

October 2005

FORCE STRUCTURE

Assessments of Navy Reserve Manpower Requirements Need to Consider the Most Cost-effective Mix of Active and Reserve Manpower to Meet Mission Needs



G A O

Accountability * Integrity * Reliability



Highlights of [GAO-06-125](#), a report to congressional committees

Why GAO Did This Study

In 2004, the Navy completed a study of how many selected reserve personnel are needed to support the active force in meeting current and future mission requirements. The Ronald W. Reagan National Defense Authorization Act for 2005 mandated that GAO assess several aspects of the Navy's study. This report addresses (1) the criteria and process the Navy used to conduct the review and what limitations affected the Navy's analyses and implementation plan; and (2) how the recommendations from the review will affect the reserve's personnel, funding, and command and control relationship with the active force.

What GAO Recommends

To ensure that ongoing and future reserve personnel analyses consider cost-effectiveness in determining the mix of active and reserve personnel and are based on up-to-date data, GAO recommends that the Secretary of Defense direct the Secretary of the Navy to

- establish guidance to ensure that ongoing and future workforce reviews include an analysis of cost-effectiveness and that such analysis is documented and
- allocate the required resources to maintain current Navy mission documents that would provide a valid baseline for ongoing and future workforce reviews.

In written comments, the Department of Defense concurred with the recommendations. www.gao.gov/cgi-bin/getrpt?GAO-06-125.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Janet St. Laurent at (202) 512-4402 or stlaurentj@gao.gov.

FORCE STRUCTURE

Assessments of Navy Reserve Manpower Requirements Need to Consider the Most Cost-effective Mix of Active and Reserve Manpower to Meet Mission Needs

What GAO Found

In conducting its review of Selected Reserve personnel requirements, the Navy established criteria and followed a structured process, but GAO noted two limitations that could have potentially affected the quality of the results. The Navy did not analyze the most cost-effective mix of active and reserve personnel and in some cases used outdated mission documents as the baseline for analysis. The Department of Defense personnel directive states that missions should be accomplished using the least costly mix of personnel. In addition, GAO's prior work has shown that when reserve forces can successfully meet deployment and operational requirements, they can perform missions for less cost than active forces, and that decisions about the number of personnel needed to perform government functions should be driven by valid and reliable data. The 10 activities' justification packages GAO reviewed did not indicate if or how commanders evaluated the cost-effectiveness of using active or reserve personnel. A key reason why cost-effectiveness was not evaluated is that the Fleet Forces Command provided no guidance requiring that such an analysis be conducted or submitted as part of the activities' justification packages. Additionally, because the Navy had not devoted the resources to update some of its baseline mission documents prior to the start of the review, some of the activities' analyses did not start with the best possible data, which may have resulted in inaccuracies in their determinations about capabilities and personnel requirements. Including cost-effectiveness in the criteria for the zero-based review and documenting such analyses, as well as ensuring data accuracy, could have better demonstrated a sound basis for the recommended personnel changes and, in some cases, may have led to different recommendations.

The review's recommendations will result in a change in the force mix, some cost savings, and the active force assuming greater command and control over reserve forces. The Chief of Naval Operations approved personnel changes that would result in a net reduction of over 16,000 reserve positions, a net increase of about 880 positions in the active force, and a net increase of about 450 civilian personnel positions. The reasons for these recommended changes varied by activity. The Fleet Forces Command also initially estimated that the Navy could save approximately \$283.5 million annually by implementing the personnel recommendations, although this estimate is changing as some activities reexamine their personnel requirements using more recent data. In addition to total force personnel changes, the active force is assuming greater command and control responsibility for the reserve force. For example, the active force is now responsible for the training and readiness of the reserve forces and is receiving their status reports. This realignment of responsibility is consistent with the Chief of Naval Operation's expectations for creating a more integrated total force.

Contents

Letter

Results in Brief	1
Background	3
Zero-Based Review Used a Structured and Participatory Process, but Two Limitations Could Have Impacted Results	5
Zero-Based Review Results Would Change the Mix of Active and Reserve Forces, Reduce Manpower Costs, and Change Some Command and Control Responsibilities	7
Conclusions	12
Recommendations for Executive Action	14
Agency Comments and Our Evaluation	14
	15

Appendixes

Appendix I: Scope and Methodology	16
Appendix II: Selected Navy Activities Visited	18
Activity 1: Headquarters, Naval Air Forces, San Diego, California	18
Activity 2: Headquarters, Naval Submarine Forces, Norfolk, Virginia	19
Activity 3: Bureau of Medicine and Surgery, Washington, D.C.	20
Activity 4: Naval Security Group, Fort Meade, Maryland	21
Activity 5: Headquarters, Mine Warfare Command, Corpus Christi, Texas	22
Appendix III: Comments from the Department of Defense	23
Appendix IV: GAO Contact and Staff Acknowledgments	25

