

GAO

Report to the Chairman, Subcommittee
on Military Personnel and
Compensation, Committee on Armed
Services, House of Representatives

May 1991

RESERVE OFFICERS' TRAINING CORPS

Less Need for Officers Provides Opportunity for Significant Savings





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

**National Security and
International Affairs Division**

B-242016.2

May 6, 1991

The Honorable Beverly B. Byron
Chairman, Subcommittee on Military
Personnel and Compensation
Committee on Armed Services
House of Representatives

Dear Madam Chairman:

This report responds to your request that we examine the military services' Reserve Officers' Training Corps programs. It contains a series of recommendations to the Secretary of Defense to enable the services to meet their future Reserve Officer Training Corps officer needs as efficiently as possible.

As you requested, unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days after its issue date. At that time we will send copies to the Chairmen of the House Committee on Government Operations and the Senate Committee on Governmental Affairs; the Chairman of the Senate Committee on Armed Services; the Chairmen, House and Senate Committees on Appropriations; the Director, Office of Management and Budget; and the Secretaries of Defense and the Army, the Navy, and the Air Force. Copies will also be made available to other interested parties upon request.

Please contact me at (202) 275-4141 if you or your staff have any questions concerning this report. GAO staff members who made major contributions to this report are listed in appendix II.

Sincerely yours,

Richard Davis
Director, Army Issues

Executive Summary

Purpose

The Reserve Officers' Training Corps (ROTC) is the largest source of commissioned officers for the Air Force, the Army, and the Navy. In fiscal year 1989, ROTC cost about \$591 million to operate. In recent years, significant reductions in the Department of Defense's (DOD) authorized officer end strength have resulted in the release of some ROTC graduates from their military obligation before they have served any part of it on active or reserve duty. Concerned about the efficiency of the DOD system, the Chairman of the Subcommittee on Military Personnel and Compensation, House Armed Services Committee, asked GAO to determine whether the services were effectively focusing their ROTC programs on the projected needs for officers. GAO was specifically asked to determine the extent to which ROTC programs may have produced too many officers, the potential for closing ROTC units, and the completeness and consistency of ROTC cost reporting.

Background

The ROTC program was established to supplement the military academies in preparing selected students for commissioned military service and to provide officers for the reserve forces. The program consists of more than 600 ROTC units located at colleges and universities throughout the United States. In fiscal year 1989, there were about 92,000 ROTC students.

Some ROTC participants receive scholarships and are provided with a \$100-per-month subsistence allowance for up to 40 months; pay for summer training periods; reimbursement for fees, books, and laboratory expenses; and tuition assistance that varies in amount depending on the service. Non-scholarship participants in each service receive a \$100-per-month subsistence allowance for up to 20 months and pay for summer training periods.

Results in Brief

Because of the rapid, unforeseen reductions in the number of officers authorized in recent years, Air Force and Army ROTC programs have produced over 9,000 more graduates than needed since 1987. The Navy, which has the smallest ROTC program, has been able to avert large-scale overproduction of officers by making adjustments to another program, its Officer Candidate School. To deal with the excess and reduce the number of ROTC students already enrolled in the program, both the Air Force and the Army have implemented costly measures such as releasing graduates from their military service obligation and delaying graduates' entry into active duty. Although the Air Force and the Army expect additional reductions in the need for ROTC graduates in the

future, neither has developed a comprehensive plan to efficiently meet reduced needs. As a result, it can be expected that both services will continue to incur the additional costs associated with producing too many ROTC graduates.

All three services have maintained unproductive ROTC units that meet congressional criteria for closure. As the need for new officers continues to decline, even more units are likely to meet these criteria. However, only the Navy plans to reduce the number of ROTC units to fully correspond with its reduced need for new officers.

DOD has not adopted a standard cost-reporting system for ROTC, and the independently developed service systems have excluded some program costs. As a result, ROTC cost reporting is incomplete and inconsistent. Retention of unproductive units and inadequate reporting of costs are long-standing problems that GAO addressed in earlier reports in 1973 and 1977.

Principal Findings

Army and Air Force Efforts to Deal With ROTC's Overproduction Are Costly

Prior to fiscal year 1987, the services were expecting increases in officer end strength through at least 1991. Beginning in fiscal year 1987, however, the number of officers actually needed from the services' ROTC programs has been lower than anticipated, and the services have employed costly measures to deal with the excess officers whom they cannot absorb. In fiscal years 1987 through 1990, the Air Force offered its ROTC participants several options, including voluntary release from their military obligation (which 519 chose). In fiscal year 1990, the Army voluntarily released 1,138 non-scholarship participants. In that same year, the Army placed 4,150 ROTC graduates in its Individual Ready Reserve and plans to provide them officer basic training at a cost of \$66 million, even though most of these officers are not likely to serve on active duty or join a Reserve or National Guard unit. Army officials have interpreted this training to be a legislative requirement. Thus far, the Navy has been able to avert large-scale overproduction by making adjustments to its Officer Candidate School. According to Air Force and Army officials, their Officer Candidate School and Officer Training School programs have been reduced to the minimum levels necessary to maintain their viability.

ROTC program managers told GAO that, even in a stable environment, producing a sufficient number of highly qualified officers in the needed career fields was a complex effort. Yet neither the Army nor the Air Force, faced with continued overproduction in the next several years, has developed a comprehensive plan to efficiently meet reduced production needs. Thus, for the most part, these services will have to react to changes in officer end strength as they occur each year, rather than in a prepared manner that would allow them to minimize costly overproduction.

Unproductive ROTC Units Have Not Been Closed

Retention of ROTC units that do not meet productivity guidelines is a recurring problem. All the services have retained ROTC units that have been consistently unproductive. Congressional committee guidance provides that units consistently below a numeric enrollment guideline be closed unless they offer overriding qualitative and other benefits that justify their retention. However, the services have been able to continue operating units that consistently fall below these standards because (1) DOD does not oversee assessments of productivity and decisions on closure and (2) the DOD directive governing closures does not provide criteria necessary to enable the services to perform objective analyses of qualitative factors. One means used by the Air Force and the Army to retain unproductive units without having to provide justification has been to place these units in a unique category to which productivity standards less demanding than those suggested by the Congress are applied. Although GAO has previously recommended that DOD implement measures to prevent the retention of unproductive units, DOD has not done so. All three services now have plans to close some ROTC units.

Of the 630 ROTC units 65 (10 percent) were below the congressional committee guideline for minimum enrollment as of fiscal year 1990. Many of the remaining units are expected to fall below the minimum enrollment guideline as the services reduce program enrollment to meet reduced production goals. However, the Army's and the Air Force's planned closures are insufficient to match their lower production goals.

Analyses performed by the Air Force show that the closure of units is necessary to keep its program efficient. A 1988 Air Force study showed that \$10 million could have been saved annually by closing and consolidating 37 units. Similarly, a 1990 Air Force study showed that between \$17 and \$21 million could be saved in annual staffing costs alone by reducing the number of units to correspond with 1992's production needs.

Cost Reporting Is Inconsistent and Incomplete

DOD has not developed a standard cost-reporting system for ROTC. As a result, the costs reported by the services are inconsistent and incomplete. In earlier reports, GAO found that each service's cost-reporting system produced incomplete cost data.¹ DOD consequently formed a committee in 1973 that developed a uniform method for reporting costs, which the Air Force adopted. However, at the time of this GAO review neither the committee's proposed methodology nor any alternative had been adopted by DOD. As a result, certain costs directly associated with the Army's and the Navy's ROTC programs had not been included in their reported program costs. GAO found that, in fiscal year 1989, the Army had underreported its ROTC program's costs by \$54 million and the Navy had underreported its costs by at least \$15 million.

Recommendations

To ensure that the services meet their future needs for ROTC officers as efficiently as possible GAO recommends that the Secretary of Defense develop and implement a comprehensive strategy to ensure that ROTC resources are used and distributed as efficiently as possible within the framework of all sources of new officers (including the service academies and officer candidate programs).

GAO also makes several recommendations regarding unit closures (see chapter 3) and developing standardized cost reporting (see chapter 4).

Matters for Congressional Consideration

Because DOD has not aggressively closed unproductive ROTC units, the Congress may wish to fund the services' ROTC programs at levels lower than requested. Reductions could be based on the percentage of unproductive units in each service.

Agency Comments

DOD generally agreed with GAO's audit findings and recommendations (see app. I). However, the Department disagreed with GAO's suggestion that Congress fund the services' ROTC programs at levels lower than requested. The Department said that the President's budget balances officer accessions from various sources and that reductions to the ROTC program would impair its ability to support budgeted force levels. GAO believes that reduced funding levels would encourage the Department to achieve ROTC requirements by using its resources more efficiently.

¹Letter to the Secretary of Defense Regarding Review and Management of ROTC Programs (B-146947, Feb. 28, 1973) and Reserve Officers' Training Corps: Management Deficiencies Still to Be Corrected (FPCD-77-15, Mar. 15, 1977).

Contents

Executive Summary		2
Chapter 1		8
Introduction	ROTC's Purpose, Benefits, Obligations, and Management	8
	Program Statistics	9
	Objectives, Scope, and Methodology	10
Chapter 2		12
Producing More ROTC Graduates Than Necessary Has Cost Millions	End-Strength Reductions and Long Lead Times Have Created Substantial Overproduction	12
	Measures to Manage Overproduction Have Been Costly	14
	Future Production Needs Are Likely to Be Lower	16
	Conclusions	18
	Recommendations	19
	Agency Comments and Our Evaluation	19
Chapter 3		21
Maintaining ROTC Units With Low Enrollments Causes Significant, Unnecessary Costs	Productivity Guidelines Have Been Set for ROTC Units	21
	The Services Have Retained Unproductive Units	24
	Noncompliance With Closure Guidelines	27
	Previous GAO Reports Have Noted the Closure Problem	29
	Planned Closures Are Not Sufficient to Achieve Maximum Efficiency	30
	Conclusions	31
	Recommendations	32
	Matters for Congressional Consideration	32
	Agency Comments and Our Evaluation	32
Chapter 4		34
ROTC Cost Reporting Is Inconsistent and Incomplete	Cost-Reporting Problems Have Been Noted Before	34
	No Progress Has Been Made in Reporting Costs	35
	Conclusions	36
	Recommendation	36
	Agency Comments and Our Evaluation	37
Appendixes		
	Appendix I: Comments From the Department of Defense	38
	Appendix II: Major Contributors to This Report	58

Tables

Table 1.1: ROTC Units, Enrollments, Cost, Scholarships in Effect, and Commissions	9
Table 1.2: ROTC Average Staff Members Per Unit, Average Unit Enrollment, and Average Commissions Per Unit	9
Table 2.1: Officer End Strength	12
Table 2.2: ROTC Production Goals (as of November 1990)	17
Table 4.1: Major Cost Categories for ROTC	36

Abbreviations

DOD	Department of Defense
GAO	General Accounting Office
IRR	Individual Ready Reserve
OSD	Office of the Secretary of Defense
ROTC	Reserve Officers' Training Corps

Introduction

The Reserve Officers' Training Corps (ROTC) program is the largest source of commissioned officers for the Air Force, the Army, and the Navy. In return for financial aid, ROTC participants receive military training and instruction during their college years and agree to serve an 8-year military service obligation after graduation. In fiscal year 1989, about 12,700 officers received their commissions through the ROTC program. The other two major sources of commissioned officers, Officer Candidate Schools/ Officer Training Schools and the service academies, produced approximately 3,300 and 3,200 officers respectively in fiscal year 1989.

ROTC's Purpose, Benefits, Obligations, and Management

The ROTC program was established to supplement the military academies in preparing selected students for commissioned military service and to provide officers for the reserve forces. The program consists of more than 600 ROTC units located at colleges and universities throughout the United States.

In addition to satisfying requirements of the regular college curriculum, ROTC participants enroll in military, naval, or aerospace education programs and attend summer military training. Some participants receive scholarships. Congress established scholarships to ensure the procurement of highly qualified reserve officers and career-minded regular officers and to attract students whose academic specialties were essential to the services. Those who receive ROTC scholarships are provided with a \$100-per-month subsistence allowance for up to 40 months; pay for summer training periods; reimbursement for fees, books, and laboratory expenses; and tuition assistance that varies in amount depending on the service. The Navy provides full-tuition assistance. The Air Force pays full tuition for the top 15 percent of its scholarship recipients and up to \$8,000 per year for the remainder. The Army pays 80 percent of the tuition cost, with a limit of \$7,000 per year. In addition, the Army limits its payment for books to \$390 and for fees to \$350; the Air Force and the Navy provide full payment. Non-scholarship participants in each service receive a \$100-per-month subsistence allowance for up to 20 months and receive pay for summer training periods.

