



October 2016

DOD CIVILIAN AND CONTRACTOR WORKFORCES

Additional Cost Savings Data and Efficiencies Plan Are Needed

GAO Highlights

Highlights of [GAO-17-128](#), a report to congressional committees

Why GAO Did This Study

With long-term fiscal challenges likely to continue, DOD must operate strategically and efficiently, to include cost-effective management of its human capital. Section 955 of the NDAA for FY 2013 requires DOD to, among other things, develop and implement a plan to achieve savings in total funding for civilian and contracted services workforces from FYs 2012 through 2017. Section 955 also includes a provision that GAO review the section 955 status reports DOD submits to Congress to determine whether the required savings are being achieved and the plan is being implemented consistently with workforce-management laws.

This report addresses the extent to which DOD's February 2016 status report demonstrates DOD's (1) achievement of savings and (2) development and implementation of its efficiencies plan that is consistent with workforce management laws in FY 2015. GAO reviewed DOD's report and interviewed DOD officials.

What GAO Recommends

GAO previously recommended that DOD fully address ongoing section 955 requirements, such as including an efficiencies plan, among other things, in its subsequent reports. DOD agreed but has not yet implemented them. GAO is not making any new recommendations, but believes fully implementing the previous ones would better inform Congress. In comments, DOD stated it had implemented GAO's previous recommendations. DOD has taken some action, but GAO disagrees the recommendations have been fully implemented, as discussed in this report.

View [GAO-17-128](#). For more information, contact Brenda S. Farrell at (202) 512-3604 or farrellb@gao.gov.

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What GAO Found

The Department of Defense (DOD) did not report all required data on military, civilian, and contracted services workforces in its February 2016 report that would demonstrate savings, as required by section 955 of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2013, and it estimates that by FY 2017 it will meet savings for the civilian workforce but not for contracted services. Section 955 requires DOD to submit annual reports in FYs 2015–2018 that include the costs of civilian and contracted services workforces from FYs 2012–2017, among other items. See the table for DOD's February 2016 compliance with selected reporting requirements.

Table: DOD's February 2016 Compliance with Selected Section 955 Reporting Requirements

Requirement	Workforce		
	Military	Civilian	Contracted Services
Include a summary of the cost savings achieved in the prior fiscal year through reductions:	no	no	yes
Include a summary of the number of reductions:	yes ^a	yes ^b	no
Achieve savings in the total funding from FYs 2012–2017 that are not less, as a percentage, than the savings in funding for basic military pay costs:	Not applicable	yes (estimated)	no (estimated)

Source: GAO analysis of DOD's February 2016 status report | GAO-17-128

^aNumber of reductions reported in average strength

^bNumber of reductions reported in full-time equivalents

Note: DOD costs savings provided for the prior FY are actual and costs for FY2017 are estimated.

Officials stated that DOD interpreted section 955 as requiring DOD to report civilian savings achieved when comparing costs from FY 2012 to FY 2017, and not each year in between. Further, officials stated that DOD did not include full-time equivalents (FTEs) for contracted services in the report as required because they were unable to provide an accurate number. In December 2015 GAO recommended that DOD include costs savings for civilian personnel in its reports, and DOD concurred. Without including these cost data, Congress may not know whether DOD is on track to meet the mandated savings.

DOD has not developed and implemented an efficiencies plan for reducing the civilian and contracted services workforces, and DOD did not demonstrate how its reductions are consistent with workforce management laws in its February 2016 status report. Section 955 requires DOD to develop an efficiencies plan to reduce civilian personnel and costs for FYs 2012–2017, and for each FY through 2018 to submit a report that describes the implementation of the efficiencies plan. Furthermore, section 955 allows for DOD to grant civilian and contractor workforce exclusions from section 955 required reductions for areas identified as critical. For example, DOD reported that it excluded about 538,000 of 776,000 civilian FTEs. However, its reports do not provide a description indicating why these exclusions were chosen. In December 2015 GAO recommended that DOD include a comprehensive description of the efficiencies plan to achieve savings, and DOD concurred. Without an efficiencies plan, including an explanation of its exclusions, DOD has not provided Congress with information on how the department will achieve required savings.

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Abbreviations

DOD	Department of Defense
ECMRA	Enterprise-wide Contractor Manpower Reporting Application
FTE	Full-time Equivalent
NDAAs	National Defense Authorization Act

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October 12, 2016

Congressional Committees

The Department of Defense (DOD) is one of the nation's largest employers, reporting that it has a total workforce of approximately 2 million active-duty and reserve military personnel, approximately 742,000 full-time equivalent¹ (FTE) civilian personnel, and approximately 641,000 FTEs for contracted services.² As military operations in Iraq were concluded and those in Afghanistan were drawing down, DOD included in its fiscal year 2013 budget submission a proposed 5 percent reduction in military end strength over a 5-year period. In addition, given the fiscal challenges facing the federal government, DOD has undertaken efforts to achieve efficiencies in its operations over the past several years, to include slowing the growth of and reducing spending on contracted services.

Citing the need to balance civilian and contracted services personnel with declines in military end strength, Section 955 of the National Defense Authorization Act (NDAA) for Fiscal Year 2013³ required the Secretary of Defense to, among other things, develop and implement an efficiencies plan to achieve savings in the total funding for the civilian and contracted services that are not less, as a percentage, than the savings in funding for basic military personnel pay resulting from reductions in military end strengths from fiscal years 2012 through 2017. Section 955 also requires the Secretary of Defense to issue a series of reports on DOD's

¹A full-time equivalent is a standard measure of labor that equates to 1 year of full-time work. Civilian personnel include foreign nationals, who can be hired directly by DOD or indirectly hired under agreement or contract with foreign governments, to provide personnel services to the U.S. government.

²The most recent contracted services FTEs available are for fiscal year 2014. We have previously found that DOD's contractor FTE estimates have significant limitations and do not accurately reflect the number of contractors providing services to DOD. See GAO, *Human Capital: Additional Steps Needed to Help Determine the Right Size and Composition of DOD's Total Workforce*, [GAO-13-470](#) (Washington, D.C.: May 29, 2013).

³Pub. L. No. 112-239, §955 (2013). The Senate has passed a bill that includes a provision to eliminate the annual status report requirement. See, S. 2943, §1083(o)(7), 114th Cong. (2016). As of August 4, 2016, the provision had not been enacted.

implementation of that plan in the previous fiscal year, and includes a provision that we review each of the reports DOD submits to Congress to determine whether the required savings in the civilian and contracted services are being achieved and whether the plan is being implemented in a manner consistent with sourcing and workforce-management laws. In December 2015 we reported that DOD's initial report and its initial status update did not fully address most statutory requirements identified in section 955 of the NDAA for Fiscal Year 2013.⁴ We found that although DOD reported reductions in its civilian FTEs, it did not report estimated cost savings associated with its reductions, and our analysis indicated that DOD may not achieve the savings required by section 955. We made a number of recommendations for information to be included in future status reports, with which DOD concurred, as discussed later in the report.