Tables

Table 1: Planned Changes in Navy Manpower Levels as a Result of the Zero-Based Review	12
Table 2: Zero-Based Review Results for Naval Aviation Reserve Manpower	18
Table 3: Zero-Based Review Results for Naval Submarine Forces Reserve Manpower	20
Table 4: Zero-Based Review Results for Bureau of Medicine and Surgery Reserve Manpower	20
Table 5: Zero-Based Review Results for Naval Security Group Reserve Manpower	21
Table 6: Zero-Based Review Results for Mine Warfare Command Reserve Manpower	22

Figure

Figure 1: Department of the Navy's Human Capital Strategy

6

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



United States Government Accountability Office
Washington, D.C. 20548

October 18, 2005

The Honorable John Warner
Chairman
The Honorable Carl Levin
Ranking Minority Member
Committee on Armed Services
United States Senate

The Honorable Duncan L. Hunter
Chairman
The Honorable Ike Skelton
Ranking Minority Member
Committee on Armed Services
House of Representatives

The role of the Navy Reserve is to provide mission-capable units and manpower to support Navy peacetime and wartime operations. In fiscal year 2004, the Navy Reserve was authorized 85,900 selected reservists, the primary source of reserve mobilization manpower to support the 369,800 military personnel in the active force.¹ The Secretary of Defense noted in a July 2003 memorandum² that the balance of capabilities between the active and reserve forces was not right to meet future mission requirements. In response, the Chief of Naval Operations announced an effort to transform the Navy Reserve and create a more integrated total force in which Navy Reserve capabilities are tied directly to active units in support of Sea Power 21³ mission requirements. As part of a continuing process to fully integrate

¹The Navy Reserve consists of the Ready Reserve (of which the Selected Reserve and the Individual Ready Reserve are components), the primary manpower augmentation pool; the Standby Reserve which consists of individuals who have a temporary disability or hardship and those who hold key defense-related positions in their civilian jobs that may be involuntarily ordered to active duty in case of a full mobilization; and the Retired Reserve which consists of personnel who are receiving retired pay as a result of their reserve service, active service, or both and may be involuntarily ordered to active duty in case of a full mobilization.

²Secretary of Defense Memorandum, Rebalancing Forces (July 9, 2003).

³Sea Power 21 is the Navy's vision of how it will organize, integrate, and transform its forces to perform missions in the 21st century. Its pillars are (1) Sea Strike, which is projecting precise and persistent offensive power; (2) Sea Shield, which is projecting global defensive assurance; and (3) Sea Basing, which is projecting joint operational independence. Its ForceNet concept integrates the three pillars.

its active and reserve forces, in August 2004 the Navy completed a zero-based review of the requirements for Navy selected reservists.⁴ The objective of the review was to determine how many selected reserve personnel are needed to support the active force in meeting current and future Navy mission requirements.

In the Ronald W. Reagan National Defense Authorization Act for 2005,⁵ Congress mandated that we assess several issues related to the Navy's review of selected reserve manpower requirements, including (1) the extent that the Navy used clearly defined and consistent criteria and a sound methodology in determining the future mix of active and reserve components and (2) the extent the Navy's zero-based review process considered operational concepts and emerging mission requirements. As agreed with your offices, we provided an interim briefing addressing these objectives on March 29, 2005. To summarize the results of our work, this final report addresses the following questions:

1. What criteria and process did the Navy use to conduct its zero-based review of reserve manpower requirements, and what, if any, limitations affect the Navy's analyses and implementation plans?
2. How will the recommendations from the zero-based review affect the reserve's manpower, funding, and command and control relationship with the active force?

To answer these questions, we analyzed the criteria, process, and guidance the Fleet Forces Command used to conduct the zero-based review by reviewing the documentation for selected Navy activities. As part of our analysis, we examined the review results for 10 Navy activities and visited the Naval Air Forces Command and four other selected activities to assess the zero-based review process at the activity level and obtain detailed information about recommended reserve manpower changes. In addition, we obtained information from Navy Headquarters and Navy Reserve Headquarters to determine how the review's results would impact active and reserve command and control relationships and reviewed planned funding documents to assess the extent that recommended reserve

⁴A zero-based review is a review conducted without consideration of funding requirements, availability of personnel, and organizational limitations.

⁵Pub. L. No. 108-375, § 518 (2004).

manpower changes were reflected in future budgets. We also obtained information from the Office of the Assistant Secretary of the Navy, Manpower and Reserve Affairs to determine the relationship between the Department of the Navy Human Capital Strategy and the Navy's zero-based review. Except for some outdated mission documents used as the baseline for manpower requirements, we concluded the data were sufficiently reliable for the purpose of this report. We conducted our review from September 2004 through September 2005 in accordance with generally accepted government auditing standards. A more detailed description of the scope and methodology used in our review can be found in appendix I.

