The fiscal years 1996 and 1997 National Defense Authorization Acts (P.L. 104-106 and P.L. 104-201, respectively) mandate the Department of Defense (DOD) to reduce its acquisition workforce. At your request, we reviewed personnel reductions in 20 acquisition organizations from the end of fiscal year 1995 through the end of the second quarter of fiscal year 1997. (See enclosure I for a listing of these organizations). Specifically, we identified the (1) extent reductions in the 20 organizations met legislative requirements, (2) number of civilians leaving the acquisition organizations but currently employed in other DOD organizations, and (3) occupational fields with the largest concentration of reductions. We also compared trends in DOD's contracting activity from fiscal year 1994 to 1996 with the occupational fields most affected by the reductions and identified DOD's efforts to redefine its acquisition workforce.

This letter is an interim response to provide the Committee with preliminary information. We are not drawing conclusions or making specific recommendations based on the data at this time. A final report addressing these and other issues, as requested, will be issued later.

BACKGROUND

The National Defense Authorization Act for Fiscal Year 1996, among other things, required the Secretary of Defense to reduce the number of personnel (civilian and military) in acquisition organizations (as defined in DOD Instruction 5000.58, dated January 14, 1992) during fiscal year 1996 by 15,000 less than the total number of such personnel as of October 1, 1995. The National Defense Authorization Act for Fiscal Year 1997 expanded on these acquisition workforce reductions, requiring that by October 1, 1997, the number of acquisition personnel be reduced by an overall
total of 30,000 below the level as of October 1, 1995. Excluded from the
reductions, however, are "personnel who possess technical competence in trade-
skill maintenance and repair positions involved in performing depot maintenance
functions."

The 1996 act further required that the Secretary submit a plan on how to
restructure current DOD acquisition organizations in a manner that would enable
the Secretary to reduce the number of military and civilian personnel assigned to or
employed in DOD acquisition organizations (as defined by the Secretary) by 25
percent over a 5-year period beginning on October 1, 1995.

**SUMMARY**

The legislative mandates of fiscal years 1996 and 1997 to reduce the acquisition
workforce allow the Secretary of Defense wide latitude in implementing those cuts.
According to Defense Manpower Data Center (DMDC) data, DOD has exceeded the
requirements to reduce its acquisition workforce by 30,000. If current trends in
workforce reductions continue, it appears that DOD will also achieve an overall
acquisition workforce personnel reduction of 25 percent (94,400 of 377,600) by the
end of fiscal year 2000, consistent with its congressionally required plan.

Most of the downsizing was achieved through reductions in personnel, but a
significant portion was also attained through DOD's streamlining efforts that
resulted in disestablishing the Army Information Systems Command (AISC) and
distributing the majority of its personnel into a nonacquisition organization (i.e.,
outside of the purview of DOD Instruction 5000.58). These efforts also redirected
some personnel to other DOD organizations. Of approximately 40,000 civilian
personnel reductions, about 9,000 (roughly 22 percent) persons remain employed in
other DOD organizations. A review of reductions by occupational series shows that
the largest concentrations were in the following occupational fields: Electronics
Engineering, Secretary, Computer Specialist, Contracting, Management Analyst, and
Administrative. By contrast, DOD's contract awards for services rose steadily for
fiscal years 1994 to 1996 for most of the functions normally done by personnel in
these occupational fields. DOD is currently developing a methodology for
redefining its acquisition workforce.

**REDUCTIONS IN DOD'S ACQUISITION WORKFORCE
EXCEED REQUIREMENTS**

According to DMDC data, DOD has reduced its acquisition workforce by 50,334 or
20,334 more than required (see table 1). If current trends in workforce reductions
continue, it appears that DOD will also achieve an overall acquisition workforce
personnel reduction of 25 percent (94,400 of 377,600) by the end of fiscal year 2000,
consistent with its congressionally required plan. By the end of the second quarter of fiscal year 1997, DOD has accomplished 54 percent (50,334) of the required reductions. If DOD continues to streamline, consolidate organizations, and reduce personnel at approximately the same rate, it could actually achieve its target reduction well before fiscal year 2000. However, DOD does not expect that this rate will continue throughout the next 3 years.