All ROTC graduates incur a military service obligation of 8 years. The Air Force and the Navy require a minimum active-duty period of 4 years. The Army's ROTC graduates may serve either 2 to 4 years on active duty, followed by 4 to 6 years in the Reserve components, or a total of 8 years in the Reserve components. ROTC graduates receive commissions as

second lieutenants in the Air Force, the Army, and the Marine Corps and as ensigns in the Navy.

The Assistant Secretary of Defense (Manpower, Installations, and Logistics) establishes the overall Department of Defense (DOD) policy and guidance for the ROTC program. The Secretaries of the Air Force, the Army, and the Navy have responsibility for their ROTC programs and for establishing policy within the framework of this guidance. Program managers for the services are the Commandant, Air Force ROTC; the Commander, U.S. Army ROTC Cadet Command; and the Chief of Naval Education and Training. DOD and service program officials told us that each service provided its ROTC units with a military curriculum, complete with instructors and summer training, and that the colleges and universities provided facilities, utilities, and maintenance for the ROTC units.

Program Statistics

In fiscal year 1989, the ROTC program had about 92,000 students enrolled at a cost of about \$591 million. That same year, about 12,700 ROTC graduates received their commissions. The largest ROTC program is operated by the Army, and the Navy's is the smallest. Table 1.1 provides statistics for the total program and the individual services for fiscal year 1989.

Table 1.1: ROTC Units, Enrollments, Cost, Scholarships in Effect, and Commissions

Service	Units	Enrollments	Cost (millions)	Scholarships in effect	Commissions
Army	413	62,439	\$356	9,905	8,217
Air Force	151	19,549	124	4,800	2,823
Navy	66	9,632	111	6,610	1,618
Total	630	91,620	\$591	21,315	12,658

In fiscal year 1989, the Air Force had the lowest staffing per unit; the Army had the highest average enrollment per unit; and the Navy had the highest number of commissions per unit (see table 1.2).

Table 1.2: ROTC Average Staff Members Per Unit, Average Unit Enrollment, and Average Commissions Per Unit

Service	Staff members per unit	Enrollments per unit	Commissions per unit
Army	9	151	20
Air Force	8	129	19
Navy	12	146	25

Objectives, Scope, and Methodology

The Chairman of the Subcommittee on Military Personnel and Compensation, House Armed Services Committee, asked us to determine whether the services were focusing their ROTC programs on effectively meeting their projected need for officers. The request arose from the Committee's concern that ROTC graduates—including scholarship recipients—had not always been used by the military to the maximum extent possible. We were requested to determine the extent to which ROTC programs might have produced too many officers, the potential for the closure of ROTC units, and the completeness and consistency of ROTC cost reporting.

To answer this request, we reviewed guidance, regulations, and planning documents concerning the services' ROTC programs; interviewed program officials; and obtained data from the following sources:

- Office of the Secretary of Defense, Washington, D.C.;
- Headquarters, Departments of the Air Force and the Army, Washington, D.C.;
- Office of the Chief of Naval Operations, Washington, D.C.;
- Headquarters, Air Training Command, Randolph Air Force Base, Texas;
- Headquarters, U.S. Army ROTC Cadet Command, Fort Monroe, Virginia;
- Headquarters, Air Force ROTC, Maxwell Air Force Base, Alabama; and
- Chief of Naval Education and Training, Naval Air Station, Pensacola, Florida.

We relied on published DOD and military service information for background data, such as the general descriptions of the services' ROTC programs and the magnitude of the reductions in military personnel imposed by Congress beginning in fiscal year 1987. We did not evaluate the validity of the services' total officer requirements or of the ROTC portion of that requirement.

In evaluating ROTC's overproduction and management of the program, we examined the measures taken by the services since fiscal year 1987 to alleviate ROTC's overproduction and relied on the services' estimates of the costs associated with the overproduction. We also relied on the services' estimates of future production goals and the extent to which overproduction would continue to occur in the next several years.

We used information from the military services' productivity data bases to support our analyses and conclusions on unit productivity and efficiency and the need for unit closures. We did not perform reliability

assessments of these data bases. We compared the services' measurements of unit productivity with those set forth in congressional guidance, DOD direction, and service-specific guidance. We also examined studies and analyses prepared by the services to determine their estimates of cost savings associated with unit closures.

To determine the completeness and consistency of ROTC cost reporting, we obtained reported cost data from the services, analyzed it, and compared the types of costs reported by the services. We did not verify the figures provided by the services. In addition, we followed up on DOD's response to prior GAO reports dealing with ROTC cost reporting.

The Navy offers an option to its ROTC students to receive a commission in the Marine Corps. Our review did not include Marine Corps-option students. However, they are included in the numbers we cite relating to unit enrollment.

We did not review the services' other officer procurement programs, such as Officer Candidate Schools, Officer Training Schools, and the services' academies.¹

Our work was conducted between November 1989 and November 1990 in accordance with generally accepted government auditing standards.

¹GAO is conducting a review of certain aspects of the service academies.

Producing More ROTC Graduates Than Necessary Has Cost Millions

Because of the rapid, unforeseen reductions in officer end strength in recent years, Air Force and Army ROTC programs have produced over 9,000 more graduates than needed since 1987. The Navy was able to avert large-scale overproduction by making adjustments to another program, its Officer Candidate School. To deal with the excess number of graduates and reduce the number of ROTC students already enrolled, both the Air Force and the Army implemented costly measures. Some of the excess numbers of graduates and students were released before they had served any part of their military obligation. Thousands more, including scholarship recipients, will most likely never serve on active or reserve duty. These measures cost the Air Force over \$36 million; comparable cost estimates were not available from the Army. Although further reductions in officer end strength are expected, the Air Force and Army ROTC programs will continue to overproduce and incur additional unnecessary costs because neither service has developed a comprehensive plan to efficiently meet reduced production needs, eliminate overproduction, and prevent its recurrence.

End-Strength Reductions and Long Lead Times Have Created Substantial Overproduction

Prior to fiscal year 1987, the services were expecting increases in officer end strength until at least 1991. However, Congress has directed reductions in officer end strength for the Air Force and the Army since fiscal year 1987 (see table 2.1).

Table 2.1: Officer End Strength

Service	Actual				Authorized		Losses
	1986	1987	1988	1989	1990	1991	1986-91
Air Force	109,048	107,338	105,126	103,697	102,200	95,027	14,021
Army	109,757	107,964	106,963	106,877	106,001	99,291	10,466
Navy	72,051	72,038	72,427	72,153	72,493	69,992	2,059
Total	290,856	287,340	284,516	282,727	280,694	264,310	26,546

These officer end strengths are below those that had been projected by the services. For example, in the President's fiscal year 1985 budget, the fiscal year 1989 officer end strength for the Army, the Air Force, and the Navy combined was projected to be 299,476, or 16,749 more than their actual officer end strength for fiscal year 1989. Similarly, in the President's fiscal year 1986 budget, the fiscal year 1990 officer end

strength for those services was projected to be 297,140, or 16,446 more than their authorized fiscal year 1990 officer end strength.

As a result of these reductions, the numbers of officers needed from each service's ROTC program have been considerably fewer than anticipated. In fact, the National Defense Authorization Act for 1991 requires the services' Secretaries to limit the number of new officers to prevent the involuntary separation of officers currently on active duty during the imposition of substantial reductions of authorized officer strength.

There is a substantial lead time associated with realizing significant changes in ROTC production. Because there are students already enrolled in the program and because it takes at least 2 to 4 years to produce an officer, the short-term ability to reduce the numbers of students and graduates is limited. As a result, the Air Force and the Army have had many more ROTC graduates and participants than they need. During fiscal years 1987 through 1990, the Air Force's ROTC program produced 814 excess graduates, and the Army overproduced a total of 8,216 officers. In fiscal year 1990 alone, 60 percent of the Army's production was unneeded.

Although the Navy's officer corps grew between 1986 and 1990, the growth was not as large as the Navy had anticipated. As a result, the number of officers actually needed from the ROTC program has also been lower than anticipated. However, according to officials of the Office of the Chief of Naval Operations, the Navy has been able to avert a large-scale overproduction of officers by making adjustments to another program, its Officer Candidate School.

DOD data shows that the services have reduced their Officer Candidate School and Officer Training School programs considerably since fiscal year 1986. In fiscal year 1989, for example, 52 percent fewer officers were commissioned from these programs than in 1986. According to Air Force and Army officials, their Officer Candidate School and Officer Training School programs have already been reduced to the minimum levels necessary to maintain their viability. In addition, each service has planned reductions to its service academy's production of officers.

Measures to Manage Overproduction Have Been Costly

To reduce the number of excess participants already in the ROTC program at the time of the end-strength reductions and to avoid breaking contracts with them, the services have employed several measures, all of which have been costly and have had other disadvantages. These measures have consisted of releasing volunteers from their military service obligations; placing graduates into the National Guard, the Reserves, and the Army's Individual Ready Reserve (IRR); and delaying graduates' entry into active duty. The Air Force estimates that these measures cost over \$36 million.¹

Army and Navy officials told us they were unable to provide an estimate of the cost of their overproduction.

Voluntary Release

One method used by the Air Force and the Army to reduce the number of graduates has been to offer ROTC participants voluntary release from their contractual military service obligations. The Air Force offered this option in fiscal years 1987, 1988, and 1990 to both scholarship and non-scholarship ROTC participants; however, scholarship recipients who opted for release were asked and agreed to pay back the cost of their scholarships and textbooks. Since 1987, 519 Air Force ROTC participants chose this option. The Army did not offer voluntary release until fiscal year 1990, and then the offer was open only to non-scholarship participants who had been selected for reserve duty. The offer was accepted by 1,138 of them.

Voluntary releases have two disadvantages: the services lose their financial investment in these people, and according to ROTC program managers, the release is attractive to many highly qualified participants with good civilian job prospects.

Placement in Reserve Component

As another means of dealing with overproduction, the Air Force has placed excess ROTC graduates in the Air National Guard and the Air Force Reserve, and the Army has placed excess graduates in its IRR. Although the Army normally uses its ROTC program to produce officers for both the active and reserve components, this procedure has not been standard for the Air Force. In 1987, however, the Air Force allowed its

¹This figure includes the costs (minus scholarship and textbook cost recoupment) of educating those participants who opted either for the release programs implemented in fiscal years 1987, 1988, and 1990 or for placement in the reserve component in fiscal year 1988. It also includes the cost of the involuntary delay in entering active duty for the 1990 graduating class. We did not obtain estimates for the delays associated with previous classes.

ROTC students the option of fulfilling their service commitments in the National Guard or Reserve, and 295 graduates chose to do so. This option was not offered in later years because, according to the Assistant Secretary of the Air Force (Manpower, Reserve Affairs, Installations, and Environment), the Air National Guard and Air Force Reserve are accustomed to receiving officers with active-duty experience and are unable to provide adequate developmental experience for large numbers of new officers.

The Army had been placing ROTC graduates into the National Guard and the Army Reserve, but recently these components, faced with their own end-strength limitations, could no longer absorb the ROTC excess. Consequently, the Army has begun placing large numbers of excess ROTC graduates in its IRR. The Army's IRR is composed primarily of soldiers who have previously served in the Army and have some period of service obligation remaining. In the event of partial mobilization, IRR soldiers could be called up to fill gaps in deploying and stateside units and to replace early combat casualties. According to officials of the Office of the Chief of Army Reserve and the Army Reserve Personnel Center, in fiscal year 1990 the Army placed 47 percent (4,150) of its ROTC graduates in the IRR, whereas in fiscal years 1987 through 1989, 2,928 ROTC graduates were placed in the IRR.