Results in Brief

In conducting its zero-based review of reserve manpower requirements, the Navy established criteria for its review and consistently followed a structured process that reassessed requirements in light of changing mission requirements and strategic goals. However, the review did not analyze the most cost-effective mix of active and reserve manpower to perform validated missions or always use updated data in conducting its analyses. The Department of Defense's directive that covers manpower management states that missions should be accomplished using the least costly mix of manpower.⁶ In addition, our prior work has shown that when reserve forces can successfully meet deployment and operational requirements, they can perform missions for less cost than active forces,⁷ and that decisions about the manpower needed to perform government functions should be driven by valid and reliable data that clearly link manpower levels and strategic goals.⁸ In conducting the zero-based review of reserve requirements, the Navy's Fleet Forces Command developed specific criteria and guidance to facilitate a consistent approach by its subordinate activities that participated in the review. However, we found that the 10 activities' justification packages we reviewed did not indicate if or how commanders evaluated the cost-effectiveness of using active or reserve manpower. A key reason why cost effectiveness was not evaluated

⁶Department of Defense Directive 1100.4, *Guidance for Manpower Management*, Section 3.2.3 (Feb. 12, 2005).

⁷GAO, *Air Force Bombers: Moving More B-1s to the Reserves Could Save Millions Without Reducing Mission Capability*, [GAO/NSIAD-98-64](#) (Washington, D.C.: Feb. 26, 1998).

⁸GAO, *Military Personnel: DOD Needs to Conduct a Data-Driven Analysis of Active Military Personnel Levels Required to Implement the Defense Strategy*, [GAO-05-200](#) (Washington, D.C.: Feb. 1, 2005).

is that Fleet Forces Command did not require that such an analysis be conducted or submitted as part of the activities' justification packages. Therefore, while the review enabled the Navy to better align reserve missions with emerging requirements due to the changing security environment, its results may not have reflected the most cost-effective mix of active and reserve manpower. Additionally, because the Navy had not devoted the resources to update some of its baseline mission documents prior to the start of the review, some of the activities' analyses did not start with the best possible data regarding the manpower needed for future mission requirements. Including cost-effectiveness in the criteria for the zero-based review and documenting such analyses, as well as ensuring data accuracy, could have better demonstrated a sound basis for the manpower changes recommended or in some cases might have led to different recommendations.

When implemented, the recommendations from the Navy's zero-based review will result in a changed mix of active and reserve forces, some cost savings, and the active force assuming greater command and control over the reserve forces. The Chief of Naval Operations approved manpower changes recommended by the activities that would result in a net reduction of over 16,000 reserve positions, a net increase of about 880 positions in the active force, and a net increase of about 450 civilian personnel positions. The basis for these recommendations varied by activity. For example, the Bureau of Medicine and Surgery recommended cutting 2,198 reserve positions because it had reduced the number of fleet hospitals from three to two and had rarely filled all of its specialized medical reserve positions in the past. By contrast, the Naval Security Group had a net increase of 156 manpower positions because the National Security Agency had a need for two new capabilities (cryptologic linguists and signal intelligence analysts) totaling 200 new positions, while anticipated technology improvements allowed it to eliminate 44 reserve positions. The Fleet Forces Command initially estimated that the Navy could save approximately \$283.5 million annually by implementing the initial zero-based review manpower recommendations, although this estimate is changing as some active component activities are reexamining their manpower requirements using more recent data. For example, the Naval Air Forces now plans to eliminate 3,120 reserve positions, which is 378 more than in its original plan, because the Navy now plans to retire more aircraft due to airframe fatigue problems. In addition to total force manpower changes, the active force will assume greater command and control responsibility for the reserve force. For example, the active force will now be responsible for the training and readiness of the reserve forces and the reserve forces are

reporting their readiness status to the active force. This realignment of responsibility is consistent with the Chief of Naval Operations's expectations for creating a more integrated total force.

To ensure that ongoing and future reserve manpower requirements are based on up-to-date data and cost-effectiveness is a consideration in determining the mix of active and reserve manpower, we are recommending that the Secretary of Defense direct the Secretary of the Navy to (1) establish guidance to ensure that ongoing and future workforce reviews include an analysis of cost-effectiveness and that such analysis is documented and (2) allocate the required resources to maintain current Navy mission documents that would provide a valid baseline for ongoing and future workforce reviews. The Department of Defense concurred with our recommendations.

Background

The Navy has 690,000 men and women in the Ready Reserve, the Standby Reserve, and the Retired Reserve. The Ready Reserve, which at the time of the zero-based review, consisted of 85,900 members in the Selected Reserve and 65,066 in the Individual Ready Reserve, is the primary manpower pool for the Navy Reserve. The Selected Reserve contains those units and manpower that are most essential to the wartime missions because it provides mission-capable units and individuals to augment the active Navy force when required. For example, the Selected Reserve consist of Naval aviation units, Naval coastal warfare groups, medical personnel, and submarine forces personnel. The Individual Ready Reserve consists of individuals who have received training in the active Navy force or Selected Reserve. Members of the Selected Reserve receive priority over other reservists for training and equipment and they generally are the first to be called to active duty by a presidential order.