While most of the reductions identified in table 1 were achieved through actual personnel reductions, a significant portion was also attained through DOD's streamlining efforts that resulted in disestablishing AISC. According to DOD officials, the majority of AISC's personnel (which consisted primarily of military personnel) were transferred to the Army Forces Command, a nonacquisition organization. The remaining personnel (mostly civilian) were transferred to the Army Materiel Command, an acquisition organization.
Table 1: Overall Changes (Civilian and Military) in DOD’s Workforce in Acquisition Organizations (End of Fiscal Year 1995 - End of the 2nd Quarter 1997)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Undersecretary of Defense (Acquisition)</td>
<td>541</td>
<td>602</td>
<td>577</td>
<td>36</td>
<td>6.7</td>
</tr>
<tr>
<td>Army Information Systems Command</td>
<td>16,708</td>
<td>15,003</td>
<td>627</td>
<td>-16,121</td>
<td>-66.8</td>
</tr>
<tr>
<td>Army Materiel Command</td>
<td>59,324</td>
<td>64,796</td>
<td>54,938</td>
<td>-9,868</td>
<td>-8.4</td>
</tr>
<tr>
<td>Army Strategic Defense Command</td>
<td>1,029</td>
<td>1,015</td>
<td>1,005</td>
<td>-24</td>
<td>-2.3</td>
</tr>
<tr>
<td>Army Acquisition Executive</td>
<td>2,611</td>
<td>2,542</td>
<td>2,562</td>
<td>-49</td>
<td>-1.9</td>
</tr>
<tr>
<td>Total Army</td>
<td>79,672</td>
<td>74,546</td>
<td>65,442</td>
<td>-31,250</td>
<td>-26.7</td>
</tr>
<tr>
<td>Assistant Secretary of the Navy (Research, Development, and Acquisition)</td>
<td>121</td>
<td>118</td>
<td>116</td>
<td>-5</td>
<td>-4.1</td>
</tr>
<tr>
<td>Naval Sea Systems Command</td>
<td>34,485</td>
<td>32,635</td>
<td>31,566</td>
<td>-2,914</td>
<td>-8.5</td>
</tr>
<tr>
<td>Naval Air Systems Command</td>
<td>25,544</td>
<td>23,910</td>
<td>20,697</td>
<td>-4,847</td>
<td>-19.0</td>
</tr>
<tr>
<td>Naval Supply Systems Command</td>
<td>14,536</td>
<td>14,021</td>
<td>11,942</td>
<td>-2,586</td>
<td>-17.8</td>
</tr>
<tr>
<td>Naval Facilities Engineering Command</td>
<td>22,431</td>
<td>21,323</td>
<td>20,669</td>
<td>-1,752</td>
<td>-7.8</td>
</tr>
<tr>
<td>Office of the Chief of Naval Research</td>
<td>4,274</td>
<td>4,180</td>
<td>4,061</td>
<td>-213</td>
<td>-5.0</td>
</tr>
<tr>
<td>Space and Naval Warfare Systems Command</td>
<td>6,959</td>
<td>6,711</td>
<td>6,524</td>
<td>-425</td>
<td>-6.1</td>
</tr>
<tr>
<td>Navy Strategic Systems Program Office</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>-1</td>
<td>-20.0</td>
</tr>
<tr>
<td>Navy Program Executive Officers/Direct Reporting Program Manager Organization</td>
<td>2,777</td>
<td>2,909</td>
<td>2,957</td>
<td>180</td>
<td>6.8</td>
</tr>
<tr>
<td>Total Navy</td>
<td>111,111</td>
<td>106,322</td>
<td>98,548</td>
<td>-12,553</td>
<td>-11.9</td>
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<tr>
<td>Marine Corps Systems Command</td>
<td>752</td>
<td>754</td>
<td>743</td>
<td>8</td>
<td>1.2</td>
</tr>
<tr>
<td>Assistant Secretary of the Air Force (Acquisition)</td>
<td>485</td>
<td>494</td>
<td>420</td>
<td>-66</td>
<td>-13.4</td>
</tr>
<tr>
<td>Air Force Materiel Command</td>
<td>71,394</td>
<td>69,889</td>
<td>67,233</td>
<td>-3,461</td>
<td>-4.9</td>
</tr>
<tr>
<td>Air Force Program Executive Organization</td>
<td>82</td>
<td>82</td>
<td>49</td>
<td>-3</td>
<td>-5.8</td>
</tr>
<tr>
<td>Total Air Force</td>
<td>71,931</td>
<td>70,375</td>
<td>68,382</td>
<td>3,549</td>
<td>4.9</td>
</tr>
<tr>
<td>Ballistic Missile Defense Organization</td>
<td>232</td>
<td>263</td>
<td>275</td>
<td>-43</td>
<td>-16.5</td>
</tr>
<tr>
<td>Defense Logistics Agency</td>
<td>30,690</td>
<td>47,417</td>
<td>48,237</td>
<td>2,423</td>
<td>4.8</td>
</tr>
<tr>
<td>Depots</td>
<td>62,701</td>
<td>33,056</td>
<td>32,062</td>
<td>-10,639</td>
<td>-31.6</td>
</tr>
<tr>
<td>Total DOD</td>
<td>377,669</td>
<td>353,925</td>
<td>327,266</td>
<td>-50,334</td>
<td>-13.8</td>
</tr>
</tbody>
</table>