In February 2016 DOD submitted its third report to Congress. This report addresses the extent to which DOD's February 2016 status report demonstrates (1) DOD's achievement of savings, as required by section 955 of fiscal year 2013 NDAA; and (2) DOD's development and implementation of its efficiencies plan that is consistent with workforce management laws in fiscal year 2015, as required by section 955 of fiscal year 2013 NDAA.

To determine the extent to which DOD's February 2016 status report demonstrates DOD's achievement of savings, as required by section 955, we reviewed section 955 to identify what levels of savings are required. We then assessed DOD's February 2016 status report to identify what savings information was included in its report. We compared information regarding DOD's actual and estimated fiscal years 2012—2017 reductions in military basic pay against (1) DOD's actual and projected civilian workforce cost and full-time equivalent reductions from fiscal years 2012—2017; and (2) DOD's actual and projected contracted services cost reductions from fiscal years 2012—2017, to determine whether DOD is meeting its requirements. We also assessed the methodology by which DOD calculated its estimated civilian workforce savings. We reviewed our December 2015 report that used workforce

⁴ GAO, *Civilian and Contractor Workforces: Complete Information Needed to Assess DOD's Progress for Reductions and Associated Savings*, [GAO-16-172](#) (Washington, D.C.: Dec. 23, 2015).

data and discussed the reliability of the data with Office of the Under Secretary of Defense (OUSD) (Comptroller) officials. We determined that these data were sufficiently reliable for the purpose of reporting on and analyzing reductions to the civilian workforces.

To determine the extent to which DOD's February 2016 report demonstrates DOD's development and implementation of its efficiencies plan in fiscal year 2015,⁵ we reviewed section 955 of the fiscal year 2013 NDAA to identify requirements for DOD's report. We reviewed and analyzed DOD's February 2016 status report to determine how, if at all, it demonstrates that DOD has implemented an efficiencies plan. We interviewed military department officials to determine the types of guidance they received from the Office of the Secretary of Defense, if any, and the extent to which they established their own guidance on developing and implementing DOD's plan required by section 955. We also reviewed DOD's February 2016 status report to determine which workforces DOD has identified as being excluded from reduction requirements, the basis for such exclusions, and how the report demonstrates that reductions are consistent with workforce management laws. For both objectives, we identified actions taken, if any, in response to our 2015 report.

We conducted this performance audit from February 2016 to October 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁵ Section 955 of the fiscal year 2013 National Defense Authorization Act requires DOD to describe the department's implementation of its efficiencies plan in the previous fiscal year. For DOD's February 2016 report, the previous fiscal year is 2015.

Background

Section 955 Statutory Requirements and Responsible DOD Offices

In January 2013, the NDAA for Fiscal Year 2013 was enacted into law. Section 955 of the act required the Secretary of Defense to:

- develop and implement a plan to achieve savings in the total funding for civilian and contractor workforces that are not less, as a percentage, than savings in funding for basic military personnel pay resulting from reductions in military end strengths from fiscal years 2012 through 2017;
- ensure that the plan is consistent with policies and procedures required by 10 U.S.C. § 129a, and ensure that the savings are not achieved through unjustified transfers of functions between or among the military, civilian, and service contractor personnel workforces of DOD, consistent with authorities available to the department under sections 129a, 2330a, 2461, and 2463 of Title 10 of the United States Code;⁶
- provide status reports describing the implementation of the plan in the prior year as part of the budget submitted by the President to Congress for each of fiscal years 2015 through 2018; and

⁶ Collectively, these laws establish a number of requirements for DOD's management of its total workforce. Section 129 of Title 10 outlines certain restrictions on DOD's management of civilian personnel, including a requirement that the number of civilian personnel shall be managed solely on the basis of and consistent with total-force management policies and procedures established under section 129a of Title 10, workload requirements, and funds made available to the department each fiscal year. Section 129a of Title 10 governs DOD's general policy for total-force management, and requires the Secretary of Defense to establish policies and procedures for determining the most appropriate and cost-efficient mix of military, civilian, and contractor personnel to perform the mission of the department, among other things. Section 2330a of Title 10 requires DOD to submit an annual inventory of activities performed pursuant to contracts for services, which, among other things, is required to include information concerning the number of contractor employees, expressed as full-time equivalents (FTE), subject to certain exceptions. Section 2461 of Title 10 requires DOD to perform a public-private competition prior to converting a function from civilian to contractor performance; however, there is currently a statutory moratorium on performing such competitions. Section 2463 of Title 10 states that the Under Secretary of Defense for Personnel and Readiness shall implement guidelines and procedures to ensure that consideration is given to using DOD civilian employees to, among other things, perform functions that are performed by contractors and could be performed by DOD civilian employees.

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- in each status report, provide a summary of savings achieved through personnel reductions and the number of military, civilian, and contractor personnel reduced in the prior fiscal year; and in each status report include an explanation where any savings fall short of the annual target.

Further, section 955 gives DOD authority to exclude certain civilian and contractor workforces from reporting required reductions. These exclusions are to be related to functions identified as core or critical to the mission of the department. For example, in DOD's initial and subsequent status reports, DOD excluded the acquisition workforce, its cyber workforce, and medical workforce, among others.

DOD's reports were developed by the OUSD (Comptroller), which is the department's principal advisor on budgetary and financial matters and is responsible for directing the development and overseeing the execution of DOD's annual budget.

GAO's Prior Assessment of DOD's Reports

In December 2015 we reported that for DOD's initial report submitted to Congress in September 2014 and its first status report submitted in February 2015, DOD did not fully address most statutory requirements identified in section 955 of the NDAA for Fiscal Year 2013.⁷ Section 955 has six requirements, and we reported that DOD had partially addressed three requirements and did not address the other three requirements. For example, DOD's September 2014 report to Congress partially addressed the requirement to develop and implement a plan for achieving savings by outlining reductions in its civilian and contracted services workforces, but DOD did not describe a process for implementing the planned reductions. Also, DOD did not address the savings that the department intended to achieve through reductions in the number of military, civilian, and contracted services personnel. Instead, the report outlined reductions in full-time equivalent positions, and it did not outline savings in funding for the contracted services workforce beyond fiscal year 2015. See table 1 for our previous assessment of statutory requirements addressed in DOD's September 2014 and February 2015 reports on section 955 of the NDAA for Fiscal Year 2013.