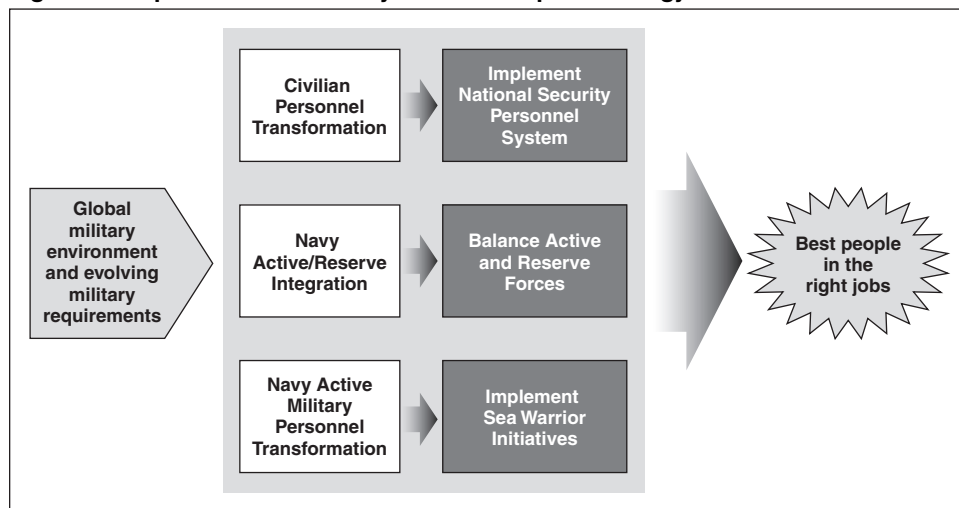
In August 2003, the Chief of Naval Operations directed the Commander of the Fleet Forces Command⁹ to validate the Navy Selected Reserve manpower requirements and determine the ability of the Navy Reserve to provide required capabilities to the Navy forces. To accomplish this, the Fleet Forces Command conducted a zero-based review over a 10-month period, from October 2003 to August 2004. Based on the review, the Command recommended reducing the size of the Selected Reserve from

⁹The Fleet Forces Command is responsible for manning, training, and equipping naval operating forces.

85,900 authorized positions to about 70,000 by fiscal year 2011—a decrease of about 16,000 authorized positions. The Chief of Naval Operations approved the zero-based review results for implementation in August 2004.

The zero-based review is a component of the Navy’s ongoing active/reserve integration initiative. This initiative is an essential element of the Department of the Navy’s Human Capital Strategy, which was announced in June 2004. According to the Assistant Secretary of the Navy as well as Navy and Marine Corps manpower officials, accelerating manpower costs, changes in the global military environment, and evolving military requirements prompted the Department of the Navy to develop this strategy. The overall goal of the strategy is to have the best people with the proper skills, training, and experience in the right jobs. The strategy serves as high-level guidance for the Navy and Marine Corps to use in developing their own implementation plans. As shown in figure 1, the strategy consists of three elements: civilian personnel transformation, naval military personnel transformation, and Navy active/reserve integration.

Figure 1: Department of the Navy’s Human Capital Strategy



Source: Department of the Navy.

Implementing the National Security Personnel System will facilitate the Department of Defense's civilian personnel transformation efforts,¹⁰ while the Navy military personnel transformation is driven by the implementation of the Navy's Sea Warrior Initiative.¹¹ The active/reserve integration segment of the human capital strategy is aimed at ensuring the proper balance between the Navy's active and reserve forces. Although the Navy initiated the zero-based review prior to the announcement of the human capital strategy, the review is intended to satisfy a major tasking of the active/reserve integration element—validating the requirements for reserve manpower.

Zero-Based Review Used a Structured and Participatory Process, but Two Limitations Could Have Impacted Results

The Navy's zero-based review process included specific criteria and guidance on how to evaluate the number of reservists needed and involved consistent reporting and documentation by Navy activities. The Navy's iterative review process allowed extensive communications between Navy activities, the Fleet Forces Command, and others to finalize proposals for reserve manpower requirements and validate the results. However, our analysis showed two review limitations. First, Navy activities identified capability gaps by comparing its current active force to mission requirements, but did not conduct analyses to determine the most cost-effective mix of active and reserve manpower. Second, some activities used outdated mission documents which were critical for determining the manpower needed to perform missions. These limitations could have adversely impacted the results of the review.

Structured Process Included Detailed Guidance and Specific Criteria, and Was Consistently Documented

The Navy's Fleet Forces Command created a structured process for performing the zero-based review by providing detailed guidance and specific criteria to determine the reserve manpower needed to augment the active forces to perform current and future Navy missions. The guidance was provided to 37 active component activities, consisting of 664 functions.

¹⁰The National Security Personnel System is the Department of Defense's new human resource management system. The system will govern basic pay, staffing, classification, performance management, labor relations, adverse actions, and employee appeals. The department has begun to implement the system with full implementation scheduled for the July 2007 through January 2008 time frame.

¹¹The Sea Warrior Initiative is designed to implement the Navy's commitment to the growth and development of its people and will serve as the foundation of warfighting effectiveness by ensuring the right skills are in the right place at the right time.

The criteria for assessing reserve manpower requirements included the importance of the reserve component to the mission, reserve component's warfighting capability, current status of the reserves' capability, and the reserves' warfighting capability role in the Sea Power 21 operational concept. In following the guidance and applying these criteria, the functions conducted a capability gap analysis by determining (1) the extent to which the active forces could meet the mission requirement and (2) how many reserve personnel would be required to fill any remaining gaps in the active forces' capability.