Placing excess ROTC participants in the IRR has its drawbacks. According to officials of the Office of the Chief of Army Reserves, most of these officers will never serve on active duty or join a Reserve or National Guard unit. In addition, this practice increases training costs, since all IRR officers are required to attend officer basic training: Army officials have interpreted section 6(d)(1) of the Military Selective Service Act, as amended, 50 U.S.C. app. sec. 456(d)(1), as requiring such training. The cost of this training is estimated at approximately \$66 million for the ROTC lieutenants who were placed in the IRR in fiscal year 1990.

Delayed Entry Into Active Duty

A method employed by the Air Force and the Navy for reducing the number of ROTC graduates entering the services is to delay their entry into active duty. In fiscal years 1987 through 1990 the Air Force delayed ROTC graduates' entry into active duty. Although commissioned upon graduation, the Air Force's ROTC students currently wait as long as a year before entering active duty. For fiscal year 1990 graduates, the waiting period was estimated to be from 6 to 12 months, based on the graduate's career field. Because the projected delay was expected to exceed DOD's 12-month limit for delay of entry for some career fields, the

Air Force received a special exemption from the requirement. Air Force Military Personnel Center officials reported that the delay could become as long as 2 years for fiscal years 1991 and 1992.

In fiscal years 1987, 1989, and 1990, the Navy also delayed ROTC graduates' entry into active duty as a means of reducing their number. According to program officials, in fiscal year 1987, approximately 100 of the Navy's ROTC graduates were required to delay their entry into active duty. Officials of the Chief of Naval Operations told us that when the Navy offered voluntary delay of entry into active duty to its ROTC graduates, approximately 117 opted for the delay in fiscal year 1989, and approximately 100 opted for the delay in fiscal year 1990. Army ROTC Cadet Command officials told us that the Army did not need to delay entry of its ROTC graduates into active duty because the Army had the option of placing excess graduates into the Army Reserve, the National Guard, or the IRR until they were needed.

Delayed entry is costly because those graduates receive credit for time in service equal to half their delay. For example, an individual who waits 1 year before entering active duty is credited with 6 months of time in service and thereby receives all time-in-service pay raises early. The Air Force estimates that the delays for its 1990 graduates will cost the service approximately \$6 million over their careers. Navy officials were unable to provide an estimate of the cost to the Navy of delaying entry.

This option has other disadvantages. Delaying entry into active service until the next year decreases the number of new graduates needed from the next year's class, increasing the potential for overproduction for that year. Also, according to Air Force ROTC program managers, this policy impairs recruiting and lowers morale among the newly commissioned officers who are eager to begin their careers.

Future Production Needs Are Likely to Be Lower

The Assistant Secretary of Defense (Force Management and Personnel) expects even fewer new officers to be needed in the future, and the services' ROTC production goals reflect this decrease. Because of the current size of their programs and the lead times necessary to realize changes in production, the Air Force and the Army expect considerable ROTC overproduction, at least in the short run. The Navy foresees a period of small, incremental reductions in its need for ROTC graduates and expects to be able to manage these decreases without any overproduction. Despite the changes foreseen, neither the Air Force nor the Army has

**Chapter 2
Producing More ROTC Graduates Than
Necessary Has Cost Millions**

developed a comprehensive plan to efficiently address these changes. As a result, both services can be expected to incur the additional costs associated with the overproduction of ROTC officers.

In congressional testimony on April 4, 1990, the Assistant Secretary of Defense (Force Management and Personnel) predicted the following with respect to the size of the officer corps:

“We are now moving to a smaller force. Our officer corps will decline in numbers in the next five years, and the requirements for new commissions will decline as well. . . For the 1992 and follow-on years, accessions will be reduced as force structure decisions dictate.”²

As of February 1991, each of the services had established ROTC production goals through fiscal year 1995, as shown in table 2.2. These goals reflect the Army’s and Navy’s expectation that future ROTC production needs will be below their planned production for fiscal year 1990 and the Air Force’s expectation that ROTC production needs will continue to decline until 1994. The Air Force production goal increases in fiscal year 1995. Air Force program officials told us that the Air Force had disproportionately cut the number of new officers to meet officer end-strength limitations and to avoid a reduction in force within the existing officer corps. According to these officials, because of this reduction, the number of new officers brought into active duty from their ROTC program is at an artificially low level and will have to increase in later years to maintain a steady end strength in the future.

Table 2.2: ROTC Production Goals (as of November 1990)

Fiscal year	Air Force	Army	Navy
1990	2,600	8,000	1,650
1991	2,300	5,800	1,600
1992	2,200	5,800	1,462
1993	1,900	4,700	1,255
1994	1,900	4,700	1,105
1995	2,050	4,700	1,100

On the basis of these production goals, however, the Air Force and the Army will continue to produce too many officers, at least in the short run, because of the large numbers of participants already in their ROTC

²Testimony of the Honorable Christopher Jehn, Assistant Secretary of Defense (Force Management and Personnel), before the Subcommittee on Manpower and Personnel, Senate Committee on Armed Services, April 4, 1990.

programs. Air Force officials told us that they expected their ROTC program to overproduce officers until 1993 but that the extent of overproduction had not been determined as of March 1991. These officials told us that options being considered for dealing with the overproduction were voluntary release, involuntary release, delays in entering active duty, and placement in the Air National Guard and the Air Force Reserve.

Officials of the Office of the Chief of Army Reserve and the Army Reserve Personnel Center predict that the Army ROTC program will overproduce 8,300 graduates, or 47 percent of its production, in fiscal years 1991 through 1993. Army officials told us that they were considering voluntary release and placement in the IRR as options for dealing with the overproduction. If all 8,300 graduates were to be placed in the IRR, the cost of their officer basic training would be approximately \$127 million (at the Army's estimated cost for fiscal year 1991).

ROTC program managers told us that, even in a stable environment, producing sufficient numbers of highly qualified officers in the needed career fields was a complex effort. The long lead times associated with ROTC production and the uncertainty surrounding production and budget projections complicate this task. Officials of each service told us that they expected further reductions to their production goals for 1990 and beyond. Yet we found that neither the Army nor the Air Force, faced with continued overproduction in the next several years, had developed a comprehensive plan to efficiently meet reduced production needs. Thus, for the most part, these services will have to react to changes in officer end strength as they occur each year, rather than in a prepared manner that would allow them to minimize costly overproduction.

Conclusions

In response to unforeseen reductions, the services have used various means to deal with ROTC overproduction while keeping commitments made to ROTC students. However, such measures are costly and can have other disadvantages. Although the Air Force and the Army project the continued overproduction of ROTC officers in the future, neither service has developed a comprehensive plan to efficiently meet reduced production needs, eliminate overproduction, and prevent its recurrence. Without a comprehensive strategy to meet the changing production needs that covers all sources of new officers, these services will not be able to avoid costly ROTC overproduction.

In addition, the Army's practice of placing large numbers of excess ROTC graduates into the IRR is not a prudent expenditure of public funds; the army spends millions of dollars to provide basic training for officers who, according to officials of the Office of the Chief of Army Reserves, will most likely never serve on active duty or in Reserve or National Guard units.

Recommendations

To ensure that the services meet their future needs for ROTC officers as efficiently as possible GAO recommends that the Secretary of Defense take the following actions:

- Develop and implement a comprehensive strategy to ensure that ROTC resources are used and distributed as efficiently as possible within the framework of all sources of new officers (including the service academies and officer candidate programs). This strategy should address the total program enrollment, the types and quantities of technical skills needed, the scholarship and non-scholarship mix, the number of units, unit staffing, headquarters staffing, and other program elements. Such a strategy should create a framework for meeting service goals cost-effectively and should include analyses of external factors affecting the program.
- Suspend the requirement for officer basic training for the Army's IRR members until these officers are needed to serve on active duty or in Reserve or National Guard units. To accomplish this objective, the Secretary should seek temporary relief from the legislative requirement that provides for this training. The Secretary should also consider whether the involuntary release of ROTC participants offers the Army greater advantages than placing these people in the IRR.

Agency Comments and Our Evaluation

DOD agreed with our recommendations and made the following comments:

- The Department is developing a comprehensive strategy that will address the appropriate contribution of each of the principal sources of officers to annual commissions. However, the Department stated that some program characteristics, such as unit staffing and numbers of scholarships, should more appropriately remain the prerogative of the services' Secretaries.
- The Department is exploring the legal options available with respect to suspending officer basic training for the Army's IRR members until these

officers are needed to serve on active duty or in Reserve or National Guard units.

DOD generally agreed with our audit findings but said that overproduction from the Army's ROTC program was overstated in our report. The Department believes that during fiscal years 1987 through 1990, the Army overproduced 153 officers in its ROTC program rather than the 8,216 we reported. The differing numbers result from our using different definitions of "overproduction." The Department views overproduction as the number of commissions exceeding the mission goals of the ROTC program manager. Our definition of overproduction, however, includes both the ROTC students who were released from their military service obligations (1,138) because they were excess to the Army's needs and the portion of ROTC graduates assigned to the IRR that Army officials identified as not likely to ever serve on active duty or join a Reserve or National Guard unit (7,078). We continue to believe that, in the context of determining the appropriate amount of resources to allocate to ROTC programs, our definition is a more appropriate criterion.

Maintaining ROTC Units With Low Enrollments Causes Significant, Unnecessary Costs

Despite congressional committee guidance to close consistently unproductive ROTC units, the services generally have not done so; nor has DOD articulated and enforced this policy. As of fiscal year 1990, 10 percent (65) of the ROTC units did not meet the congressional committee minimum enrollment guideline. And, although the committee guidance allows units that have overriding qualitative and other benefits to be retained, the services have not adequately justified retaining these units. Furthermore, DOD has not ensured that unproductive units are closed. The total cost of maintaining unproductive units could not be determined because the Army does not track ROTC costs by unit. However, we estimate that about \$5.2 million was spent to operate the 11 units being maintained by the Air Force and the Navy below the enrollment guideline for fiscal year 1990.

As the services reduce the number of ROTC participants in the future, more units are likely to fall below the enrollment guideline. Thus, additional savings could be achieved if the services further reduced the number of their ROTC units to correspond to their reduced need for new officers.

Productivity Guidelines Have Been Set for ROTC Units

Congressionally established productivity guidelines for ROTC units have evolved since the mid-1970s. Initially, units were measured against a strictly quantitative enrollment standard and subject to closure if they were consistently below this criterion. In fiscal year 1981, Congress allowed deviations from the purely quantitative enrollment standard if units were considered productive in accordance with DOD's directive. DOD's directive governing unit closures provides that a number of factors be considered, but it neither wholly incorporates the congressional committee guidance nor provides criteria to use in evaluating the factors.

Congressional Committee Productivity Guidelines

From fiscal year 1978 through 1980, the Appropriation Acts mandated a strictly quantitative enrollment standard for assessing unit productivity and making closure decisions. These acts generally barred funding to ROTC units that had failed to enroll at least 17 juniors in any of the 4 preceding years. This quantitative standard was established because the House Appropriations Committee was concerned about (1) the continuation of ROTC units at colleges and universities that were not producing 15 or more graduates per year and (2) DOD's reluctance to close units with perennially low enrollments. The Committee added:

Chapter 3
Maintaining ROTC Units With Low
Enrollments Causes Significant,
Unnecessary Costs

“[T]hese levels represent the low and [sic] end of the range of absolute minimum enrollment necessary to make a viable program and justify the assignment of military personnel to the school. The Committee believes that failure to enroll this minimum number of students one time in five years is proof-positive that a detachment is not viable.”¹

In its 1976 report the Committee noted that when enrollments drop below 20 students per class, every cost comparison available shows that alternative sources of officer production are far more cost-effective.² Additionally the Committee stated:

“[A]t least two significant problems must be overcome if proper and reasonable management of the ROTC program is to be pursued. First, administrators must be given a way of discounting or avoiding the continual optimism on the part of presidents of schools and professors of Military Science. . . , which always imply that better enrollments are just around the corner. Second, uniform and consistent criteria with respect to minimal enrollment standards must be established in order to take the program out of the political arena. Today, many years are expended in ‘haggling’ within a military department and between OSD [Office of the Secretary of Defense] and the departments over which, if any, units are to be phased out, when they are to be phased out, the procedures under which they will be phased out, etc. Then the process continues in a higher political forum because the current procedures are neither uniform nor fairly applied.”