⁷ [GAO-16-172](#)

Table 1: GAO’s Previous Assessment of Statutory Requirements Addressed in the Department of Defense’s (DOD’s) September 2014 and February 2015 Reports on Section 955 of the National Defense Authorization Act for Fiscal Year 2013

Statutory requirements from section 955 of the National Defense Authorization Act (NDAA) for Fiscal Year 2013	GAO assessment	GAO comments
Develop and implement a plan to achieve savings for the civilian workforce and contractor workforce that are not less, as a percentage, than savings in funding for basic military personnel pay resulting from reductions in military end strengths from fiscal years 2012 through 2017	Partially addressed	The initial report, submitted to Congress by DOD in September 2014, outlines planned reductions in civilian personnel from fiscal years 2012 through 2019 in terms of full-time equivalent (FTE) positions, but does not describe a process for implementing the planned reductions to achieve savings. Further, the report does not provide information on the savings achieved from the reductions as required, and provides information on funding for the contractor workforce through fiscal year 2015 but does not project funding beyond that year.
Ensure that plan is consistent with policies and procedures, implementing section 129a of Title 10 of the United States Code. Additionally, the Secretary of Defense is to ensure that the savings are not achieved through unjustified transfers of functions between or among the military, civilian, and service contractor personnel workforces of DOD, consistent with authorities available to the department under sections 129a, 2330a, 2461, and 2463 of Title 10, United States Code	Partially addressed	DOD’s September 2014 report generally refers to elements present in workforce management laws such as defining the right mix of military personnel, civilians, and contractors needed to reflect new strategic priorities. However, the report does not provide any detail on how workforce savings are going to be achieved in a manner consistent with workforce-management laws and implementing policies and procedures.
Status reports to be included in the President’s budget request for each fiscal year from 2015 through 2018 describing the implementation of the plan in the prior year	Partially addressed	The President’s budget request for fiscal year 2015 was submitted to Congress in March 2014, but DOD’s initial report was submitted in September 2014—that is, 6 months after the submission of the budget request. The status report for fiscal year 2016 was included in the President’s budget request submitted in February 2015.
Provide initial report, including a comprehensive description of the plan, no later than 120 days after enactment of act	Not addressed	DOD did not address this requirement, submitting its initial report in September 2014, or about 16 months after the May 2013 due date. The initial report also did not include a comprehensive description of DOD’s plan.
In each status report, provide a summary of the savings achieved through personnel reductions and the number of military, civilian, and contractor personnel reduced	Not addressed	DOD’s September 2014 and February 2015 reports do not include information that demonstrates that savings goals are being achieved for the civilian and contractor workforces. The reports do not provide savings for the civilian workforce but instead outline planned reductions in FTE positions. In addition, the 2014 and 2015 reports do not outline savings in funding for the contractor workforce beyond fiscal years 2015 and 2016, respectively. Further, DOD compares savings in each workforce to reductions in military average strength levels, not military basic pay. ^a

Statutory requirements from section 955 of the National Defense Authorization Act (NDAA) for Fiscal Year 2013

	GAO assessment	GAO comments
In each status report, include an explanation where any savings fall short of the annual target	Not addressed	DOD's February 2015 report shows a shortfall in savings for contractor personnel but does not provide an explanation for this shortfall.

Source [GAO-16-172](#) | [GAO-17-128](#).

^aBasic pay is the primary means of compensating members of the armed forces. With certain exceptions, every member is entitled to basic pay while on active duty.

Based on our December 2015 assessment of DOD's requirements, we made a number of recommendations for information to be included in status reports to be submitted in fiscal years 2017 and 2018. These recommendations are intended to help ensure that Congress has the necessary information to provide effective oversight over DOD's workforces and they include providing additional cost savings data and an efficiencies plan, among others. DOD concurred with all of our recommendations and stated that it would take action in its future reports.

DOD's February 2016 Status Report Does Not Contain All Required Savings Data, and DOD Reported It Will Not Meet Its Contracted Services Reduction Requirement

DOD's Report Does Not Contain All Required Data on Workforce Reductions

DOD's February 2016 status report presents some, but not all, savings data for the military, civilian, and contracted services workforces. Section 955 of the fiscal year 2013 NDAA⁸ requires DOD to achieve savings in the total funding for the civilian and contract services workforces from fiscal year 2012 through 2017 that are not less, as a percentage of the funding for basic military personnel pay achieved from reductions in military end strengths over the same time.

Further, section 955 requires DOD to submit with its annual budget submission an annual status report in fiscal years 2015 through 2018. DOD's status reports are to include a summary of the savings achieved in the prior fiscal year,⁹ in both costs and numbers of personnel, for military, civilian, and contracted services personnel. Section 955 also provides DOD with the authority to grant exclusions to civilian workforces identified as core or critical to the mission. See table 2 for a summary of DOD's compliance with selected section 955 reporting requirements.

⁸ Pub. L. No. 112-239, § 955 (2013).

⁹ The previous fiscal year for DOD's February 2016 report is fiscal year 2015, where fiscal year 2015 data are the most recent actual data.

Table 2: DOD’s February 2016 Compliance with Selected Section 955 Reporting Requirements

Requirement	Workforce		
	Military	Civilian	Contracted Services
Include a summary of the cost savings achieved in the prior fiscal year through reductions:	no	no	yes
Include a summary of the number of reductions:	yes ^a	yes ^b	no
Achieve savings in the total funding from fiscal year 2012 through 2017 that are not less, as a percentage of the savings in funding for basic military pay costs	not applicable	yes (estimated)	no (estimated)

Source: GAO analysis of DOD’s February 2016 status report | GAO-17-128

Note: DOD cost savings provided for the prior fiscal year are actual costs and costs for fiscal year 2017 are estimated.

^aNumber of reductions reported in average strength

^bNumber of reductions reported in full-time equivalents

DOD’s February 2016 status report includes actual military average end strength and civilian workforce full-time equivalent savings data for fiscal years 2012 through 2015, or the most current actual data, but it does not include fiscal years 2013 through 2015 cost savings data for the military and civilian workforces. DOD’s status report also includes actual contracted services cost data from fiscal years 2012 through 2015, but it does not include contracted services personnel data for any of the fiscal years. See table 3 for DOD reported military, civilian, and contracted services savings from fiscal years 2012 through 2015.

