plan. In addition, the Operations and Maintenance funds are authorized and appropriated on an appropriation level basis. This does not allow easy tracking of some specific small programs or initiatives. There is not a specific DoD reporting requirement to track civilian substitution efforts, although the Department has collected information on civilian substitution efforts on an "as needed" basis.

FINDING C: Records on Reallocated Military Positions Are Not Maintained. The GAO found that the Army and the Air Force do not maintain records to show the disposition of military positions freed by civilian substitution. The GAO reported that it was unable to determine whether the freed military positions were relocated to higher priority missions to enhance readiness. The GAO noted that, according to Army officials, when the major commands make substitutions, they enter the new civilian positions in the authorization records for each unit and delete the military positions replaced; however, the positions in the pool that result from civilian substitution are not separately identified. The GAO observed that, as a result, the Army does not have a means to determine where the military positions replaced by substitutions are relocated and, therefore, does not know whether they were used for higher priority missions. The GAO did note, however, that according to Army officials, since FY 1983, authorized military positions for combat units have increased by about 7,700, while authorized military positions for noncombat units decreased by about 2,700. The GAO also found that, similarly, the Air Force lacks procedures to allow it to determine how military positions are



relocated. The GAO noted that, as in the Army, the Air Force military positions deleted from each unit, as a result of civilian substitution, lose their identities. The GAO concluded that, although civilian substitution provided the Army and the Air Force with the opportunity to enhance readiness by freeing military positions for reallocation to higher priority positions, because the two Services do not routinely keep civilian substitution records, they cannot be sure whether the military positions were actually reallocated to higher priority missions to enhance readiness. (pp.4-5, p.6, pp.17-18/GAO Draft Report)

Now on pp. 3 and 14.

DOD COMMENT: Concur. The Department acknowledges that the nature of the civilian substitution program and the controlling Operations and Maintenance appropriations makes it difficult to track specific civilian substitution efforts from beginning to end. The Department is reluctant to impose space-by-space accounting mechanisms on military/civilian substitutions, because the cost of such controls would outweigh all potential benefits and impose impossible reporting requirements on field organizations. Using existing manpower data bases may have the desired effects without imposing additional reporting burdens on the DoD components.

The Office of the Secretary of Defense (OSD) is developing an initiative that may improve the Department's ability to identify aggregate military and civilian manpower trends, including trends in military/civilian substitutions. Using data reflected in the President's budget request, the Office of the Assistant Secretary of Defense (Force Management and Personnel) is developing a data base that allows comparisons of year-end active officer and enlisted manpower inventories to authorizations. These data are identified at the Program Element Code (PEC) level of detail for the period of FY 1981 through FY 1987. This data base is being expanded to include civilian and selected reserve inventories and authorizations, and will be updated annually. By reviewing the PECs in the Department support areas, the OSD could identify situations in which the Military Services have authorized net decreases in military manpower and net increases in civilian manpower. By reviewing subsequent changes in inventories, the OSD could analyze the execution of planned military to civilian changes. Although this approach would use aggregate data, the Department could nevertheless use it to review major trends in military/civilian substitutions.

The OSD has directed the Defense Manpower Data Center (DMDC) to obtain billet level authorizations data from the Military Services. Conceptually, these data will allow researchers to identify units in which the number of military positions requiring a certain skill and grade are reduced at the same time that the number of civilian positions requiring equivalent skills and grades are increased. Analysts could then link these data to the inventory records maintained by DMDC to determine the extent to which planned substitutions are executed.

FINDING D: Cost Is Not Considered In Making Substitution Decisions. The GAO observed that, according to Army and Air Force officials, a decision to use military or civilian personnel is based primarily on whether a function must be military. The GAO reported Service officials stated that, based on DoD and Service regulations, cost is not to be considered in making civilian substitutions. The GAO found that, while the Services generally consider civil service employees to be less costly than military, officials at both the headquarters and major command levels, could not cite studies to support this belief. The GAO noted that a Senate Appropriations Committee Report 99-176, dated November 6, 1985, stated that, in many cases, civilian employees are significantly less expensive than military. In addition, the GAO noted that its recent study also found military compensation generally was higher than Federal civilian compensation for the same age, gender, and level of education. The GAO emphasized, however, that neither report based its conclusion on a position-by-position analysis, which would be needed to determine the cost-effectiveness of substitutions. During its review, the GAO compared the cost of 160 positions. The GAO analysis showed that civilian substitutions were less costly most of the time. The GAO concluded, however, that the result of this analysis cannot be projected to other substitutions because insufficient records were available to make a statistically valid comparison. (p. 5, pp. 18-19/GAO Draft Report)