The zero-based review guidance also required review results to be reported and documented in a standardized format. Our review of 10 of 37 activity packages submitted to the Fleet Forces Command confirmed that each of the 232 functions associated with the 10 activities completed a structured electronic spreadsheet containing pertinent information about mission capability requirement, current manpower authorizations, and proposed manpower changes to justify the reserve manpower needed to perform its assigned mission. Each function also cited that its mission linked to one of the pillars of Navy Sea Power 21. For example, all eight of the Naval Security Group activity's functions linked their missions to Sea Shield, the pillar that provides sea-based theater and strategic defense. The functions also considered the manpower needs of emerging mission requirements. For example, the Naval Coastal Warfare Groups from the Naval Surface Forces activity identified the need for an additional 1,028 reserve positions to support homeland defense by increasing port security and harbor defense at our port facilities in the United States and overseas.

Participatory and Iterative Process Helped the Navy Finalize Proposals and Validate Results

The zero-based review involved substantial interaction between Navy activities, the Fleet Forces Command, and outside subject matter experts to develop the final justification for reserve manpower and perform multilevel reviews of proposed reserve manpower changes. While the active component conducted the review, the Navy activities occasionally relied on the Navy Reserve Command for needed manpower data according to a command official. The Commander of the Navy Reserve Force also participated in the high-level review of the proposed reserve manpower changes. The process allowed multiple two-way communications to finalize proposals for reserve manpower requirements and validate the results. In instances where the Fleet Forces Command disagreed with an activity's initial proposal, the activity revised and resubmitted its proposal or provided additional justification until the disagreement was resolved. After the Fleet Forces Command made a

decision about the number of authorized reserve positions, it notified the activities and allowed them to again officially request reconsideration by providing additional documentation and support. For example, the Naval Air Systems Command first submitted justification for 652 reserve positions. However, after reviewing the justification package, the Fleet Forces Command recommended eliminating all of the Naval Air Systems Command's reserve positions because they were not linked to mobilization requirements. The Naval Air Systems Command resubmitted justification for 226 reserve positions to provide special skills and support for contingency operations. The justification convinced the Fleet Forces Command to approve 226 reserve positions.

Within the Fleet Forces Command, the activities' packages were first reviewed by analysts and an initial review board. A subject matter expert review board then reviewed the proposals before passing them on to an executive board of senior officers. After the executive board approved the results, they were given to the Commander of the Fleet Forces Command, who also reviewed and approved the results. The criteria the Fleet Forces Command used for validating the reserve manpower requirements included whether (1) the particular mission is suitable for the reserve component, (2) the position is required to be filled by a military person, (3) the position fills a gap in the active component's capabilities, and (4) the reserve component can perform the mission. The validation process included a mission risk assessment by the Fleet Forces Command of how important the reserve forces were to performing the mission. The Command then assigned a low, moderate, or high-risk designation as to whether the active component could perform the mission without the planned contribution from the reserve component. For example, the Fleet Forces Command assessed that there was a low risk that the Maritime Patrol Reconnaissance function could not perform the mission without the reserves' contribution. After the results were validated, they had to be approved by the Total Force Flag Steering Group, a group of senior officers, including the Commander of the Navy Reserve Force, charged with ensuring continued progress in the integration of Navy active and reserve forces. At the end of the review, the Fleet Forces Command recommended reserve manpower changes to the Chief of Naval Operations for his approval.

Two Review Limitations Could Have Adversely Affected Results

The Navy's zero-based review had two limitations that could have changed the number of active and reserve manpower recommended to the Chief of Naval Operations. The Navy (1) did not assess the most cost-effective mix of active and reserve manpower to perform the mission and (2) used

outdated critical mission documents as a baseline for manpower requirements.

Identifying Capability Gaps in the Active Force May Not Have Produced the Most Cost-effective Mix of Active and Reserve Forces

The Navy's zero-based review process focused on identifying the extent to which the active force could perform Navy missions and then determining whether reserve manpower could fill any remaining gaps, which may not have resulted in the most cost-effective mix of active and reserve forces. Given the Department of the Navy's affordability challenges and the Assistant Secretary of the Navy's concern about accelerating manpower costs, the service must find ways to ensure it is accomplishing its mission with the most cost-effective mix of active, reserve, and civilian forces. In his guidance for 2004, the Chief of Naval Operations stated his commitment to fully integrating the active, reserve, and civilian forces. However, he also noted the need to minimize the total number of personnel on payroll and stated, "but we do not want to spend one extra penny for manpower we do not need." Additionally, the Department of Defense's directive that covers manpower management states that missions should be accomplished using the least costly mix of manpower.¹² We have shown that when the reserve force can successfully meet deployment and operational requirements, it can generally perform missions at a lower cost than the active force because active units have all full-time personnel assigned whereas reserve units have mostly part-time personnel assigned.¹³ By identifying capability gaps in the active force as the primary criterion for determining the required reserve manpower, the Navy failed to assess whether the lower cost reserve force could be used to meet capabilities currently provided by the active force.