Table 3 DOD-Reported Savings to the Military, Civilian, and Contracted Services Workforces, Fiscal Years 2012—2015

	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Percentage Change, Fiscal Years 2012— 2015 ^a (percent)
Total military (average strength)	2,256,495	2,228,469	2,189,779	2,147,867	-4.8%
Total military personnel costs (in billions)	\$62.22	Not included in DOD’s February 2016 status report			not applicable
Total civilian full-time equivalents (FTE)	776,264	750,589	734,035	735,864	-5.2%
Total civilian costs (in billions)	\$52.79	Not included in DOD’s February 2016 status report			not applicable

	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Percentage Change, Fiscal Years 2012— 2015 ^a (percent)
Civilian FTEs (less exclusions)	237,954	220,012	222,506	212,488	-10.7%
Civilian costs (less exclusions (in billions))	\$16.18	Not included in DOD's February 2016 status report			not applicable
Contracted services FTEs	Not included in DOD's February 2016 status report				not applicable
Contracted services costs (in billions) ^b	\$57.8	\$55.5	\$54.6	\$55.9	-3.2%

Source: DOD's February 2016 status report | GAO-17-128

Note: All dollars in constant fiscal year 2012 dollars. – indicates not applicable.

^aPercentages may not equal due to rounding.

^bContracted services costs include only the following object classes: 25.1 Advisory and assistance services, 25.2 Other services from non-Federal sources, 25.4 Operation and maintenance of facilities, 25.7 Operation and maintenance of equipment, and 25.8 Subsistence and support of persons.

Officials stated that DOD did not include civilian and military workforce costs for fiscal year 2015 because DOD interpreted the statute as requiring them only to report the civilian cost savings achieved when comparing costs from fiscal year 2012 to fiscal year 2017, and not each fiscal year in between.¹⁰ Further, officials stated that they did not include contractor full-time equivalent data for fiscal years 2012 through 2015 because, for section 955 and budget purposes, DOD does not measure contracted services by contractor full-time equivalency. The department did report contractor full-time equivalents in its annual Inventory of Contracted Services, which provides data on contract service execution. Officials stated that the department continues to institutionalize the capabilities associated with the Enterprise-wide Contractor Manpower Reporting Application (ECMRA) across all its components, and which will continue to improve reporting of contractor full-time equivalents for the prior fiscal year. For the budget years, officials stated the DOD will continue to measure dollar amounts budgeted for the contracted services. We reported in November 2015 that DOD continues to face challenges in

¹⁰ However, Section 955(d) requires “for each of fiscal years 2015 through 2018 . . . a report describing the implementation of the plan during the prior fiscal year” and specifically states that “each report shall include a summary of the savings achieved in such prior fiscal year through reductions in the military, civilian, and service contractor personnel workforces, and the number of military, civilian, and service contractor personnel reduced. In any case in which savings fall short of the annual target, the report shall include an explanation of the reasons for such shortfall.

implementing its ECMRA system.¹¹ According to DOD officials, implementation of the system began in 2011, but it has yet to be fully institutionalized, and officials were unable to provide a final implementation date. Further, officials stated that DOD did not include full-time equivalents (FTEs) for contracted services in the section 955 report because they were unable to provide an accurate number.

We recommended in December 2015 that DOD include in its status reports the costs in civilian personnel and military basic pay for fiscal years 2012 through 2017. DOD concurred with that recommendation, and partially implemented it in its February 2016 status report. In that status update DOD compared costs from fiscal year 2012 with those estimated to be achieved in fiscal year 2017, but it did not include costs associated with reductions for each fiscal year from 2012 through 2017. Furthermore, although DOD included full-time equivalent data from fiscal years 2012 through 2015, we have reported that reductions in full-time equivalents may not be a reliable measure of the costs of the civilian workforce.¹² For example, while FTE's may go down, costs may go up due to a variety of factors, including annual automatic pay increases. Without DOD's fully implementing the recommendation to include cost savings information for the prior fiscal year, as required by section 955, Congress may not know whether DOD is on track to meet its reduction requirements. As such, we believe our previous recommendation is still valid.

DOD Estimates That It Will Meet Civilian Personnel Savings Requirements in Fiscal Year 2017, but That It Will Not Achieve Contracted Services Cost Savings Requirements

DOD estimates that it will meet its statutory requirement to reduce civilian personnel costs in fiscal year 2017, but that it will not meet its requirement to reduce contracted services costs. Section 955 of the Fiscal Year NDAA states that DOD must reduce its civilian and contractor workforces costs for fiscal years 2012 through 2017 at a rate that is not less, as a percentage of such funding, than the reduction in military personnel basic pay costs.

DOD reports that it will reduce military personnel costs by 6.4 percent from fiscal year 2012 through fiscal year 2017, and it estimates that it will

¹¹ GAO, *DOD Inventory of Contracted Services: Actions Needed to Help Ensure Inventory Data Are Complete and Accurate*, [GAO-16-46](#) (Washington, D.C.: Nov. 18, 2015).

¹² [GAO-16-172](#)

reduce civilian personnel costs by 7.1 percent over the same time period. However, DOD does not account for exclusions in its civilian workforce savings calculation, as it uses the average full-time equivalent pay across the civilian workforce. As noted above, section 955 gives DOD the authority to exclude segments of the civilian workforce from the required reductions. DOD excluded approximately 71.6 percent, or about 530,000, of its civilian workforce from the reductions required by statute in fiscal year 2017. These exclusions include workforces in the areas of acquisition, cyber, medical, and safety and security, among others. Because DOD excluded segments of the civilian workforce that may not cost the same as the average full-time equivalent position, its cost estimation calculations may not reflect actual savings. For example, DOD excluded nearly 140,000 civilian acquisition personnel and nearly 60,000 civilian medical personnel in fiscal year 2017. As mentioned above, DOD did not include actual civilian workforce savings from fiscal years 2012 through 2015, and officials noted that even if DOD had included actual civilian personnel cost savings, it would only be an estimation based on their calculation. The officials said that DOD does not have the ability to identify savings for the applicable workforce because of broader limitations inherent in the department's accounting methodology. For example, the officials stated that the exclusion categories are not part of DOD's accounting structure and therefore DOD does not have the ability to report specific positions excluded and their associated costs. The officials stated that DOD had held internal discussions regarding changes necessary to the accounting structure that would allow the department to meet various reporting requirements, but it was determined that a solution would be too burdensome to implement in a timely manner without significant costs.

DOD also reported that it will reduce contracted services costs by 5 percent over the time period, a percentage that does not meet the required amount of reductions of not less, as a percentage of funding, than the reductions in basic military pay—which is 6.4 percent. Section 955 requires that in any case in which savings fall short of the annual target, the report shall include an explanation of the reasons for such a shortfall. DOD reported that although the department has significantly decreased advisory and assistance and other contracted services from the fiscal year 2012 level, there have been increases in equipment maintenance contracts as the department repairs and maintains its

equipment in order to maintain its global presence, which is why DOD did not meet the contracted services reduction requirement.¹³ See table 4 for DOD’s military, civilian, and contracted services actual and estimated reductions.