DOD COMMENT. Concur. The Department's principal consideration in authorizing manpower within the Total Force has been and will continue to be military essentiality. In order to maintain the smallest possible standing (Active) military force necessary to maintain national security, the Department has directed that all positions, which are not required to be military shall be civilian or contractor personnel. This has been DoD policy for years. Notwithstanding this policy, it is the DoD position that based on

See Comment 1.  
Now on pp. 3-4 and 14-15.

available analysis, DoD civilians normally cost less than their military counterparts, when all costs are considered. The DoD policy and guidance to the field stresses military essentiality as the principal consideration for determining Force Mix.

DoD Directive 1100.4 states that civilian personnel will be used in positions which do not require military incumbents by reason of law, training, security, discipline, rotation or combat readiness, which do not require a military background for successful performance of the duties involved, and which do not entail unusual hours not normally associated or compatible with civilian employment. The GAO reports that there is not enough information to prove that civilians cost less than military.

However, a November 1987 GAO Report, GAO/NSIAD-88-67BR, "MILITARY COMPENSATION: Comparison With Federal Civil Service Compensation" (OSD Case 7418), concluded that total military compensation exceeded total civil service compensation in every case the GAO studied. In addition, the House Budget Committee Staff published a series of military and civilian pay comparisons showing that equivalent military personnel cost more than equivalent civilian personnel. All DoD experience supports that conclusion.

FINDING E: Potential Exists For More Substitutions. The GAO learned that the Services have identified several thousand more military positions having the potential to be made civilian. The GAO reported that, in 1985, the U.S. Army Manpower Requirements and Documentation Agency at Fort Belvoir, Virginia, analyzed about 88,000 military positions in noncombat organizations to identify military positions that might be converted to civilian positions. The GAO observed that about 20,000 positions were identified as candidates for substitution. The GAO also observed that, as a result of this study, the Army increased the number of planned substitutions in FY 1987 from about 1,000 to just over 3,000. The GAO reported that, at the time of its review, the Air Force Audit Agency was analyzing the results of its audit of "military essential" positions in the Air Force Commands. The GAO noted that, based on a preliminary analysis of the statistical sample of 47,000 peacetime-only military positions, the Air Force auditors projected several thousand military positions might not need to be military. The GAO further observed that, while the Air Force plans to make substitutions, the Army does not because of little prospect of obtaining funding for this purpose in the near future. The GAO concluded that, although there are more military positions which could be made

Now on pp. 4 and 15-16.

civilian, the success of these substitutions depends on the Service being able to obtain funding for the additional civilian positions required and having the necessary internal control procedures in place to ensure that substitutions accomplish their objectives. (pp. 5-6, pp. 19-21/GAO Draft Report)

DOD COMMENT: Concur. There are additional military positions that potentially could be replaced by civilians; however, these conversions require time and appropriate review to ensure that they are in the best interest of the DoD mission. Cost will continue to be a secondary consideration in determining military to civilian conversions. The Department will continue to budget for the most responsive, cost-effective manpower mix, consistent with military requirements, as directed by 10 USC 115(b)(1)(D)(5).

Now on p. 4.

RECOMMENDATION: The GAO recommended that, before the Army and the Air Force request funding for additional civilian substitutions, the Secretary of Defense direct them to examine the feasibility of implementing internal control procedures that facilitate management oversight and enable a comparison of planned versus actual substitutions. (pp.6-7/GAO Draft Report)

DOD COMMENT: Partially Concur. By August 24, 1988, the Office of the Assistant Secretary of Defense (Force Management and Personnel) will direct the Services to examine the feasibility of implementing internal control procedures that facilitate management oversight and enable a comparison of planned versus actual military/civilian substitutions. It is anticipated that such oversight data will be initially available by January 1989.

However, the Department reiterates its policy of avoiding costly, cumbersome, inefficient, and counterproductive reporting requirements. The Department of Defense submits that it is more cost-effective to enhance OSD and Service oversight of military/civilian substitutions through better maintenance and analysis of existing manpower data, rather than instituting new requirements to collect additional data specifically for a single purpose.

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The following is GAO's comment on DOD's letter dated August 3, 1988.

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**GAO Comment**

We have revised the report to clarify our discussion of DOD's policy concerning the use of civilian and military personnel.



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