While the Fleet Forces Command's general guidance indicated that the manpower requirements review should consider cost in determining an adequate return on investment,¹⁴ it also stated that the return on investment should be based on commanders' judgment. However, the Command did not require the activities to perform cost analyses to determine the most cost-effective mix of active and reserve forces needed to perform assigned missions as a basis for proposing the future mix of active and reserve manpower. If the most cost-effective mix of active and

¹²DOD Directive 1100.4.

¹³GAO/NSIAD-98-64.

¹⁴The term "return on investment" included consideration of the total ownership cost of the position.

reserve forces had been a major criterion in the review process, the results might have been different and the Navy may have been able to realize additional savings for some activities. For example, our current analysis of Navy data showed that the manpower costs for a reserve squadron of nine P-3 Maritime Patrol and Reconnaissance aircraft would be approximately \$20 million annually—about \$8 million or 29 percent less than the estimated manpower cost of \$28 million for an active squadron.

Outdated Mission Documents May Have Resulted in Inaccurate Manpower Recommendations

The Navy's use of outdated critical mission documents as a baseline may have resulted in inaccurate recommendations about the Navy reserve manpower needed to perform missions in the future. According to the Navy's instruction,¹⁵ the documents that provide information about a unit's mission and the specific operating environment of the units are the most critical element for developing manpower requirements. Additionally, our prior work has shown that decisions about the manpower needed to perform government functions should be driven by valid and reliable data.¹⁶ However, in its briefing to the Chief of Naval Operations, the Fleet Forces Command acknowledged that many of these critical mission documents were outdated. Our analysis confirmed this shortcoming. For example, 25 of the 31 functions belonging to the five activities we visited did not have recently validated mission documents on which to base their manpower reviews. The Fleet Forces Command stated that the critical mission documents had not been updated because of the large amount and rapidity of change and the lack of sufficient manpower analysts to keep up with changes. According to a Command official, the activities' commanders generally applied their judgment to update the most recently approved mission documents before conducting their analyses to mitigate the risks. However, this official agreed that use of these outdated mission documents may have increased the likelihood that manning was not correct in the associated manpower documents. Without validated and accurate mission documents to serve as a baseline for manpower numbers, some of the zero-based review's determinations about capabilities and manpower requirements may have been inaccurate.

¹⁵Department of the Navy Instruction 1000.16J, *Manual of Navy Total Force Manpower Policies and Procedures* (Washington, D.C.: January 1998).

¹⁶GAO-05-200.

Zero-Based Review Results Would Change the Mix of Active and Reserve Forces, Reduce Manpower Costs, and Change Some Command and Control Responsibilities

Implementation of the Navy’s zero-based review’s recommendations will change the mix of active and reserve forces by decreasing the number of reserve personnel and increasing the number of active and civilian personnel. Some cost savings are projected as a result of the recommended changes. The zero-based review’s recommendations will also have the active force assume greater command and control responsibility over the reserve force.

Number of Reserve Personnel Would Substantially Decrease While Number of Active and Civilian Personnel Would Increase Slightly

The Navy’s zero-based review’s recommendations will substantially decrease the number of reserve personnel and slightly increase the number of active and civilian personnel. As indicated in table 1, the Chief of Naval Operations approved a net reduction of over 16,000 reserve positions, a net increase of about 880 positions in the active force, and a net increase of 450 civilian personnel positions.¹⁷

Table 1: Planned Changes in Navy Manpower Levels as a Result of the Zero-Based Review

	Reserve component positions	Active component positions	Civilian personnel positions
Positions created	4,338	2,626	About 450 full-time positions
Positions divested	20,356	1,744	0
Net change	(16,018)	882	450

Source: United States Navy.

At the activities we visited, we found that the reasons for these recommended changes in manpower varied. For example, the Bureau of Medicine and Surgery recommended cutting 2,198 reserve positions

¹⁷Contractors were not assessed as part of the review.

because it had reduced the requirement for the number of fleet hospitals from three to two and had rarely filled all of its specialized medical reserve positions in the past. By contrast, the Naval Security Group expected a net increase of 156 manpower positions because the National Security Agency had a need for two new capabilities (cryptologic linguists and signal intelligence analysts) totaling 200 new positions, while anticipated technology improvements would allow the Naval Security Group to eliminate 44 reserve positions. The Mine Warfare Command will make its airborne and surface mine countermeasure units an all active force by cutting 1,016 reserve positions from their airborne and surface mine countermeasures mission and converting 537 full-time reserve positions to active duty positions because the command could not recruit sufficient manpower to fill its reserve positions. With the additional active duty positions, the Command stated that the airborne and surface mine countermeasures missions could be fully accomplished without the reserve component's participation. The Navy's zero-based review results for the five activities that we visited are shown in appendix II.