Table 4: DOD-Reported Actual and Estimated Reductions to the Military, Civilian, and Contracted Services Workforces, Fiscal Years 2012—2017

	Fiscal Year 2012 (Actual)	Fiscal Year 2013 (Actual)	Fiscal Year 2014 (Actual)	Fiscal Year 2015 (Actual)	Fiscal Year 2016 (Actual)	Fiscal Year 2017 (Estimated)	Percentage Change, Fiscal Year 2012 to Fiscal Year 2017 ^{a, b} (percent)
Total military (average strength)	2,256,495	2,228,469	2,189,779	2,147,867	2,122,736	2,097,700	-7.0%
Total military personnel costs (in billions)	\$62.22	Not included in DOD’s February 2016 status report.			\$58.27		-6.4%
Total civilian full- time equivalents (FTE)	776,264	750,589	734,035	735,864	746,995	742,466	-4.4%
Total civilian costs (in billions)	\$52.79	Not included in DOD’s February 2016 status report.			\$53.02		+0.4%
Civilian FTEs (less exclusions)	237,954	220,012	222,506	212,488	213,610	210,506	-11.5%
Civilian costs (less exclusions in billions)	\$16.18	Not included in DOD’s February 2016 status report.			\$15.03		-7.1%
Contracted Services FTEs	Not Included in DOD’s February 2016 status report.						not applicable

¹³ In February 2016 we reported that DOD does not include available data on its projected use of contractor-provided services beyond the budget year. We recommended that to ensure that senior leadership within the Office of the Secretary of Defense and the military departments are better positioned to make informed decisions regarding the volume and type of services that should be acquired over the future years defense program, the Secretaries of the Army, Navy, and Air Force should revise their programming guidance to collect information on how contracted services will be used to meet requirements beyond the budget year. DOD concurred with the recommendation, but as of July 2016 had not yet taken action to implement it. Such information would potentially assist DOD in determining whether it is complying with section 955 requirements. See GAO, *DOD Services Acquisition: Improved Use of Available Data Needed to Better Manage and Forecast Service Contract Requirements*, [GAO-16-119](#). (Washington, D.C.: Feb. 18, 2016).

	Fiscal Year 2012 (Actual)	Fiscal Year 2013 (Actual)	Fiscal Year 2014 (Actual)	Fiscal Year 2015 (Actual)	Fiscal Year 2016 (Actual)	Fiscal Year 2017 (Estimated)	Percentage Change, Fiscal Year 2012 to Fiscal Year 2017 ^{a, b} (percent)
Contracted Services costs (dollars in billions) ^c	\$57.8	\$55.5	\$54.6	\$55.9	\$53.8	\$55.4	-5.0%

Source: DOD's February 2016 status report | GAO-17-128

Note: All dollars in constant fiscal year 2012 dollars. – indicates not applicable.

^aPercentages may not equal due to rounding.

^bFiscal years 2016 and 2017 are estimates.

^cContracted services costs include only the following object classes: 25.1 Advisory and assistance services, 25.2 Other services from non-Federal sources, 25.4 Operation and maintenance of facilities, 25.7 Operation and maintenance of equipment, and 25.8 Subsistence and support of persons.

We previously recommended that DOD provide an explanation for any shortfall in its reduction for the civilian and contracted services workforces, as well as a description of actions DOD is taking to achieve the required savings.¹⁴ DOD concurred with our recommendation. While DOD did provide an explanation in its February 2016 status report for its shortfall in estimated contracted services reductions, it did not provide a description of actions it is taking to achieve the required savings. We continue to believe that our previous recommendation is valid and should be fully implemented.

¹⁴ [GAO-16-172](#)

DOD Has Not Developed an Efficiencies Plan as Required by Section 955 of the Fiscal Year 2013 NDAA

DOD's Report Does Not Include an Efficiencies Plan for Achieving Reductions

DOD's February 2016 status report does not include an efficiencies plan for reducing its civilian and contracted services workforces in fiscal year 2015. Section 955 of the fiscal year 2013 NDAA required DOD to develop an efficiencies plan in order to reduce total funding for the civilian and contractor workforce from fiscal year 2012 through fiscal year 2017 at a rate not less, in percentage terms, than the savings in funding for basic military personnel pay achieved from reductions in military end strengths over the same period. The plan was to be developed within 90 days of the enactment of the NDAA, which would have been April 4, 2013. We have previously reported that DOD's first two reports from September 2014 and February 2015 do not include a comprehensive description of the efficiencies plan for reductions that would provide congressional decision makers with information on how the department will achieve required savings.

Further, section 955 requires DOD to submit status reports each fiscal year through 2018 that describes the implementation of the efficiencies plan to reduce costs for the civilian and contracted services workforces, and any modifications to the plan required due to changing circumstances. DOD's February 2016 report does not include a description of the implementation of an efficiencies plan in fiscal year 2015 for achieving required reductions, as required by section 955. Section 955 states that in the development and implementation of the efficiencies plan, DOD may exclude certain civilian and contractor workforces from reporting required reductions. These exclusions are to be related to functions identified as core or critical to the mission of the department. DOD excluded approximately 538,000 civilian full-time equivalents of its approximately 776,000 civilian full-time equivalents from required reductions for fiscal year 2012. These exclusions have been in place since DOD's first report in February 2014. However, while its February 2016 report states that the civilian workforce exclusions were selected because they are critical to the mission of the department, it

does not describe how this criticality selection was determined, or whether DOD has assessed the need for changing the workforces it excludes, and officials stated that the department's rationale is not included in other documents. According to OUSD (Comptroller) and military department officials, the exclusions were decided upon during discussions by OUSD (Comptroller) and the military departments prior to DOD's first report, in February 2014. Without a comprehensive description of an efficiencies plan, including an explanation indicating how exclusions were determined, DOD cannot provide congressional decision makers with full information on their approach, or show how the department will achieve required savings on the non-excluded workforce.

We previously recommended that DOD include a comprehensive description of an efficiencies plan to achieve savings for the civilian workforce and contracted services workforces for fiscal year 2012 through 2017. DOD concurred with our recommendation.¹⁵ Without including a comprehensive plan, DOD cannot provide congressional decision makers with complete information on how the department will achieve required savings. Further, we previously recommended that status reports included in the President's budget request for fiscal years 2017 and 2018 should describe the implementation of the plan in the prior year.¹⁶ DOD concurred with our recommendation. Without a description of the implementation of the plan in the prior year, DOD cannot provide congressional decision makers with information regarding decisions it has made in order to achieve its goal, such as which workforces it has excluded. We continue to believe that these recommendations are valid and should be fully implemented.