Starting in fiscal year 1981, however, the Congress permitted qualitative and other considerations to be used to justify deviations from the numeric enrollment standards. Other factors could be considered in any decision to close an ROTC unit, including (1) the cost per officer produced, (2) the type of officer produced, and (3) the quality of officer produced. As a result, Congress permitted the purely numeric productivity standard to be tempered by qualitative considerations. It was the intent of Congress that the services be able to place a different emphasis on each of the four elements in order to ensure that the formula was responsive to the unique mission of each service.³ Reference to the ROTC productivity standards was deleted from the Department of Defense Appropriations Act of 1990 as part of an effort to reduce the number of legal limitations on the Department, but the House Appropriations Committee

¹H.R. Rep. No. 451, 95th Cong., 1st sess. 148 (1977).

²H.R. Rep. No. 1231, 94th Cong., 2d sess. 54-57 (1976).

³H.R. Conf. Rep. No. 1528, 96th Cong., 2d sess. 38 (1980); S. Rep. No. 1020, 96th Cong., 2d sess. 26-27 (1980).

supported the intent of the limitation, stating that “wholesale or flagrant disregard of the Committee’s desires will result in . . . [this limitation’s] again being included in law in future years.”⁴ Accordingly, the term “congressional committee” is used throughout this report to reflect the House Appropriations Committee’s intent with respect to productivity standards.

DOD’s Direction and Service-Specific Guidance

DOD’s Directive 1215.8, governing ROTC unit closures, states that the production of each ROTC unit should be adequate to justify the investment of resources, considering the following factors: the cost of maintaining the unit and the number, quality, and kinds (for instance, those from hard-to-recruit areas) of officers produced.⁵ However, the directive does not define “adequate production” and fails to provide uniform and specific policy guidance on how to consider each of these factors. For example, the congressional committee enrollment guideline of 17 students in the junior class is not mentioned as being an important numeric consideration, and DOD’s directive does not require the services’ Secretaries to justify deviations from the enrollment guideline. Furthermore, DOD officials report that DOD does not monitor productivity determinations and closure decisions to ensure that congressional intent and DOD’s directive are followed. Although the directive states that units that fail to meet its minimum standards for 4 consecutive years are to be closed, it assigns the prerogative to close them to the services’ Secretaries.

Each service has supplemented DOD’s directive with specific guidance. Air Force Regulation 45-48 defines an ROTC unit as “unproductive” if its productivity index was less than 17. The index begins with the number of juniors enrolled in the unit. However, points are added to the index if a unit performs above the program’s average in quality or kinds of officers produced or below the program’s average in cost. Air Force program officials told us that a unit whose index was below 17 did not perform well enough on the qualitative factors to justify retention. The regulation states that “normally, a unit is closed after 4 consecutive years on probation,” but it does not require closure.

⁴H.R. Rep. No. 208, 101st Cong., 1st sess. 230 (1989).

⁵DOD officials told us that “hard-to-recruit areas” are those in which the numbers of individuals recruited do not meet goals for specific types of officers: for example, nurses, nuclear power candidates, and minorities.

According to Army Regulation 145-1, DOD's productivity requirements must be met, and those units that do not meet these and other requirements will be placed in "evaluation status" or closed. Although the regulation states that the requirements of the current DOD Appropriations Act should be met, it does not explicitly state the congressional committee's numeric guidance. Each unit must enroll enough students to meet or exceed DOD's requirements and be cost-effective in its operations.⁶ Although these requirements are stipulated in the Army regulation, the Army does not use these factors in assessing its units. Instead, the Army uses a different formula to compute productivity, one that does not include factors for cost-effectiveness or kinds of officers produced; this formula only measures officer quality and production over time.

The Navy's instruction reiterates DOD's directive but provides no further guidance and does not mention the congressional numeric enrollment standards.⁷ In 1987, the Navy adopted a mechanism for evaluating unit productivity that Navy ROTC program managers reported was not sufficiently quantitative to provide a meaningful analysis of unit performance. Instead, the Navy conducts a subjective analysis of each unit's performance in production, cost, quality, and kinds of officers produced. Whether a unit was considered productive is determined subjectively by the Secretary of the Navy. Navy ROTC program officials told us that the Navy had not issued guidance on what the subjective analysis should contain or the relative weight of any of these factors.

The Services Have Retained Unproductive Units

Each of the services has failed to comply with congressional committee guidance and DOD instructions to close consistently unproductive ROTC units. According to our review of service records, 65 units (10 percent) that fell below the congressional committee enrollment guideline remained in operation in fiscal year 1990. Additionally, ROTC program managers in DOD and all three services report that no justification for retaining these units on the basis of an objective analysis and relative weighing of qualitative and other benefits has been prepared.

The Air Force is retaining seven units that have failed to meet the congressional committee's established, minimum productivity guideline for the past 4 years. The cost of maintaining these units in fiscal year 1990

⁶Cost-effectiveness is measured by the production efficiency ratio. A unit is considered cost-effective if the ratio of lieutenants produced to number of officer staff assigned is at least 6 to 1.

⁷Chief of Naval Education and Training Instruction 1533.12D (Change No. 1, Oct. 23, 1989).

was approximately \$2.2 million. Three units that met the congressional, DOD, and Air Force requirements for closure were retained without justification, because the Assistant Secretary of the Air Force (Manpower, Reserve Affairs, Installations, and Environment) was not sure that these were the appropriate ones to close in order to meet future reductions in ROTC production. The remaining four units were retained because the Air Force had designated them "operating locations" or "parent detachments" at some point in the 4-year period. The operating location designation carries an Air Force exemption from productivity standards and closure regulations and, according to Air Force officials, is sometimes used to avoid closing politically sensitive units. The parent detachment designation allows a unit to meet less demanding productivity requirements. Both operating locations and parent detachments have as many staff assigned and, therefore, expend resources in amounts comparable to other units that are subjected to the usual productivity standards. As of November 1990, Air Force ROTC program officials told us that no formal justification had been prepared to substantiate retaining the seven units.

Air Force program officials report that two Air Force ROTC units will close at the end of the 1990-91 school year as a result of a mutual agreement between Air Force ROTC and university officials. One of these units is one of three that met closure requirements in 1990 but was retained at that time at the direction of the Assistant Secretary of the Air Force (Manpower, Reserve Affairs, Installations, and Environment). The other unit, in its third year of probation with no prospect for improvement, will close early as a result of a mutual decision between Air Force ROTC and university officials.

The Army is in the process of closing some consistently unproductive units, but others that have also been consistently unproductive are not being closed. In fiscal year 1990, the Army began the process of closing 62 ROTC units that it had identified as among its least productive. The Army has reported that closure of 50 of the units will result in recurring annual savings of about \$31 million. The Army has not completed a savings estimate for the remaining 12 units.

Despite the planned closures, the Army is retaining other unproductive units without an objective analysis of qualitative benefits to justify their deviation from the congressional guideline. The Army has placed these units in a unique category--that of "extension centers"--to which it applies productivity standards less demanding than those directed by

congressional committee guidance. The Army established extension centers to assist smaller colleges and universities that were unable to meet public law requirements for the establishment of ROTC units. Extension centers are generally located more than 50 miles from a host unit, have a smaller permanently assigned staff than other units, and receive administrative support from a host unit. Army ROTC Cadet Command officials told us that they believed that the lower productivity standards for extension centers were justified because it cost less to produce an officer from an extension center. However, the Army does not track costs by unit, and thus, the officials were unable to substantiate their claim of cost efficiency. As of fiscal year 1990, the Army maintained 54 extension centers that we estimated would meet the congressional enrollment guideline for closure.⁸ In fiscal year 1989, extension centers produced an average of 10 officers, compared to an average of 23 for the Army's host units.

The Navy has also retained ROTC units that have consistently failed to meet the congressional committee's enrollment guideline, and according to Navy program managers, no objective analysis of qualitative benefits was prepared to justify retention. We found that in fiscal year 1990 four units that had enrolled fewer than 17 juniors for 4 consecutive years were being retained with no approved plans for closure. In that year, according to the Navy's cost analyses, the cost per officer produced from the four units was, on average, more than \$53,000 higher than the program average. This cost was due in part to the units' average ratio of seven enrolled juniors to nine staff members. The Chief of Naval Education and Training reported that in fiscal year 1990, these units cost approximately \$3 million to operate. Our review disclosed that these four units had been perennially unproductive since each had fewer than 17 juniors enrolled in 8 of the past 10 years. Navy ROTC program managers told us that three of these units were being retained because they were in historically black colleges or universities and that they believed closing any of them would create great concern in the minority community and in congressional delegations. In January 1991, the Navy approved a plan to close 5 of its units and consolidate 18 others to make 9 stronger units. However, one of the four units we discussed earlier will remain open under this plan.

⁸Data on junior class enrollment was not readily available from the Army. However, these units had an average production below 15 for the past 6 years. The requirement for 17 juniors is intended to ensure that 15 officers are produced in the following year.

Noncompliance With Closure Guidelines

The services have been able to continue to operate consistently unproductive ROTC units in part because DOD does not oversee productivity and closure decisions to ensure that the services are complying with congressional intent, DOD's directive, or the services' regulations. Additionally, DOD's directive neither requires that the services perform an objective analysis of qualitative factors to justify deviations from the quantitative enrollment guideline nor provides specific, uniform guidance in considering each of the four viability factors. Retention of unproductive units is a recurring problem for DOD.

DOD's Criteria Have Provided Insufficient Guidance

DOD's criteria are not precise enough to guide the services in making determinations on productivity and closure. Although DOD has directed that determinations on productivity consider the cost of maintaining the unit and the number, quality, and kinds of officers produced, it has not provided any further guidance on how to measure these factors. Neither does the directive provide guidance on assessing the qualitative benefits of a unit to ensure that deviations from the congressional committee's enrollment guideline are adequately justified. Furthermore, the committee's enrollment guideline, an important first step in assessing unit productivity, is not even included in DOD's directive. As a result, the services have instituted varying applications of this guidance that do not ensure compliance with congressional intent.

For example, the Air Force and the Army have instituted special categories (such as operating locations, parent detachments, and extension centers) that protect unproductive ROTC units from closure. Neither the Congress nor DOD has established such special categories; nor does DOD's directive set forth any exemptions. In discussions with us, Air Force and Army officials justified these exemptions by citing DOD's delegation of closure decisions to the "prerogative" of the services' Secretaries.

The Navy's failure to close consistently unproductive units until January 1991 likewise can be attributed, in part, to DOD's insufficient guidance to the services on making productivity determinations. The Navy's process for determining productivity and making unit closure decisions does not incorporate the congressional committee's guidance. Navy officials, however, justified their process by citing the discretion DOD permitted the services in determining unit productivity.

DOD Has Not Provided Adequate Oversight of Productivity Determinations

DOD has not ensured that the services abide by its productivity standards and close units found to be consistently unproductive. For example, the Army, despite committee and DOD direction and contrary to its own regulation, has not tracked the per-unit costs for its ROTC program. This information is needed to determine the productivity of individual units.

DOD officials report that they have not eliminated the practice of introducing various categories of units in order to avoid closure. Although DOD has not established any such categories as the Air Force's "operating locations" and "parent detachments" or the Army's "extension centers," we believe these services have established and use such categories to keep unproductive units open.

DOD's internal control system requires all organizations to review internal controls annually to verify that they are in place and working. DOD's Directive 5010.38, governing the internal control system, requires an Annual Statement of Assurance that adequate internal controls exist to help prevent fraud, waste, mismanagement, and misappropriation in compliance with the Federal Managers' Financial Integrity Act of 1982. The Annual Statement of Assurance must report material weaknesses discovered in the internal controls during the current period, with plans for corrective action and a status report on previously reported unresolved material weaknesses. The regulation indicates that a weakness ought to be considered "material" when the matter involved is the object of congressional interest.

The retention of unproductive units has not been included as a material weakness in DOD's Annual Statement of Assurance. DOD officials told us that it was the service Secretaries' responsibility, not DOD's, to determine which units were unproductive and should be closed. They stated that they knew some units were perennially unproductive, but they assumed that the services had valid, substantiated reasons for retaining them. The officials also noted that political considerations were frequently the reason the services' Secretaries retained unproductive units.