Source: DMDC.

Note: The numbers for depot personnel represent those defined by the Secretary of Defense as acquisition personnel. Excluded are personnel who possess certain trade skills involved in depot maintenance.
MANY PERSONNEL LEAVING ACQUISITION ORGANIZATIONS ARE EMPLOYED ELSEWHERE IN DOD

According to DMDC data, about 40,000 civilian personnel have left DOD’s acquisition organizations since the beginning of fiscal year 1996 (see table 2). Of this number, about 9,000 (roughly 22 percent) persons remain employed in other DOD organizations. Our preliminary review indicates that the majority of these 9,000 individuals are employed in organizations not covered by DOD Instruction 5000.58. DOD stated that this redirection of personnel was beneficial to the Department in several ways because it helped to (1) avoid reductions-in-force, (2) reduce the strain on morale associated with downsizing, and (3) offset costs associated with training new personnel.

Table 2: Number of Civilian Personnel Separated from Defense Acquisition Organizations (End of Fiscal Year 1995 - End of the 2nd Quarter 1997)

<table>
<thead>
<tr>
<th>Acquisition Organization</th>
<th>Transferred</th>
<th>Left DOD</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defense Logistics Agency</td>
<td>681</td>
<td>5,945</td>
<td>6,626</td>
</tr>
<tr>
<td>Under Secretary of Defense (Acquisition)</td>
<td>64</td>
<td>149</td>
<td>213</td>
</tr>
<tr>
<td>Army Information Systems Command</td>
<td>3,472</td>
<td>673</td>
<td>4,145</td>
</tr>
<tr>
<td>Office of Chief of Naval Research</td>
<td>72</td>
<td>446</td>
<td>518</td>
</tr>
<tr>
<td>Naval Air Systems Command</td>
<td>496</td>
<td>4,887</td>
<td>5,383</td>
</tr>
<tr>
<td>Army Strategic Defense Command</td>
<td>17</td>
<td>107</td>
<td>124</td>
</tr>
<tr>
<td>Naval Supply Systems Command</td>
<td>346</td>
<td>1,226</td>
<td>1,572</td>
</tr>
<tr>
<td>Naval Sea Systems Command</td>
<td>386</td>
<td>3,758</td>
<td>4,144</td>
</tr>
<tr>
<td>Naval Facilities Engineering Command</td>
<td>1,033</td>
<td>2,632</td>
<td>3,665</td>
</tr>
<tr>
<td>Ballistic Missile Defense Organization</td>
<td>14</td>
<td>24</td>
<td>38</td>
</tr>
<tr>
<td>Navy Program Executive Officer/Direct Reporting Program Manager Organization</td>
<td>93</td>
<td>207</td>
<td>300</td>
</tr>
<tr>
<td>Space &amp; Naval Warfare Systems Command</td>
<td>132</td>
<td>632</td>
<td>764</td>
</tr>
<tr>
<td>Assistant Secretary of the Navy (Research, Development, and Acquisition)</td>
<td>5</td>
<td>6</td>
<td>11</td>
</tr>
<tr>
<td>Air Force Program Executive Organization</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Air Force Materiel Command</td>
<td>949</td>
<td>4,122</td>
<td>5,071</td>
</tr>
<tr>
<td>Assistant Secretary of the Air Force (Acquisition)</td>
<td>20</td>
<td>41</td>
<td>61</td>
</tr>
<tr>
<td>Army Acquisition Executive</td>
<td>41</td>
<td>258</td>
<td>299</td>
</tr>
<tr>
<td>Army Materiel Command</td>
<td>1,174</td>
<td>6,008</td>
<td>7,182</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,997</strong></td>
<td><strong>31,121</strong></td>
<td><strong>40,118</strong></td>
</tr>
</tbody>
</table>