¹⁵ [GAO-16-172](#)

¹⁶ [GAO-16-172](#)

DOD's Status Report Did Not Demonstrate How Civilian and Contractor Reductions Are Consistent with Workforce Management Laws

DOD's February 2016 status report refers to elements present in workforce management laws, but it does not explain how savings are being achieved in a manner consistent with workforce management laws. Section 955 of the fiscal year 2013 NDAA states that the required plan shall be consistent with workforce management laws under section 129a of Title 10 of the U.S. Code. Section 129 of Title 10 outlines certain restrictions on DOD's management of civilian personnel, including a requirement that the number of civilian personnel shall be managed solely on the basis of and consistent with total-force management policies and procedures established under section 129a, workload requirements, and funds made available to the department each fiscal year. Section 129a of Title 10 governs DOD's general policy for total-force management, and requires the Secretary of Defense to establish policies and procedures for determining the most appropriate and cost-efficient mix of military, civilian, and contractor personnel to perform the mission of the department, among other things. DOD's February 2016 status report references its Strategic Workforce Plan, which we reported in July 2014 did not meet the statutory requirement to include an assessment of the appropriate mix of military, civilian, and contractor personnel capabilities,¹⁷ and states that in August 2016 the Deputy Secretary of Defense directed a manpower review to measure DOD's compliance level with workforce management laws and other statutory requirements; however, it does not provide the level of detail needed to determine whether DOD's method for achieving reductions is consistent with workforce management laws.

We previously recommended that DOD include a description demonstrating that the plan is consistent with policies and procedures implementing workforce-management laws and steps that the department is taking to ensure that no unjustified transfers between workforces take place as part of the implementing plan.¹⁸ DOD concurred with our recommendation but stated that the department's plans to date are consistent with and reflect workforce shaping and workload sourcing requirements, as well as other criteria pertaining to manpower requirement, such as risk mitigation. DOD also stated that the Office of

¹⁷ GAO, *Human Capital: DOD Should Fully Develop Its Civilian Strategic Workforce Plan to Aid Decision Makers*, GAO-14-565 (Washington, D.C.: Jul. 9, 2014).

¹⁸ [GAO-16-172](#)

the Secretary of Personnel and Readiness remains actively engaged in decisions affecting the workforce; that the department's Planning, Programming, Budgeting and Execution System process helps to ensure that there are no unjustified transfers between workforces; and that any changes are made in accordance with workforce management laws. DOD included similar language in its February 2016 status report. However, as mentioned above, the description lacks an explanation demonstrating how the department's reductions are consistent with workforce management laws. Without this explanation, decision makers and Congress will not be able to determine whether DOD's actions are consistent with policies and procedures for implementing workforce-management laws, and whether DOD is taking steps to ensure that no unjustified transfers between workforces take place as part of the implementing plan. We continue to believe that our previous recommendation is valid.

Agency Comments and Our Evaluation

We are not making any new recommendations in this report and believe that DOD's fully implementing the previous recommendations is needed to better inform the Congress. We provided a draft of this report to DOD for review and comment. In its written comments, DOD noted that we are not making new recommendations and stated that it has implemented the recommendations from our December 2015 report. Although DOD has taken some action in response to our December 2015 report, we disagree that the recommendations have been fully implemented, as summarized below. DOD's comments are reprinted in appendix II.

In response to the recommendation in our December 2015 report to include a comprehensive description of a plan to achieve savings for the civilian workforce and contracted services workforces for fiscal year (FY) 2012 through 2017, DOD stated in its written comments that it included a section that describes its plan, guidance, and implementation in its February 2016 status report. DOD also stated that it continues to conform to the principles and tenets of Strategic Workforce Planning and continues to conform to the plan prescribed in the department's Planning, Programming, Budgeting, and Execution processes. DOD's February 2016 report does reference its Strategic Workforce Plan and its Planning, Programming, Budgeting, and Execution processes, however it does not include a comprehensive description of an implementation plan that DOD would use to achieve the congressionally mandated financial savings. Without a comprehensive description of such a plan, congressional decision makers do not have complete information on how the department will achieve required section 955 savings.

In response to the recommendation in our December 2015 report to include a description demonstrating that the plan is consistent with policies and procedures implementing workforce-management laws and steps that the department is taking to ensure that no unjustified transfers between workforces take place as part of the implementing plan, DOD stated in its written comments that its February 2016 status report references DOD's Strategic Workforce Plan, which outlines workforce management laws that the department follows. It also states it has taken actions outside of the February 2016 report to ensure that the department remains in compliance with section 955 and other statutory requirements. However, we reported in July 2014 that DOD's Strategic Workforce Plan for fiscal years 2013-2018 lacked required elements under section 115b of Title 10 of the U.S. Code. Specifically, we found that the Strategic Workforce Plan did not address all statutory reporting requirements, such as the requirement to include an assessment of the appropriate mix of military, civilian, and contractor personnel capabilities. In May 2013, we recommended that DOD determine the appropriate workforce mix and as of August 2016, DOD had not yet done so. Moreover, as we state in our report, DOD's February 2016 status report does not provide the level of detail or an explanation needed to enable decision makers or Congress to determine whether DOD's method for achieving reductions is consistent with workforce management laws.

In response to the recommendation in our December 2015 report that status reports included in the President's budget request for FY 2017 and 2018 should describe the implementation of the plan in the prior year, DOD stated in its written comments that its February 2016 report timeline covered FY 2012 to FY 2021 and therefore implemented the recommendation. However, while DOD included numbers of reductions in the civilian and military workforces for the previous fiscal year, it did not include a description of how it is implementing its plan. For example, section 955 requires DOD to submit status reports each fiscal year through 2018 that describe the implementation of the efficiencies plan to reduce costs for the civilian and contracted service workforces, and states that in the development and implementation of the efficiencies plan, DOD may exclude certain civilian and contractor workforces from reporting required reductions. DOD excluded approximately 538,000 civilian full-time equivalents of its approximately 776,000 civilian full-time equivalents from required reductions for fiscal year 2012. While its report states that the civilian workforce exclusions were selected because they are critical to the mission of the department, it does not describe how this criticality selection was determined, or whether DOD has assessed the need for changing the workforces it excludes.

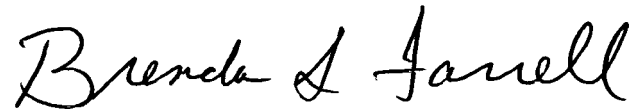
In response to the recommendation in our December 2015 report to include in its status reports the costs in civilian personnel and military basic pay for fiscal years 2012 through 2017, DOD stated in its written comments that it included in its February 2016 status report the number and cost of military and civilian personnel reduced. As we discuss in our report, DOD partially implemented the recommendation in its 2016 status report and included the actual and estimated numbers of military and civilian full-time equivalent reductions, and the costs associated with the workforces in FY 2012 and FY 2017. However, DOD did not include the costs associated with the workforces for each fiscal year in between, as we recommended. Therefore, DOD has not yet fully implemented the recommendation.