Previous GAO Reports Have Noted the Closure Problem

Retention of unproductive ROTC units is not a recent problem. In 1973, we reported that each military service was maintaining ROTC units that did not meet DOD's production requirements.⁹ Later, in 1977, we reported that:

"Contrary to Department of Defense directives, the services continue to retain ROTC units which are considered "unproductive," i.e., having too few students in relation to cost. . . ."¹⁰

We also noted that vague and subjective considerations were still being used to avoid closing consistently unproductive units. As a result of these findings, we recommended that the Secretary of Defense direct the services to deactivate all units not meeting the prescribed minimum production requirements unless an exception had been approved; revise DOD's instructions to (1) clearly identify substantive reasons for exceptions and (2) require DOD's approval of any exceptions; and prescribe consistent and expeditious procedures for deactivating units that did not meet prescribed criteria.

DOD did not agree with our 1977 report's recommendation that the services be directed to deactivate immediately all units not meeting prescribed minimum standards. DOD said that, while the reasons for retaining some unproductive units might seem vague and subjective, it was imperative to note that a unit's value might lie more in its capability to meet minimum standards. Further, it said that the increasing requirements of the services for special scientific and technical skills or for improved minority composition might override numerical production. It also said that without a reasonable opportunity for units to recover from enrollment declines, the ROTC programs would require continual and costly restructuring. DOD did agree, however, that its guidance needed to be revised, and it began a reappraisal.

The fiscal year 1978 Defense Appropriations Act set forth minimum enrollment criteria that ROTC units had to meet in order to continue receiving funds. This was the first time that such requirements had been mandated. Our 1978 report concluded that all of the services were dissolving units that did not meet standards defined in the act. However, as

⁹Letter to the Chairman, Committee on Appropriations, House of Representatives, regarding ROTC programs (B-146947, Feb. 23, 1978).

¹⁰Reserve Officers' Training Corps: Management Deficiencies Still to Be Corrected (GAO/FPCD-77-15, Mar. 15, 1977).

discussed earlier, the services continue to operate units that fall below the standard.

Planned Closures Are Not Sufficient to Achieve Maximum Efficiency

In addition to closing those ROTC units that did not meet the congressional committee's enrollment guideline in fiscal year 1989, the services will need to close more units to increase the productivity and efficiency of the remaining units as the services face increased budgetary constraints and reduced production. The Army's closure of 62 units will not entirely eliminate its present level of overproduction. With less need for ROTC production estimated for the future, even more units in each of the services are likely to fall below the enrollment guideline.

Of the 148 Air Force units with 4-year productivity histories, 8 units had productivity scores below 17 for the 4 consecutive years ending in fiscal year 1990; 34 units had been below this level for 1 to 3 years; and another 22 units were what the Air Force considered "marginally productive," since they had productivity scores between 17 and 20. In all, 43 percent of these units were considered either unproductive or marginally productive in fiscal year 1990.

Despite internal studies showing the need to reduce the number of ROTC units, the Air Force generally has not done so. In 1988, the Air Force announced an effort to close or consolidate 37 units. This effort was expected to save \$10 million annually starting in fiscal year 1990. However, we were told that the Secretary of the Air Force, in response to political pressure, had stopped this effort and that no units were closed. Similarly, a 1990 Air Force study showed that between \$17 and \$21 million could be saved in annual personnel costs alone by reducing the number of units to correspond with 1992's production needs.

The Army also plans to retain considerably more ROTC units than it needs. The fiscal year 1990 production from the 62 units currently scheduled for closure was 520 officers, and production from the 54 "extension centers" that did not meet the congressional committee enrollment guideline was about 555 officers. Together, their production accounted for about 1,075 of the Army's ROTC overproduction of approximately 5,300 for that year. As a result, more units should be closed to increase the efficiency of the Army's program.

An analysis performed by the Navy showed that the closure of units was necessary to keep the program productive and efficient. On the basis of the reduced need for ROTC graduates, the Navy estimated that

approximately 14 units, or 21 percent of its program, would become unproductive and that the cost per officer produced would increase by \$21,000 (35 percent) in 1994 if all 66 units were maintained. As discussed earlier, in January 1991, the Navy announced that 5 units would be closed by fiscal year 1996 and that 18 others would be consolidated into 9 stronger units by fiscal year 1992. The Navy reports that these actions will result in savings of about \$90 million through fiscal year 1987 and will strengthen the productivity of its remaining units.

Conclusions

In recent years, many ROTC units have been below the congressional committee's minimum enrollment guideline without adequate justification for their retention. And, as the need for officers decreases, even more units in all three services are likely to fall below that minimum. As a result, there is an opportunity to reduce the number of ROTC units to correspond with the reduced need for new officers and save millions of dollars.

The DOD criteria for unit closures do not ensure that the investment of resources be adequately justified since they (1) do not articulate the congressional committee's enrollment guidance and (2) grant discretion to the services' Secretaries in making productivity determinations and closure decisions. The services avoid closing units that meet the congressional enrollment's guideline for closure.

DOD's monitoring of the services' implementation of committee guidance and DOD standards has been inadequate. The services have (1) established service-specific guidance that does not fully articulate DOD's directive and (2) retained units below the committee's guideline without providing adequate justification.

Even if the services abided by congressional intent on unit closures, the recent declines in the need for new officers and the corresponding decrease in the program's productivity indicate that there would still be an excess of units.

The retention of unproductive ROTC units has been reported twice before by us and continues to be a problem; we believe it will continue to adversely affect DOD's ability to make effective use of ROTC program funds. We believe it is important to focus the attention of top management on this problem's resolution, especially by reporting it in the Annual Assurance Statement. Reporting this problem allows higher levels of management to (1) evaluate the adequacy of suggested and

implemented corrective actions, (2) make any needed changes, and (3) monitor the corrective actions to completion. Identifying productivity determinations and closure decisions as a material weakness would help to ensure top management's attention.

Recommendations

To increase the efficiency and effectiveness of the services' ROTC programs, we recommend that the Secretary of Defense take the following actions:

- Revise DOD's directive on unit closures. The revision should (1) define the term "productive" unit, (2) provide criteria needed to enable objective analyses of the quantitative and qualitative factors to be considered in making closure decisions, and (3) require that deviations below the congressionally established enrollment guideline be adequately justified and reported to you.
- Require the services' Secretaries to amend their regulations on unit closures to specify an objective formula that assigns relative weights to the various productivity factors.

We believe that in light of current budgetary pressures the recommendations we made in previous reports to close unproductive units may be even more important now and should be implemented. Therefore, we recommend that in the next Annual Assurance Statement the Secretary of Defense identify as a material weakness the lack of compliance with congressional committee guidance on unit closures.

Matters for Congressional Consideration

Because DOD has not aggressively closed unproductive ROTC units, the Congress may wish to fund the services' ROTC programs at levels lower than requested. Reductions could be based on the percentage of unproductive units in each service.

Agency Comments and Our Evaluation

DOD agreed with all of these recommendations but disagreed with our suggestion that Congress fund the services' ROTC programs at levels lower than requested. The Department said that the President's budget balances officer accessions from various sources and that reductions to the ROTC program would impair its ability to support budgeted force levels. While the services have plans to close a number of unproductive units, there are other unproductive units for which there are no closure plans. Thus, we believe that reduced funding levels would encourage the

**Chapter 3
Maintaining ROTC Units With Low
Enrollments Causes Significant,
Unnecessary Costs**

Department to satisfy ROTC requirements by using its resources more efficiently.

ROTC Cost Reporting Is Inconsistent and Incomplete

In two reports issued in the 1970s, we advised DOD of deficiencies in the services' ROTC cost reporting. Both times, DOD agreed with our findings. As of March 1990, however, DOD had not adopted a standard cost-reporting system for ROTC, and the services were using independently developed systems that, in the cases of the Army and the Navy, had resulted in the exclusion of more than \$69 million of ROTC costs for fiscal year 1989. We identified the total cost of ROTC for that year as being about \$591 million. In addition, the Army does not track ROTC costs by unit. Therefore, ROTC's cost-reporting system is still inconsistent and incomplete, and it is inadequate for either DOD or the services to make an accurate assessment of its units' cost-effectiveness.

Cost-Reporting Problems Have Been Noted Before

In a February 1973 report, we stated that cost reporting for ROTC programs was incomplete and varied among the services.¹ DOD agreed that there were variances and consequently formed a committee to recommend standardized cost reporting. In August 1973, that committee proposed a uniform system for reporting ROTC program costs.

In March 1977, we once again reported on the services' inconsistent cost reporting for ROTC, finding that DOD had adopted neither the proposal of the committee nor any alternative.² We recommended that the Secretary of Defense develop and implement a uniform cost-reporting system for ROTC programs. DOD responded that it was acutely aware of the need for a uniform system for estimating ROTC costs and had formed another committee to develop a methodology on reporting costs. In April 1977, the Air Force, which was responsible for acting on this matter, adopted and proposed to DOD a cost-accounting and reporting system that tracked students and costs through each year of the program. In November 1990, 17 years after our initial recommendation, DOD officials told us that DOD had neither adopted this proposal nor any other uniform cost-reporting system for ROTC. Officials of DOD and each of the three services told us they did not know why the Air Force's proposal had not been adopted by DOD, the Army, or the Navy.

¹Letter to the Chairman, Committee on Appropriations, House of Representatives, regarding ROTC programs (B-146947, Feb. 23, 1978).

²Reserve Officers' Training Corps: Management Deficiencies Still to Be Corrected (GAO/FPCD-77-15, Mar. 15, 1977).

No Progress Has Been Made in Reporting Costs

The services are currently using independently developed cost reporting systems for their ROTC programs. The services' total reported cost of ROTC for fiscal years 1987, 1988, and 1989 was \$544, \$538, and \$521 million, respectively. However, we found that the Army and the Navy had not included certain costs directly associated with the program.

In fiscal year 1989, the Army excluded about \$54 million from its total program cost, and the Navy excluded about \$15 million. As a result, the total cost of the ROTC program was about \$591 million in fiscal year 1989. The major exclusions by the Army were Reserve pay—\$39.8 million; advanced camp incremental costs—\$6.4 million; automation (recurring costs)—\$3.3 million; supplemental instruction programs (Enhanced Skills Training Program and English as a Second Language)—\$3.2 million; and Cadet Command Headquarters operating expenses—\$1.5 million. In addition, the Army, unlike the other services, does not track costs by unit and, therefore, has been unable to consider information on unit costs in its unit closure decisions. According to Army officials, a cost model for the Army that will include the previously excluded costs and will track costs by unit is being developed and should be available in early fiscal year 1991.

The Navy's major exclusions from program costs for fiscal year 1989 were ROTC preparatory school (Broadened Opportunity for Officer Selection and Training)—\$13.4 million—and the Navy's ROTC Program Support Detachment personnel—\$1.3 million. In addition, the Navy excluded the cost of some headquarters' overhead expenses because it did not allocate these costs among the various programs served by the Office of the Chief of Naval Education and Training and could not identify the portion of these costs attributable to ROTC. According to Navy ROTC program managers, the Navy currently has no plans for changing its ROTC cost reporting system.

The major categories of ROTC costs for each service for fiscal year 1989 are shown in table 4.1.

**Chapter 4
ROTC Cost Reporting Is Inconsistent
and Incomplete**

Table 4.1: Major Cost Categories for ROTC

Dollars in thousands				
Cost category	Air Force	Army	Navy	Total
Military pay	\$63,341	\$207,500	\$28,129	\$298,970
Scholarships	30,105	31,560	48,124	109,789
Cadet subsistence	7,422	19,267	6,866	33,555
Civilian pay	1,527	19,258	2,587	23,372
Travel	3,075	14,519	4,839	22,433
Operating expenses	3,613	7,576	67 ^a	11,256
Automation	763	3,270	^b	4,033
Advertising	146	11,427	106	11,679
Cadet pay	1,878	9,457	3,012	14,347
Preparatory school	^b	^b	13,370	13,370
Other	11,889	32,272	3,708	47,869
Total	\$123,758^c	\$356,106	\$110,809^c	\$590,673

^aNot complete. Headquarters' operating expenses were not available.

^bNot available.

^cDoes not add due to rounding.