Source: DMDC.
REDUCTIONS ARE CONCENTRATED IN SEVERAL OCCUPATIONAL FIELDS

The largest concentration of personnel reductions occurred in seven occupational fields (see table 3). Table 3 also shows reductions of civilian personnel in these occupational fields who are currently employed in other DOD organizations.

Table 3: Occupational Fields Associated with Largest Concentration of Civilian Reductions (End of Fiscal Year 1995 - End of the 2nd Quarter 1997)

![Bar chart showing number of personnel in different occupational fields]

Number of Personnel

- Remained in DOD
- Separated from DOD

Source: DMDC.
SUPPORT SERVICES CONTRACT AWARDS ARE INCREASING

Although we did not correlate specific contract awards to specific reductions in the acquisition workforce, table 4 shows that support services contract awards increased for certain occupational fields that are closely related to the occupational fields with the largest personnel reductions as identified in table 3.

Table 4: Changes in DOD Support Service Contracts Fiscal Year 1994 - Fiscal Year 1996

FY 1996 Dollars in Millions

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Administrative Support</th>
<th>Management Support</th>
<th>Engineering Services</th>
<th>ACP/Telecommunications</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>2,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>1995</td>
<td>3,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>1996</td>
<td>4,000</td>
<td>3,000</td>
<td>3,000</td>
<td>3,000</td>
</tr>
</tbody>
</table>

DOD INITIATES STUDY TO REDEFINE THE ACQUISITION WORKFORCE

In response to section 906 of the National Defense Authorization Act for Fiscal Year 1996, DOD established an Integrated Product Team to redefine the acquisition workforce. To assist in this endeavor, the Integrated Product Team has hired a consulting firm to develop a model that can be used for redefining the composition of the acquisition workforce. The model will be based on an updated version of a framework developed by the Packard Commission in the mid-1980s. According to DOD officials, under the new definition, the acquisition workforce is expected to include:

- all personnel employed by DOD in certain acquisition occupations, such as contracting, auditing, and property disposal, wherever they are located;

- all personnel employed in certain acquisition support occupations, such as engineering, finance and accounting, mathematics and statistics, and working within acquisition organizations; and

- an appropriate share of the clerical and administrative support personnel providing direct support to the acquisition workforce.

Additionally, DOD officials told us that they plan to identify separately all DOD acquisition functions and activities wherever they are performed in the Department to improve manpower planning, oversight, and training.

AGENCY COMMENTS

We provided DOD with copies of a draft of this report for its review and comment. We met with DOD officials, including the Director of Acquisition Education, Training, and Career Development, who generally concurred with the information contained in this report. However, DOD noted that because the Department does not plan to continue the rate of reductions identified in this report it should not be used for forecasting personnel reductions. DOD's comments are presented in their entirety in enclosure II.