Manpower Changes Would Result in Some Cost Savings

The Fleet Forces Command initially estimated that implementing the manpower changes recommended by the zero-based review would save approximately \$283.5 million annually. However, these original estimated savings are changing. Some active component activities are reexamining their manpower requirements and submitting changes to their original proposals because of organizational changes and other ongoing refinements to manpower requirements. For example, the Naval Air Forces now plans to eliminate an additional 378 reserve positions because the Navy plans to retire additional P-3 Maritime Patrol and Reconnaissance aircraft due to airframe fatigue problems. In another case, subsequent to the zero-based review, the Navy established the Maritime Force Protection Command that assumed reserve functions that were previously within the Surface Forces and the Military Sealift Commands. However, upon its establishment, the Maritime Force Protection Command determined that 5,250 reserve positions would be needed versus the 5,840 positions the Fleet Forces Command originally approved.

Although the Chief of Naval Operations approved the zero-based review results in August 2004, the changes were not included in the Department of the Navy's fiscal year 2005 budget. The Fleet Forces Command has required each Navy activity to complete a transition plan and the Navy has included the recommended manpower changes in the Future Years

Defense Program beginning in fiscal year 2006. All changes resulting from the zero-based review are to be completed by 2011.

Active Force to Assume Greater Command and Control of Reserve Force

The zero-based review prompted changes in the command and control relationships between the Navy active and reserve forces, whereby the active force will assume greater command and control over the reserve force. Under the recommended changes, the active force will assume responsibility for the training and readiness of the reserve force. For example, the Commander, Navy Reserve Force, will now report to the Commander, Fleet Forces Command, for the training and readiness of the reserve force. In addition, the Commander, Naval Air Force Reserve, has physically moved from New Orleans to San Diego to be colocated with the Commander, Naval Air Forces, to whom he reports for readiness and training of reserve aviation forces. This realignment of responsibility is consistent with the Chief of Naval Operations' objective to create a more integrated total force.

Conclusions

The Navy's zero-based review was an important first step in its overall strategy to assess the role of the Navy reserve in the total Navy force. The review is also a critical element in helping the Navy achieve its desire to reduce manpower costs and move toward a more affordable total force. However, the Navy's approach of using capability gaps in the active force as the means to determine Navy reserve manpower requirements was too narrow. Without consideration of manpower cost-effectiveness as directed by Department of Defense guidance, this approach did not provide assurance that the Navy will have the most cost-effective mix of active and reserve forces in the future. Furthermore, using outdated mission documents as a baseline for determining manpower requirements substantially reduced assurance that the Navy activities started with the best data for making quality manpower assessments. As the Navy continues to update and review its manpower requirements and identify ways to reduce its manpower costs in order to make resources available for other investments, it is important that all future assessments consider the most cost-effective force mix and be based on current mission documents.

Recommendations for Executive Action

To assist the Navy in meeting its human capital strategy goals and ensure that ongoing and future Navy active and reserve manpower requirement assessments result in the most cost-effective force, we recommend that the

Secretary of Defense direct the Secretary of the Navy to take the following two actions:

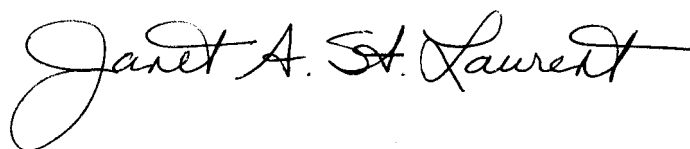
- develop and implement guidance to ensure that (1) ongoing and future workforce reviews include cost analyses to determine the most cost-effective mix of active and reserve manpower and (2) the methodology for and results of cost analyses are documented and
- allocate the required resources to maintain current Navy mission documents that would provide a valid baseline for ongoing and future workforce reviews.

Agency Comments and Our Evaluation

In written comments on a draft of this report, the Department of Defense concurred with our recommendations. The department provided technical comments, which we incorporated as appropriate. The department's comments are reprinted in their entirety in appendix III.

We are sending copies of this report to the Secretary of Defense, the Secretary of the Navy, and other interested congressional committees and parties. We will also make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

Please contact me at (202) 512-4402 or stlaurentj@gao.gov if you or your staff have any questions concerning this report. Contact points for our Office of Congressional Relations and Public Affairs may be found on the last page of this report. Major contributors to this report are listed in appendix IV.



Janet St. Laurent, Director
Defense Capabilities and Management

Scope and Methodology

To determine the criteria and process the Navy used to conduct its zero-based review of reserve manpower requirements and the limitations that could affect the Navy's analyses and implementations plans, we obtained and analyzed the guidance and expectations the Chief of Naval Operations provided to the Fleet Forces Command concerning the zero-based review. We also obtained and analyzed detailed information about the guidance and instructions the Fleet Forces Command provided to Navy activities concerning (1) the criteria to use for determining the required reserve manpower, (2) how the activities should report their review results to the Fleet Forces Command, (3) the review and validation process for the results reached during the zero-based review, and (4) plans for implementing the zero-based review results. Additionally, we met with Fleet Forces Command officials, as well as officials from the five activities we visited, and analyzed 10 of 37 justification packages the activities submitted to the Fleet Forces Command to further understand how the zero-based review was conducted at the different command levels, identify the extent to which cost-effectiveness of manpower changes was considered, and assess the consistency with which the activities reported their review results. Moreover, we analyzed prior GAO reports and applicable Navy publications for criteria and best practices in conducting manpower requirement reviews.