Conclusions

The formulation of a uniform, reliable, cost reporting system for ROTC is essential to DOD's and the services' ability to identify cost-effective units and to make sound decisions on which units to close. Inconsistent cost reporting has been a long-standing problem that we reported in 1973 and again in 1977. Seventeen years later, despite the Air Force's proposal of a cost-accounting and reporting system that tracks students and costs through each year of the program, the problem still exists. In light of the long-standing nature of this problem and its importance during a period of reduced DOD budgets, we believe that top management's attention is required for its resolution.

Recommendation

Our previous recommendation to develop and implement standardized cost reporting for ROTC is valid and should be implemented. Because of DOD's continued failure to resolve this problem and to gain top management's attention, we recommend that the Secretary of Defense identify the lack of a standardized cost-reporting system for ROTC as a material weakness in the next Annual Assurance Statement.

Agency Comments and Our Evaluation

DOD agreed with our recommendation and stated that the lack of a standardized cost-reporting system for ROTC would be identified as a material weakness in the Department's next Annual Assurance Statement and that DOD was developing standardized cost elements that would be incorporated in DOD procedures for the ROTC program.

Comments From the Department of Defense

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



**FORCE MANAGEMENT
AND PERSONNEL**

ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301-4000

07 MAR 1991

Honorable Frank C. Conahan
Assistant Comptroller General
National Security and International Affairs Division
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Conahan:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report entitled, "RESERVE OFFICERS' TRAINING CORPS: Lower Officer Needs Provide Opportunity for Significant Savings" (GAO Code 393365/OSD Case 8580). The Department concurs or partially concurs with the GAO findings and recommendations.

During the past year, the Department has reviewed officer producing programs, including actions to align these programs with planned force reductions anticipated for Fiscal Years 1992-1996. Each of the Services has enacted plans to close or consolidate non-viable Reserve Officers' Training Corps units.

Detailed DoD comments on each finding and recommendation are provided in the enclosed response. The Department appreciates both the opportunity to comment on the draft and inclusion of the DoD response in the final report.

Sincerely,


Christopher Jehn

Enclosure:
As Stated

GAO Draft Report - Dated January 2, 1991
(GAO Code 393365) OSD Case 8580

"RESERVE OFFICERS' TRAINING CORPS: LOWER OFFICER NEEDS
PROVIDE OPPORTUNITY FOR SIGNIFICANT SAVINGS"

DEPARTMENT OF DEFENSE COMMENTS

* * * * *

FINDINGS

FINDING A. Reserve Officers' Training Corps. The GAO reported that the Reserve Officers' Training Corps program was established to supplement the military academies in preparing selected students for commissioned military service and to provide officers for the Reserve Forces. The GAO further reported that the program currently consists of more than 600 Reserve Officers' Training Corps units located at colleges and universities throughout the United States.

The GAO explained that, in addition to the regular college curriculum, Reserve Officers' Training Corps participants enroll in military, naval, or aerospace education programs and attend summer military training, with some participants receiving scholarships. The GAO noted that scholarship recipients are provided (1) a \$100 subsistence allowance for up to 40 months, (2) pay for summer training periods, (3) reimbursement for fees, books, and laboratory expenses, and (4) tuition assistance--which varies in amount, depending on the Military Service. The GAO commented that non-scholarship participants in each Military Service receive a \$100 subsistence allowance for up to 20 months, as well as pay for summer training periods. The GAO reported that all Reserve Officers' Training Corps graduates incur a Military Service obligation of 8 years. (pp. 1-2, pp. 11-12/GAO Draft Report)

DOD RESPONSE: Concur.

FINDING B. Program Statistics. The GAO reported that, in FY 1989, the program had about 92,000 students enrolled at a cost of about \$591 million. According to the GAO, during that particular year about 12,700 Reserve Officers' Training Corps graduates received their commissions. The GAO noted that the largest Reserve Officers' Training Corps program is operated by the Army, while the Navy program is the smallest. The GAO found that, in FY 1989 (1) the Air Force had the lowest staffing per unit, (2) the Army had the highest average unit enrollment, and (3) the Navy had the highest number of commissions per unit. (p. 13/GAO Draft Report)

DOD RESPONSE: Concur.

Now on pp. 2 and 10.

Now on p. 11.

FINDING C. End-Strength Reductions and Long Lead Times Have Created Substantial Overproduction. The GAO reported that, prior to FY 1987, the Military Services were expecting increases in officer end-strength through at least 1991—however, the Congress imposed officer end-strength reductions. The GAO observed that those officer end-strengths are below what had been expected by the Services and, as a result, the number of officers needed from each Service's Reserve Officers' Training Corps program is considerably fewer than had been anticipated. The GAO also noted that the National Defense Authorization Act for 1991 requires the Service Secretaries to limit the number of new officers to prevent the involuntary separation of officers currently on active duty during the imposition of substantial reductions of authorized officer strength.

The GAO found that there is a substantial lead time associated with realizing significant changes in Reserve Officers' Training Corps production. The GAO explained that, because of the students already enrolled in the program and because it takes at least 2 to 4 years to produce an officer, the short-term flexibility provided by Reserve Officers' Training Corps is minimal. The GAO reported that, as a result, the Air Force and Army had many more graduates and participants than needed. According to the GAO, during FY 1987 through FY 1990, the Air Force program produced 814 excess graduates, while the Army program over-produced a total of 8,216 officers.

The GAO reported that, although the Navy officer corps grew between 1986 and 1990, the growth was not as large as anticipated and, therefore, the number of officers actually needed from the Navy program has also been fewer than anticipated. The GAO found, however, that the Navy was able to avert large-scale overproduction of officers by making adjustments to another program--its officer candidate schools.

The GAO found that the Military Services have reduced their officer candidate school and officer training school programs considerably since FY 1986. The GAO reported that, in FY 1989, 1,948 officers were commissioned from those programs--52 percent less than the 4,025 commissioned in FY 1986. The GAO reported that, according to Air Force and Army officials, officer candidate school and officer training school programs have already been reduced to the minimum level necessary to maintain their viability. (pp. 3-4, pp. 17-19/GAO Draft Report)

DOD RESPONSE: Partially concur. Although congressionally imposed officer end-strength reductions exceeded the Reserve Officers'

Now on pp. 3, 14, and 15.

Training Corps program capability to adjust commissioning goals, the overproduction of graduates is overstated. The GAO figure includes cadets released through voluntary disenrollment from the programs. Such voluntary disenrollment does not constitute "overproduction", as would have been the case if those cadets had been retained until graduation. Voluntary disenrollment is the means of compressing the size of the program when officer end-strengths are reduced after the commissioning goals of the Services have been set. Voluntary disenrollment, wherein all scholarship monies and fees are repaid to the Government, is an efficient management tool when production levels are changed beyond the scope of program flexibility. Also, not all Reserve Component commissions constitute overproduction. The Army processes all Reserve Forces duty designated graduates through the Individual Ready Reserve. That results in an appearance that the total number of Individual Ready Reserve commissionees remains in the Individual Ready Reserve without active duty commitment; however, the majority of those graduates go on to serve in either the Army National Guard or Army Reserve. The Department views overproduction as commissions exceeding the mission goals of the cadet command/program manager. Measures taken to reduce the scope of the program as a result of short-notice changes to officer strength do not necessarily constitute overproduction. Actual overproduction in the Army program over the period covered by the GAO report was 153, rather than the 8,216 noted by the GAO.

FINDING D. Measures to Manage Overproduction Have Been Costly. The GAO reported that, to reduce the number of unneeded participants already in the Reserve Officers' Training Corps program at the time of the end-strength reductions, and to avoid breaking contracts with them, the Military Services have taken several actions.

D-1 Voluntary Release. The GAO reported that the Air Force and the Army have offered Reserve Officers' Training Corps participants voluntary release from their military service obligation. They further reported that the Air Force also offered that option in FY 1987, FY 1988, and FY 1990 to both scholarship and nonscholarship participants; however, scholarship recipients who opted for release agreed to pay back the costs of their scholarships and textbooks. The GAO noted that the Army did not offer voluntary release until FY 1990--and then the offer was open only to nonscholarship participants who had been selected for reserve duty.

The GAO observed that voluntary releases result in the Military Services losing their financial investment in the participants, and, according to Reserve Officers' Training Corps program

managers, the release attracts many high quality participants with good civilian job prospects.

D-2 Placement in the Reserve Component. The GAO reported that the Air Force has placed excess Reserve Officers' Training Corps graduates in the Air National Guard and the Air Force Reserve, and the Army has placed excess graduates in the Individual Ready Reserve. The GAO commented that, although the Army normally uses its Reserve Officers' Training Corps program to produce officers for both the active and Reserve Components, such has not been standard procedure for the Air Force. According to the GAO, in 1987, the Air Force allowed its Reserve Officers' Training Corps students the option of fulfilling their service commitment in the Air National Guard or Air Force Reserve. The GAO noted the option was not offered in later years because the Air National Guard and Air Force Reserve are accustomed to receiving officers with active-duty experience and are unable to provide adequate developmental experience for large numbers of new officers.

The GAO reported that, although the Army had been placing Reserve Officers' Training Corps graduates into the National Guard and the Army Reserve, recently those components (faced with their own end-strength limitations) could no longer absorb the excess. The GAO found that, consequently, the Army has begun placing large numbers of excess Reserve Officers' Training Corps graduates in the Individual Ready Reserve--for example, in FY 1990, the Army placed 47 percent (4,150) of its Reserve Officers' Training Corps graduates in the Individual Ready Reserve. The GAO reported that, according to officials of the Office of the Chief of Army Reserves, most of those officers will never serve on active duty or join a Reserve or National Guard unit. The GAO reported that the practice has increased training costs, inasmuch as all Individual Ready Reserve officers are required to attend officer basic training. (The GAO noted the training is implemented because Army officials have interpreted Section 6 (d) (1) of the Military Selective Service Act, as amended, 50 U.S.C. app. Sec 456 (d) (1) as requiring such training.) The GAO found that the cost of such training is estimated at approximately \$66 million for those Reserve Officers' Training Corps lieutenants placed in the Individual Ready Reserve in FY 1990.

D-3 Delayed Entry into Active Duty. The GAO reported that the Air Force and Navy have delayed the entry of Reserve Officers' Training Corps graduates into active duty. The GAO found that

the Air Force granted voluntary delays in commissioning; however, the voluntary delays were insufficient to alleviate the overproduction and, as a result, during FY 1987 through FY 1990, the Air Force implemented involuntary delays in entry into active duty. The GAO found that, although normally commissioned upon graduation, Reserve Officers' Training Corps students presently wait as long as a year after commissioning before entering active duty.

The GAO explained that, according to Army Reserve Officers' Training Corps Cadet Command officials, the Army does not need to employ a delay of entry into active duty for its Reserve Officers' Training Corps graduates because they have the option of placing excess graduates into the Army Reserve or National Guard units or into the Individual Ready Reserve until they may be needed.

The GAO concluded that delayed entry is costly because those graduates receive credit for time in service equal to half their delay. According to the GAO, an individual who waits 1 year before entering active duty is credited with 6 months of time in service and, thereby, makes all time-in-service pay raises early. The GAO reported that the Air Force estimates that the delays for its 1990 graduates will cost approximately \$14 million over the life of their careers. The GAO noted that Navy officials were unable to provide an estimate of the cost to the Navy of delaying entry.

The GAO further concluded that the delayed entry option also compounds overproduction. The GAO explained that, when entry is delayed until the next year, it decreases the number of new graduates needed from the next year's class--thereby increasing the program's overproduction for that year. The GAO noted that, according to Reserve Officers' Training Corps program managers, the delayed entry policy impairs recruiting and lowers morale among the newly commissioned officers, who are eager to begin their careers.

The GAO reported that the Air Force estimated that its measures to deal with overproduction cost over \$44 million. The GAO noted the Army and Navy were unable to provide a similar estimate of the cost of their overproduction. (pp. 19-23/GAO Draft Report)

DOD RESPONSE: Partially concur. The GAO presumption that placement into the Individual Ready Reserve automatically ensures a majority of

See comment 1.