In response to the recommendation in our December 2015 report to provide an explanation for any shortfall in its reduction for the civilian and contracted services workforces, as well as a description of actions DOD is taking to achieve the required savings, DOD stated in its written comments it has met its civilian personnel cost reduction requirement, and thus no explanation of any shortfall was required. In its February 2016 report DOD partially implemented our recommendation by providing an explanation for estimated shortfalls for contracted services. In addition, as we state in our report, DOD is estimating that it is on track to meet its civilian personnel cost savings requirement in fiscal year 2017 and thus did not need to include a description of any shortfalls. However, our recommendation also was to include a description of the specific actions DOD is taking to achieve the required savings. DOD did not include such a description in its February 2016 report and therefore DOD has not yet fully implemented our recommendation.

We are sending copies of this report to the appropriate congressional committees; the Secretary of Defense; the Under Secretary of Defense (Comptroller); and the Under Secretary of Defense (Personnel and Readiness). In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-3604 or farrellb@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last

page of this report. GAO staff who made key contributions to this report are listed in appendix III.

A handwritten signature in black ink that reads "Brenda S. Farrell". The signature is written in a cursive style with a large initial "B".

Brenda S. Farrell
Director
Defense Capabilities and Management

List of Committees

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Chairman
The Honorable Jack Reed
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Thad Cochran
Chairman
The Honorable Richard Durbin
Ranking Member
Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable Mac Thornberry
Chairman
The Honorable Adam Smith
Ranking Member
Committee on Armed Services
House of Representatives

The Honorable Rodney Frelinghuysen
Chairman
The Honorable Pete Visclosky
Ranking Member
Subcommittee on Defense
Committee on Appropriations
House of Representatives

Appendix I: Objectives, Scope, and Methodology

The objectives of our review were to evaluate the extent to which DOD's February 2016 status report demonstrates (1) DOD's achievement of savings, as required by section 955 of the Fiscal Year 2013 National Defense Authorization Act (NDAA); and (2) DOD's development and implementation of its efficiencies plan that is consistent with workforce management laws in fiscal year 2015, as required by section 955 of the Fiscal Year 2013 NDAA.

To determine the extent to which DOD's February 2016 status report demonstrates DOD's achievement of savings, as required by section 955, we reviewed section 955 to determine what information is required to be reported and what levels of savings are required. We then assessed DOD's February 2016 status report to determine what savings information were included in its report for the civilian and contracted services workforces. We compared savings information included against information requirements in section 955. We also compared DOD's actual and projected fiscal years 2012 through 2017 reductions in military basic pay against information included in DOD's February 2016 status report on (1) DOD's actual and projected civilian workforce cost and full-time equivalent reductions from fiscal years 2012 through 2017; and (2) DOD's actual and projected contracted services cost reductions from fiscal years 2012 through 2017. We also assessed the methodology for how DOD calculated its actual and estimated civilian workforce savings to determine whether DOD's calculations accounted for exclusions to its workforce reductions requirements. We reviewed our December 2015 report that used workforce data and discussed the reliability of the data with OUSD (Comptroller) officials. We determined that these data were sufficiently reliable for the purpose of reporting on and analyzing reductions to the civilian workforces.

To determine the extent to which DOD's February 2016 report demonstrates DOD's development and implementation of its efficiencies plan that is consistent with workforce management laws in fiscal year 2015, as required by section 955 of the Fiscal Year 2013 NDAA,¹ we reviewed section 955 of the Fiscal Year 2013 NDAA to identify requirements for DOD's report. We reviewed and analyzed DOD's

¹ Section 955 of the Fiscal Year 2013 National Defense Authorization Act requires DOD to describe the Department's implementation of its efficiencies plan in the previous fiscal year. For DOD's February 2016 report, the previous fiscal year is 2015.

February 2016 status report to determine how, if at all, it demonstrated the implementation of an efficiencies plan. We interviewed officials from the Departments of the Army, Navy, and Air Force to determine the types of guidance they received from OSD, if any, and the extent to which they established their own guidance on developing and implementing DOD's plan required by section 955. We also reviewed DOD's February 2016 status report to determine whether DOD excluded workforces from the civilian and contractor workforce reduction requirement. We interviewed Office of the Under Secretary of Defense (Comptroller) officials and officials from the Departments of the Army, Navy, and Air Force to gain an understanding of how these workforces were excluded, the basis for such exclusions, and when the exclusions were identified. We spoke with officials from the Office of the Under Secretary of Defense (Comptroller) and officials from the Departments of the Army, Navy, and Air Force regarding what guidance was provided for the exclusions and how the process took place in order to determine the exclusions. Further, we requested documentation on the process that took place in order to determine such exclusions. To determine the extent to which DOD's February 2016 report demonstrates that its reductions are consistent with workforce management laws as required by section 955 we reviewed DOD's February 2016 status report and materials listed in the report and interviewed officials at OUSD. We determined that the level of detail included in DOD's February 2016 report were not sufficient to conclude whether or not DOD was in compliance with workforce management laws. For both objectives, we identified actions taken, if any, in response to our 2015 report.

We conducted this performance audit from February 2016 to October 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Comments from the Department of Defense



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

SEP 22 2016

Ms. Brenda Farrell,
Director, Defense Capabilities Management
U.S. Government Accountability Office
441 G Street, NW
Washington DC 20548

Dear Ms. Farrell,

This is the Department of Defense (DoD) response to the GAO Draft Report GAO-16-863, "DoD CIVILIAN AND CONTRACTOR WORKFORCES: Additional Cost savings Data and Efficiencies Plan are Needed," dated August 25, 2016 (GAO Code 100616). The Department appreciates the GAO's work on this engagement, as well as the opportunity to review and comment on this draft report.

The Department acknowledges receipt of the draft report and notes that GAO did not make any new recommendations, but continues to believe that implementing the previous recommendations would better inform Congress of DoD's progress in meeting reduction requirements. The Department has implemented GAO's previous recommendations; and the changes are reflected in the section 955 status report for Fiscal Year (FY) 2017, included in the President's Budget request submitted in February 2016. Attached is DoD's response to the subject report where updates are provided to the previous recommendations. My point of contact is Mr. Jae W. Lee who can be reached at 703-697-2560 or via email at jae.w.lee13.civ@mail.mil.