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1See Final Report to the President, by the President's Blue Ribbon Commission on Defense Management, June 1986.
We are sending copies of this letter to DOD and other interested parties. If you have any questions please contact me on (202) 512-4841, or Mr. Clifton E. Spruill, Assistant Director, on (202) 512-4531, or Mr. James L. Morrison, Evaluator-in-Charge, on (202) 512-7078.

Sincerely yours,

Katherine V. Schinasi
Associate Director,
Defense Acquisitions Issues

Enclosures
LIST OF DEFENSE ACQUISITION ORGANIZATIONS

DOD Instruction 5000.58 states that an acquisition organization is an organization, including its subordinate elements, whose mission includes planning, managing, and/or executing acquisition programs that are governed by DOD Directive 5000.1 (reference (n)), DOD Instruction 5000.2 (reference (o)), and related issuances. Specifically, these organizations are as follows (and any successor organizations of these commands):

- Office of the Under Secretary of Defense (Acquisition and Technology)
- Army Materiel Command
- Army Information Systems Command
- Army Strategic Defense Command [now Army Space and Strategic Defense Command]
- Army Acquisition Executive
- Office of the Assistant Secretary of the Navy (Research, Development, and Acquisition)
- Naval Sea Systems Command
- Naval Air Systems Command
- Naval Supply Systems Command
- Naval Facilities Engineering Command
- Office of the Chief of Naval Research
- Space and Naval Warfare Systems Command
- Navy Strategic Systems Program Office
- Navy Program Executive Officer/Direct Reporting Program Manager Organization
- Marine Corps Research, Development, and Acquisition Command [now Marine Corps Systems Command]
- Office of the Assistant Secretary of the Air Force (Acquisition)
- Air Force Systems/Air Force Logistics Commands [now Air Force Materiel Command]
- Air Force Program Executive Organization
- Defense Logistics Agency
- Strategic Defense Initiative Organization [now Ballistic Missile Defense Organization]
- Special Operations Command

We excluded the Special Operations Command from our analysis because, according to DOD acquisition officials, only 110 of the Command's 31,907 personnel are classified as acquisition personnel.
Ms. Katherine V. Schinasi  
Associate Director, Defense Acquisitions Issues  
National Security and International Affairs Division  
U.S. General Accounting Office  
Washington, DC 20548

Dear Ms. Schinasi:

This is the Department of Defense response to the General Accounting Office (GAO) draft interim report, "Defense Acquisition Organizations: Reductions in Civilian and Military Workforce," dated September 24, 1997 (GAO Code 707254 / OSD Case 1470)

The Department of Defense concurs that this report provides an interim response to the request for a review of personnel reductions in acquisition organizations. Basing its analysis on independently derived data, the report notes that the Department of Defense is on track to achieve an overall reduction in acquisition organizations of 25 percent over a five year period ending in fiscal year 2000, which is the target in the plan required by the Congress. The report documents that reductions to date exceed Congressional mandates, that many personnel who leave acquisition organizations find employment elsewhere in DoD, that reductions tend to be concentrated in certain occupations, that support-contract awards are increasing, and that DoD is redefining the acquisition workforce as called for. These are factual findings which reflect compliance and sound management of the acquisition workforce.

There is one matter of interpretation that warrants comment. On page 2 the report accurately extrapolates the rate of reduction during 1996 and the first two quarters of 1997 to state that the DoD "could actually achieve their target reduction well before fiscal year 2000." However, the Department of Defense's Congressionally required plan explicitly shows that the rate during these two years is not to continue into the final three years of the plan. While continued efficiency gains in these latter years are expected to reduce workload and to permit personnel reductions, the slope of the line flattens, because major organizational efficiencies were realized early in the plan. Therefore the straight-line extrapolation should not be used for planning purposes, to impose constraints, or for forecasting personnel reductions.

Thank you for the opportunity to comment on the GAO draft interim report.

Sincerely,

Donna S. Richbourg  
Acting Deputy Under Secretary of Defense  
(Acquisition Reform)

(707254)
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