Now on pp. 16-18.

officers will not serve in active or Reserve status is inaccurate. Among the actions taken by the Services were commissioning delays, until authorized end-strengths could absorb new officers and voluntary disenrollment offered to cadets to reduce enrollment in anticipation of reduced capacity. A review of those practices indicates that they are efficient in the face of short-notice end-strength reductions. Voluntary disenrollment of scholarship cadets was not allowed without a requirement to reimburse the Government. The GAO also pointed out that the Army maintains the practice of initial officer basic course training for Individual Ready Reserve officers, based upon interpretation of a provision of Title 50, U.S. Code. The Department will review that provision with the DoD General Counsel to determine applicability and whether exceptions may be granted for officers not expected to be assigned to active service. Costs of these measures taken by the Services were, however, also overstated. The GAO computations resulting in estimates of \$14 million for Air Force officers delayed in commissions were based upon an assumption of a full year delay. Based upon the actual time of the commissioning delay, the estimate should read \$6 million over the course of a full career. The estimate also discounts the fact that officers leaving the service after military service obligation will cost significantly less.

FINDING E. Future Production Needs Are Likely to be Lower. The GAO reported that, as of November 1990, each of the Military Services has established Reserve Officers' Training Corps production goals through FY 1995. These goals reflect the Army and Navy expectations that future Reserve Officers' Training Corps production needs will be below their planned production for FY 1990, and the Air Force expectation that Reserve Officers' Training Corps production needs will continue to decline until FY 1994. The GAO observed that the Air Force production goal increases for FY 1994 through FY 1995 and the Army production goal increases for FY 1993 through FY 1995. The GAO noted that, according to Air Force and Army program officials, those Services had disproportionately cut the number of new officers to meet end-strength limitations and to avoid a reduction-in-force within the existing officer corps.

The GAO concluded that, based on these production goals, the Air Force and Army will continue to produce too many officers, at least in the short run, due to the large number of participants already in their Reserve Officers' Training Corps programs. The GAO reported that, according to Air Force officials, the Services expect to overproduce officers until 1993, but that the extent of overproduction had not yet been determined as of November 1990. The GAO found

that the Army will overproduce 8,300 graduates in FY 1991 through FY 1993.

The GAO explained that, even in a stable environment, producing sufficient numbers of high quality officers in the needed career fields is a complex effort. The long lead times associated with the Reserve Officers' Training Corps production and uncertainty surrounding production and budget projections further complicate the task. The GAO indicated that officials of each Military Service expect further reductions to their production goals for FY 1990 and beyond. The GAO found, however, that neither the Army nor the Air Force, even though faced with continued overproduction in the next several years, has developed a comprehensive plan to meet reduced production needs efficiently. The GAO concluded that, for the most part, those Services will have to react to changes in officer end-strength as they occur each year, rather than being prepared--which would allow them to minimize costly overproduction. (p. 23-26/GAO Draft Report)

Now on pp. 18-20.

DOD RESPONSE: Concur. Although overproduction of graduates has occurred through FY 1990, each Service has adjusted commissioning goals to ensure to the maximum extent that no overproduction will occur. As of February 1991, each Reserve Officers' Training Corps program production goal has been realigned to coincide with anticipated officer end-strength reductions.

FINDING F. Productivity Guidelines Have Been Set for Reserve Officers' Training Corps Units. The GAO reported that, from FY 1978 through FY 1980, the Defense Appropriations Acts mandated a strictly quantitative enrollment standard for assessing unit productivity and making closure decisions. The GAO noted that those Acts generally barred funding to Reserve Officers' Training Corps units that failed to enroll at least 17 juniors for the 4 preceding years. According to the GAO, the quantitative standard was established because the House Appropriations Committee was concerned about the continuation of Reserve Officers' Training Corps units at colleges and universities that were not producing 15 or more graduates and the DoD reluctance to close units with perennially low enrollment. The GAO noted that, starting in FY 1981, the Congress permitted qualitative and other considerations to be used to justify deviations from the numeric enrollment standards. According to the GAO, other factors could be considered in any decision to close down a Reserve Officers' Training Corps unit--such as (1) cost per officer produced, (2) the type of officer produced, and (3) quality of officer produced. The GAO noted that Congress intended that the Military Services place a different emphasis on each of these elements in order to ensure that the formula was responsive to the unique mission of each Service.

The GAO noted that reference to the Reserve Officers' Training Corps productivity standard was deleted from the Department of Defense Appropriations Act, 1990, as part of an effort to reduce the number of legal limitations on the Department, but the House Appropriations Committee nevertheless supported the intent of the limitation, stating that "wholesale or flagrant disregard of the Committee's desires will result in this limitation again being included in the law in future years.

The GAO reported that DoD Directive 1215.8 governing unit closures states that the production of each Reserve Officers' Training Corps unit should be adequate to justify the investment of resources--considering (1) the cost of maintaining the unit and (2) the number, quality, and kinds of officers produced. The GAO pointed out, however, that the directive does not define adequate production and fails to provide uniform and specific policy guidance when considering each of these factors. The GAO added that the directive also does not require the Service Secretaries to justify deviations from the congressional enrollment guidelines. The GAO found that the DoD does not monitor productivity determinations and closure decisions to ensure that congressional intent and DoD direction are followed. The GAO observed that, although the directive states that those units failing to meet minimum standards for 4 consecutive years are to be closed, it assigns that prerogative to the Service Secretaries. The GAO found that each Service has supplemented the DoD directive with specific guidance (which the GAO described). (pp. 4-5, pp. 28-33/GAO Draft Report)

DOD RESPONSE: Concur. The criteria for Reserve Officers' Training Corps unit viability will be stated clearly in a revised DoD Directive 1215.8 (Senior Reserve Officers' Training Corps) to be issued in the late spring or early summer of 1991.

FINDING G. The Services Have Retained Unproductive Units. The GAO found that 65 Reserve Officers' Training Corps units that fell below the congressional enrollment guidelines have remained in operation. The GAO further found that the justification for retaining those units had not been prepared--and that such justification should have been based on an objective analysis and relative weighting of qualitative and other benefits.

G-1 Army. The GAO found that, in FY 1990, the Army began the process of closing 61 Reserve Officers' Training Corps units identified as among its least productive--with 11 closures a result of the on-going productivity review process and 50 a part of a one-time closure effort designed to streamline the program

Now on pp. 4-5 and 24-27.

by eliminating less productive units. The GAO reported that the Army anticipates closure of the 50 units through the one-time closure action will result in recurring annual savings of about \$31 million. The GAO found, however, that the Army is retaining other unproductive units without an objective analysis of qualitative and other benefits to justify their deviation from the congressional guidelines.

G-2 Navy. The GAO found that, in FY 1990, four units (which had enrolled fewer than 17 juniors for 4 consecutive years) were being retained by the Navy with no approved plans for closure. The GAO noted Navy cost analyses indicated that the cost per officer produced from the four units was, on average, more than \$53,000 higher than the program average, reflecting in part that, the units generally enrolled seven juniors, while employing almost eleven staff. The GAO also found that the four units have been perennially unproductive since each had less than 17 juniors enrolled in 8 of the past 10 years.

G-3 Air Force. The GAO found the Air Force retained seven units that failed to meet the congressionally established minimum productivity guidelines for the past 4 years at FY 1990 cost of about \$2.2 million. The GAO noted that three of those units were retained without justification because the Assistant Secretary of the Air Force (Manpower, Reserve Affairs, Installations, and Environment) was not sure that they were the appropriate ones to close in order to meet future reductions in Reserve Officers' Training Corps production. The GAO further noted that the remaining four units were retained because the Air Force had designated them as "operating locations" or "parent detachments" at some point in the 4-year period. The GAO found that, as of November 1990, formal justification had not been prepared to substantiate retaining the seven units. The GAO did observe that two Air Force Reserve Officers' Training Corps units will close at the end of the 1990-1991 school year, as a result of a mutual agreement between Air Force Reserve Officers' Training Corps and university officials. (pp. 4-6, pp. 33-36/GAO Draft Report)

DOD RESPONSE: Concur. In the past, Reserve Officers' Training Corps unit closure decisions have been strongly resisted, including resistance from within the Congress. Recently, the Secretary of the Navy approved a plan to close six units and consolidate several others. Upon notification of the pending closure of Savannah State College in Georgia, the affected Representative informed the Secretary of the Navy by letter that: "I am fully prepared to use every means at my

See comment 2.

Now on pp. 4-5 and 27-29.

disposal to protect the NROTC unit at Savannah State during this very critical period..." That is typical of the volume of reaction of state delegations whenever such units are slated for closure due to rising costs, falling productivity, or reduced production requirements. (The Navy subsequently reissued the unit closure and consolidation plan on January 16, 1991, with Savannah State absent from the list.) The DoD supports strengthening the justification for maintenance of Reserve Officers' Training Corps units and will use the GAO report to assist in documenting the need to close units failing the viability criteria.

FINDING H. Noncompliance With Closure Requirements Due to Several Factors.

The GAO reported that DoD criteria are insufficiently precise to guide the Military Services in making productivity and closure determinations. The GAO found that, although the DoD directed productivity determinations consider the cost of maintaining the unit and the number, quality, and kinds of officers produced, it has not provided any further guidance on how to measure those factors. The GAO also found that the directive does not provide guidance on assessing the qualitative benefits of a unit to ensure that deviations from the congressionally established enrollment guidelines are adequately justified. The GAO noted that the congressional enrollment guidelines are not included in the DoD directive and, as a result, the Military Services have instituted varying applications of the guidance that do not ensure compliance with congressional intent. The GAO concluded that the DoD has relinquished its control and oversight--because the DoD has not ensured the Military Services abide by its productivity standards and close those units found to be consistently unproductive and because it has chosen to delegate to the Services the "prerogative" to make closure decisions. (pp. 5-6, pp. 36-38/GAO Draft Report)

DOD RESPONSE: Concur. The Department will revise and strengthen DoD Directive 1215.8. Service Secretaries will, however, be permitted to retain selected units for valid reasons, including Service academic degree requirements, minority accessions, and others. (Also see DoD response to Findings F and G.)

FINDING I. Previous GAO Reports Have Noted Closure Problem. The GAO observed that retention of unproductive Reserve Officers' Training Corps units is not a recent problem. The GAO referenced a February

Now on pp. 4 and 5, 29-31.

1978 report,¹ in which it concluded each Military Service was maintaining Reserve Officers' Training Corps units that did not meet DoD production requirements. In its March 1977 report,² the GAO asserted that, contrary to Department of Defense directives, the Military Services continued to retain Reserve Officers' Training Corps units considered to be "unproductive." At that time, the GAO recommended that the Secretary of Defense do the following:

- direct the Military Services to deactivate all units not meeting prescribed minimum production requirements unless an exception has been approved;
- revise DoD instructions to (1) clearly identify substantive reasons for exceptions and (2) require DoD approval of any exceptions; and
- prescribe consistent and expeditious procedures for deactivating units which do not meet prescribed criteria.

The GAO advised that the DoD did not agree with the 1977 report recommendation that the Military Services be directed to deactivate immediately all units not meeting prescribed minimum standards, but did agree that instructions needed to be revised.

The GAO also pointed out that the DoD internal control system requires all organizations to review internal controls annually to verify that they are in place and working--and requires an annual statement of assurance that adequate internal controls exist to help prevent fraud, waste, mismanagement, and misappropriation in compliance with the Federal Managers' Financial Integrity Act of 1982. The GAO found that the retention of unproductive Reserve Officers' Training Corps units has never been included in the DoD Annual Assurance Statement as a material weakness even though it involves a violation of congressional intent. (pp. 38-41/GAO Draft Report)

Now on pp. 31 and 32.

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- 1 GAO Report FPCD-78-17, Letter to the Chairman, Committee on Appropriations, House of Representatives, regarding Reserve Officers' Training Corps Programs, dated February 23, 1977 (OSD Case 4824).
 - 2 GAO Report FDCD-77-15, "RESERVE OFFICERS' TRAINING CORPS: Management Deficiencies Still To Be Corrected," March 15, 1977 (OSD Case 4487).

DOD RESPONSE: Concur. In the past, retention of non-viable units has been reviewed at the Service level, with justification of retention of the units provided to DoD informally. Viability criteria and justification procedures will be incorporated into the revised DoD Directive 1215.8, to be issued in the late spring or early summer of 1991. (Also see DoD response to Finding F.)

FINDING J. Lower Production Levels. The GAO asserted that, in addition to closing those Reserve Officers' Training Corps units that did not meet the congressional enrollment guidelines in FY 1989--as the Military Services face increased budgetary constraints and reduced production, more units will need to be closed to increase the productivity and efficiency of the remaining units.