Sincerely,

Monique Dilworth
Director, Operations Directorate

Enclosure:
As Stated



GAO DRAFT REPORT DATED AUGUST 25, 2016
GAO-16-863 (GAO CODE 100616)

“DOD CIVILIAN AND CONTRACTOR WORKFORCES: ADDITIONAL COST
SAVINGS DATA AND EFFICIENCIES PLAN ARE NEEDED”

DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO REPORT

**Department of Defense Response to GAO Report for the inclusion of additional cost
savings data and efficiencies plan in future status reports that accompany FY 2018
President’s Budget request**

The GAO did not make any new recommendations during its current engagement; however, continues to believe that implementing the previous recommendations would better inform Congress of DoD’s progress in meeting its reduction requirements.

In the previous GAO engagement, dated December 15, 2015, GAO-16-172, “CIVILIAN AND CONTRACTOR WORKFORCES: Complete Information Needed to Assess DOD’s Progress in Meeting Statutory Requirement for Reductions and Achieving Savings,” the GAO recommended that the DoD address ongoing requirements in section 955 and include additional information in future status reports that accompany the President’s Budget request for Fiscal Years (FY) 2017 and 2018.

The GAO made the following five recommendations. The DoD concurred with recommendation three and five and concurred with comment on recommendation one, two, and four. The DoD has implemented GAO’s recommendations in the section 955 status report that accompanied the President’s Budget for FY 2017.

The following updates are provided below with GAO’s previous recommendations along with DoD’s initial responses:

Recommendation one: *A comprehensive description of a plan to achieve savings for the civilian workforce and contractor workforce for fiscal year 2012 through fiscal year 2017*

Response: Concur with comment. The DoD submitted its initial section 955 report in September 2014 for information reflected in the FY 2015 President’s Budget. The report reflected the Department’s year by year plan to achieve the savings for the civilian and contractor workforce reduction by FY 2017 which resulted from the Department’s program and budget process, as well as a comprehensive workforce to workload review that had been completed. The Department concurs with including a more robust description of the initiatives that comprised the plan to achieve savings for the civilian and contractor workforce.

Update: The FY 2017 section 955 status report includes a section that describes its plan, guidance, and implementation. The DoD continues to conform to the principles and tenets of Strategic Workforce Planning (SWP), and to its Planning, Programming, Budgeting and Execution (PPBE) process. The SWP enables DoD leaders and managers to have the right workforce, comprised of civilian, contractors, and military personnel to achieve the Department's mission. The PPBE process focuses on the resource allocation and financial management for current and future DoD program requirements.

Recommendation two: *A description demonstrating that the plan is consistent with policies and procedures implementing workforce management laws and steps the department is taking to ensure that no unjustified transfers between workforces take place as part of the implementing plan*

Response: Concur with comment. The Department's plans to date are consistent with and reflect workforce shaping and workload sourcing requirements, as well as other criteria pertaining to manpower requirement such as risk mitigation. The Office of the Secretary of Personnel and Readiness remains actively engaged in decisions affecting the workforce. The Department's Planning, Programming, Budgeting and Execution System (PPBES) process helps to ensure that there are no unjustified transfers between workforces and that any changes are made in accordance with workforce management laws. The Department will include a statement similar to the above in the next section 955 report.

Update: The DoD implemented recommendation two. In conjunction with the formulation of the DoD FY 2017 budget request, the Department measured its compliance level with other statutory requirements. For example, the Deputy Chief Management Officer (DCMO) was assigned the task of reducing Major DoD Headquarters Activities (MHA), as prescribed in section 346 of the National Defense Authorization Act for FY 2016. The DCMO also led additional reductions in civilian personnel cost ensuring that the Department remained in compliance with section 955 and other statutory requirements. The FY 2017 section 955 status report referenced the latest SWP document which outlines all of the relevant workforce management laws that the Department follows including the prohibition of unjustified transfers between workforces.

Recommendation three: *Status reports to be included in the President's Budget request for Fiscal Years 2017 and 2018 describing the implementation of the plan in the prior year*

Response: Concur.

Update: The DoD implemented recommendation three. The status report for FY 2017 was included in the President's Budget request submitted in February 2016. The FY 2017 status report timeline covered from FY 2012 to FY 2021. The DoD will submit the FY 2018 status report in February 2017 that will cover the period of FY 2012 to FY 2022.

Recommendation four: *The cost of covered civilian personnel and military basic pay for fiscal years 2012 through 2017, and an assessment of these costs in regard to their compliance with the statutory requirements set forth in section 955*

Response: Concur with comment. The Department will address cost savings in terms of fully burden civilian personnel cost along with total military personnel compensation that includes allowances.

Update: The DoD implemented recommendation four. The FY 2017 section 955 status report includes a section describing the number and cost of military and civilian personnel reduced. The DoD's military personnel cost is estimated to decrease by 6.4% over the FY 2012 through FY 2017 timeframe. The civilian cost is estimated to decrease by 7.1% over the same period. The cost savings are measured in terms of fully burdened rate including civilian fringe benefit cost and military allowances.

Recommendation five: *An explanation for any shortfall in its reductions for the civilian and contractor workforces, and a description of actions DOD is taking to achieve the required savings*

Response: Concur.

Update: The DoD implemented recommendation five. The DoD met its civilian personnel cost reduction requirement, thus no explanation was required. The contract service is projected to fall short of the required 6.4% reduction. In FY 2017 section 955 status report, the Department provided an explanation by type of contracts. It identifies the advisory and assistance contracts are decreasing; however, the equipment maintenance contracts are increasing due to operational requirements.

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Brenda S. Farrell, (202) 512 -3604 farrellb@gao.gov

Staff Acknowledgments

In addition to the contact named above, Vincent Balloon, Assistant Director; Timothy Carr, Michael Silver, Norris “Traye” Smith, Sabrina Streagle, Guiovany Venegas, and Cheryl Weissman made key contributions to this report.

Related GAO Products

DOD Service Acquisition: Improved Use of Available Data Needed to Better Manage and Forecast Service Contract Requirements, [GAO-16-119](#). Washington, D.C.: February 18, 2016

Civilian and Contractor Workforces: Complete Information Needed to Assess DOD's Progress for Reductions and Associated Savings, [GAO-16-172](#). Washington, D.C.: December 23, 2015

DOD Inventory of Contracted Services: Actions Needed to Help Ensure Inventory Data Are Complete and Accurate, [GAO-16-46](#). Washington, D.C.: November 18, 2015

Sequestration: Comprehensive and Updated Cost Savings Would Better Inform DOD Decision Makers if Future Civilian Furloughs Occur, [GAO-14-529](#). Washington, D.C.: June 17, 2014

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