J-1 Army: The GAO found that the FY 1990 production from the 62 units currently scheduled for closure was 520, and production from the 54 "extension centers" that do not meet the congressional enrollment guidelines was about 555--representing overproduction of approximately 5,300. The GAO concluded that, as a result, many more units should be closed to increase the efficiency of the Army program. The GAO noted that, in June 1990, the Army Director of Program Analysis and Evaluation indicated that, even after the scheduled closure of 61 units, the Army will still have 50 more units than in 1980, when it produced 300 to 400 more lieutenants than is currently planned.

J-2 Navy. The GAO reported that analyses performed by the Navy have shown that closure of additional units is necessary to keep the program productive and efficient. The GAO found that, based on the reduced need for Reserve Officers' Training Corps graduates, the Navy estimates that approximately 14 units (or 21 percent of its program) will become unproductive and that, if the current number of units is maintained, the cost per officer produced will increase by \$21,000 (or 35 percent) in FY 1994. According to the GAO, despite those analyses, the Navy effort to study unit closure is still informal--and no closures have been approved.

J-3 Air Force. The GAO reported that, in FY 1990, in addition to the seven Air Force units with productivity scores below 17 for 4 consecutive years, 34 units had been below that level for 1 to 3 years, and another 22 units were only marginally productive, since they had productivity scores between 17 and 20. The GAO found that in total, 43 percent of the Air Force Reserve Officers' Training Corps units were considered either unproductive or marginally productive that year.

The GAO asserted that, despite several internal studies showing the need to reduce the number of Reserve Officers' Training Corps units, the Air Force has not done so. The GAO reported that, in 1987, the Air Force announced an effort to close and consolidate 37 units, which effort was expected to save \$10 million annually. According to the GAO, in response to political pressure, the Secretary of the Air Force stopped that effort and no units were closed. The GAO further reported that a 1990 Air Force study showed between \$17 and \$21 million could be saved in annual manpower costs alone by reducing the number of units to correspond to FY 1992 production needs, and a special Air Force review, conducted in 1990, determined that the Air Force Reserve Officers' Training Corps program could operate more efficiently with fewer units. The GAO found that, nevertheless, the Assistant Secretary of the Air Force (Manpower, Reserve Affairs, Installations, and Environment) issued a policy direction stating that units will not be closed in FY 1991. (pp. 41-43/GAO Draft Report)

DOD RESPONSE: Partially concur. Army accession requirements analysts have adjusted active production goals. While Army extension centers (partially staffed units) have not met the 17 juniors per class criteria in several cases, extension center staffing and costs are significantly lower than host (fully staffed) units, and costs per graduate at extension centers are significantly lower. The DoD will also address extension centers in the revised DoD Directive 1215.8, which is expected to be issued in late spring or early summer of 1991.

The Secretary of the Navy has approved and executed a reduction/consolidation plan that will close five units and consolidate 18 units-- a program reduction of 22 percent. No overproduction has occurred from the Navy program, and none is anticipated.

FINDING K. Cost Reporting Problems Have Been Noted Before. The GAO referenced a prior report in which it had noted that the cost reporting for the Reserve Officers' Training Corps programs was incomplete, and varied among the Military Services. The GAO noted that the DoD had agreed there were variances and, subsequently, formed a committee to recommend standardized cost reporting. The GAO reported that, in August 1973, that committee proposed a uniform system for reporting Reserve Officers' Training Corps program costs. The GAO referenced a March 1977 report, in which the GAO once again reported on deficiencies in the cost reporting for the Reserve Officers' Training Corps-- finding that the DoD had adopted neither the proposal of the commit-

Now on pp. 32 and 33.

Now on pp. 5 and 36.

tee nor any alternative. In that 1977 report the GAO recommended that the Secretary of Defense develop and implement a uniform cost reporting system for Reserve Officers' Training Corps programs. According to the GAO, the DoD responded that it was aware of the need for uniform costing of Reserve Officers' Training Corps and had formed still another committee to develop a uniform costing methodology. The GAO noted that, in April 1977, the Air Force adopted and proposed to the DoD a cost accounting and reporting system that tracks students and costs through each year in the program. The GAO further noted that as late as November 1990, the DoD had adopted neither the Air Force proposal, nor any other uniform cost reporting system for Reserve Officers' Training Corps. (p. 6, pp. 46-47/GAO Draft Report)

DOD RESPONSE: Concur. The Directorate for Accession Policy, Office of the Assistant Secretary of Defense (Force Management and Personnel), is developing standardized cost elements in conjunction with the DoD Comptroller (Defense Finance and Accounting Service). Reporting requirements will be outlined in revised DoD Directive 1215.8, to be issued in the late spring or early summer of 1991.

FINDING L. No Progress Has Been Made in Cost Reporting. The GAO reported that the Military Services are currently using separate, independently developed cost reporting systems for their Reserve Officers' Training Corps programs. The GAO noted that the total reported cost for the Reserve Officers' Training Corps program for all Services for FY 1987, FY 1988, and FY 1989 was \$544, \$538, and \$521 million, respectively. The GAO found, however, that the Army and the Navy have not included certain costs directly associated with the program. The GAO found, for example, that in FY 1989, the Army excluded at least \$54 million from its total program cost: Reserve pay--\$39.8 million; advanced camp incremental costs--\$6.4 million; automation (recurring costs)--\$3.3 million; supplemental instruction (Enhanced Skills Training Program and English as a Second Language)--\$3.2 million; and Cadet Command Headquarters operating expenses--\$1.5 million. The GAO further found that the Army, unlike the other Military Services, does not track costs by unit and, therefore, has been unable to consider information on unit costs in its unit closure decisions.

The GAO also found that the Navy excluded more than \$15 million--\$13.4 million Reserve Officers' Training Corps preparatory school, and \$1.3 million Navy Program Support Detachment personnel. In addition, the GAO found that the Navy had excluded the cost of some headquarters overhead expenses because those costs were not allocated among the various programs served by the Chief of Naval Education and

Training and, therefore, could not be identified as a portion of the costs attributable to the Reserve Officers' Training Corps program.

The GAO concluded that deficient cost reporting by the Army and Navy precludes meaningful evaluation of the cost effectiveness of their programs. The GAO further concluded that the formulation of a uniform, reliable, cost reporting system for the program is essential for the DoD and the Military Services to be able to identify both productive and nonproductive units--and to make sound decisions on which units to close. (p. 6, pp. 47-49/GAO Draft Report)

DOD RESPONSE: Concur. Standardized cost accounting and reporting methods are being developed by the Directorate for Accession Policy, Office of the Assistant Secretary of Defense (Force Management and Personnel), in conjunction with the DoD Comptroller (Defense Finance and Accounting Service), and will be incorporated in the revised DoD Directive 1215.8, to be issued in the late spring or early summer of 1991.

* * * * *

RECOMMENDATIONS

RECOMMENDATION 1: The GAO recommended that the Secretary of Defense develop and implement a comprehensive strategy to ensure that Reserve Officers' Training Corps resources are appropriately applied within the framework of all sources of new officers--the Service academies and officer candidate programs. (The GAO suggested that, in the context of various production and budget environments, such strategy addresses (1) total program enrollment, (2) types and quantities of technical skills needed, (3) scholarship and nonscholarship mix, (4) numbers of units, (5) unit staffing, (6) headquarters staffing, and (7) other program elements. The GAO asserted that such a strategy should create a framework for meeting Service goals cost effectively under each environment and should include analyses of external factors affecting the program.) (pp. 26-27/GAO Draft Report)

DOD RESPONSE: Concur. The Department is developing a comprehensive strategy that will address the appropriate contribution of each of the principal sources of officers in annual commissions. Further, specific viability criteria for maintenance of a Reserve Officers' Training Corps unit will be issued in a comprehensive revision to DoD Directive 1215.8 (Senior Reserve Officers Training Corps), expected

Now on pp. 5 and 37.

Now on p. 21.

to be issued in the late spring or early summer of 1991. Certain recommended specifications, such as unit staffing, numbers of scholarships, and other details should not be, however, centrally imposed by the DoD, due to the appropriate differences in program size, missions, and designs of each of the Services. Those details should remain the prerogative of the respective Service Secretaries.

RECOMMENDATION 2: The GAO recommended that, at a minimum, the Secretary of Defense suspend the requirement for officer basic training for Army Individual Ready Reserve members until those officers are needed to serve on active duty or in Reserve or National Guard units. (In order to do this, the GAO suggested that the Secretary should seek temporary relief from the legislative requirement to provide such training and consider whether involuntary release offers the Army greater advantages than placing these people in the Individual Ready Reserve.) (p. 27/GAO Draft Report)

Now on p. 21.

DOD RESPONSE: Concur. The Office of the Assistant Secretary of Defense (Reserve Affairs) has recommended retention of the basic training requirement to satisfy the purpose of the Individual Ready Reserve, which is to provide trained personnel for purposes of mobilization. The issue has been referred to the General Counsel, DoD, for a legal opinion on the applicable language in Section 6, (d.) of Title 50, U.S. Code, cited in the draft report. Following issuance of the legal opinion, the DoD will take appropriate action.

RECOMMENDATION 3: The GAO recommended that the Secretary of Defense revise the DoD directive on unit closures:

- defining the term "productive" unit;
- providing criteria needed to enable objective analyses of the quantitative and qualitative factors to be considered in making closure decisions; and
- requiring that deviations below the congressional enrollment guidelines are adequately justified. (p. 44/GAO Draft Report)

Now on p. 34.

DOD RESPONSE: Concur. The Office of the Assistant Secretary of Defense (Force Management and Personnel) is preparing a revised DoD Directive 1215.8 (Senior Reserve Officers Training Corps), which will address unit viability (including annual production) and justification for retention of non-viable units. The revised Directive is expected to be issued in the late spring or early summer of 1991.

Now on p. 34.

RECOMMENDATION 4: The GAO recommended that the Secretary of Defense require the Military Services to amend their regulations on unit closures to specify an objective formula for assigning relative weights to the various productivity factors. (p. 44/GAO Draft Report)

DOD RESPONSE: Concur. Issuance of the revised Reserve Officers' Training Corps Directive 1215.8 will require subsequent revision of Service regulations as well. Such revisions of the Service regulations are expected to be accomplished within one year after issuance of the DoD Directive.

Now on pp. 34 and 35.

RECOMMENDATION 5: The GAO recommended that the Secretary of Defense identify the lack of compliance with congressional direction on unit closures as a material weakness in the next Annual Assurance Statement. (pp. 44-45/GAO Draft Report)

DOD RESPONSE: Concur. The retention of non-viable Reserve Officers' Training Corps units will be considered for inclusion in the next Annual Assurance Statement.

Now on p. 38.

RECOMMENDATION 6: The GAO recommended that the Secretary of Defense identify the lack of a standardized cost reporting system for Reserve Officers' Training Corps as a material weakness in the next Annual Assurance Statement. (p. 49/GAO Draft Report)

DOD RESPONSE: Concur. It should be noted, however, that the DoD reviews and approves the programmatic actions in preparing the President's Budget submissions on officer accession programs. Cost reporting systems for officer acquisition programs will require initial development and multi-year refinement to be useful in tracking program performance. Nevertheless, the DoD will consider incorporating lack of standardized cost reporting as a material weakness in the FY 1991 Annual Assurance Statement.

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MATTER FOR CONGRESSIONAL CONSIDERATION

Now on p. 35.

SUGGESTION: The GAO suggested that, because the DoD has not closed unproductive Reserve Officers' Training Corps units aggressively, the Congress fund Military Service programs at levels less than requested. (The GAO further suggested that reductions could be based on the ratios represented by unproductive units.) (p. 45/GAO Draft Report)

DOD RESPONSE: Nonconcur. The President's Budget balances officer gains from various sources, including the Reserve Officers' Training Corps, with losses to reach required officer strength levels. Reductions to the Reserve Officers' Training Corps program would impair DoD's ability to support budgeted force levels and the required force mix.

The following are GAO's comments on the Department of Defense's letter dated March 7, 1991.

GAO Comments

1. We changed the report to reflect the Air Force's revised estimate of the cost of delayed entry.
2. We changed the report to reflect the Navy's decision to close some units.

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