To determine how the recommendations from the zero-based review will affect the reserve's manpower, funding, and command and control relationships with the active force, we obtained and analyzed the justification packages submitted by the 10 Navy activities, the recommended changes in the number of required reserve manpower and the cost factors used to calculate manpower savings as well as the corresponding projected funding requirements for reserve manpower. We also obtained information about, and discussed how the Navy plans to implement the results from the zero-based review with officials at the Fleet Forces Command and the five activities we visited. Additionally, we reviewed communications from the Chief of Naval Operations and discussed how the zero-based review would change command and control relationships between the active and reserve forces with officials at the Fleet Forces Command and the Navy Reserve Command.

We assessed the reliability of pertinent data about information supporting the activities' proposals for reserve manpower changes and projected manpower changes. We examined 10 activity justification packages for consistency in the Navy's validation and reserve manpower requirements reporting processes. We also verified the manpower budget programming

factors the Navy used to calculate projected manpower savings and performed a sample calculation to test the reliability of the projections. Except for the problem with outdated mission documents we noted in the body of the report, we concluded that the data were sufficiently reliable for the purpose of this report.

We performed our review from September 2004 through September 2005 in accordance with generally accepted government auditing standards.

Selected Navy Activities Visited

After performing substantial review work at Navy Headquarters and the Fleet Forces Command to obtain overall review results and general information about how the Navy conducted its zero-based review, we visited five Navy activities to obtain more detailed information: Headquarters, Naval Air Forces; Headquarters, Naval Submarine Forces; Bureau of Medicine and Surgery; Naval Security Group; and Headquarters, Mine Warfare Command. We selected these particular activities because of special interest from the professional staff of the Senate and House Armed Services Committees and because the zero-based review results involved major changes to reserve manpower requirements for these activities. The purpose of our visits was to understand in detail the review procedures at the activity level and assess the consistency with which the activities (1) followed the guidance and criteria provided by the Fleet Forces Command and (2) reported their review results. During our visits at these activities, we also discussed with officials the rationale for recommending major changes to their reserve manpower requirements.

The information below summarizes the results of the zero-based review for each of the five activities we visited. These summaries are based on the activities' justification packages and our discussions with Fleet Forces Command and activity officials about the rationale for their changes to reserve manpower requirements. All Navy reserve positions have been approved by the Chief of Naval Operations (CNO) as of August 2004.

Activity 1: Headquarters, Naval Air Forces, San Diego, California

Headquarters, Naval Air Forces provides combat-ready and sustainable naval air forces that are trained and equipped to operate in an environment that emphasizes safety, interoperability, and efficient resource management. As shown in table 2, the zero-based review recommended almost a 25 percent reduction in naval aviation reserve manpower.

Table 2: Zero-Based Review Results for Naval Aviation Reserve Manpower

Reserve positions before review	Activity's proposed reserve positions	CNO-approved reserve positions	Change (before – approved)	Percentage change
11,157	8,843	8,415	(2,742)	-24.58%

Sources: United States Navy (data); GAO (analysis).

Of the 2,742 total decrease in reserve positions in naval aviation forces, 2,242 (82 percent) are from the Maritime Patrol and Reconnaissance (P-3 aircraft), Helicopter, and Aviation Intermediate Maintenance Division communities. The decreases in these three communities were supported by different rationales.

First, Naval Air Forces decided to cut 1,323 positions from the Maritime Patrol and Reconnaissance units because P-3 airframe fatigue problems caused the Navy to remove some aircraft from the active inventory. To provide the active force with additional aircraft, the activity decommissioned four reserve squadrons, totaling 24 aircraft, and formed three fleet response units, totaling 18 aircraft. As a result, the activity needed fewer personnel and 6 additional aircraft were provided to the active force.

Additionally, the activity cut 491 positions from helicopter squadrons to better provide projected surge capability for the Fleet Response Plan. The activity combined five reserve helicopter squadrons of 36 aircraft into three fleet response units of 24 aircraft. As a result, the activity needed fewer personnel.

Finally, the activity cut 428 positions from the aviation intermediate maintenance divisions. The Fleet Forces Command decided to eliminate all reserve positions from functions in which reserve personnel were not able to meet deployment requirements.

**Activity 2:
Headquarters, Naval
Submarine Forces,
Norfolk, Virginia**

The Naval Submarine Forces provide antisubmarine warfare, antisurface ship warfare, precision land strike, mine warfare, intelligence, surveillance and early warning, and special warfare capabilities to the U.S. Navy, and strategic deterrence capabilities to the U.S. Strategic Command. As shown in table 3, the zero-based review recommended more than a 41 percent reduction in naval submarine forces reserve manpower.

Table 3: Zero-Based Review Results for Naval Submarine Forces Reserve Manpower

Reserve positions before review	Activity's proposed reserve positions	CNO-approved reserve positions	Change (before – approved)	Percentage change
2,669	2,742	1,564	(1,105)	-41.40%

Sources: United States Navy (data); GAO (analysis).

Of the total 1,105 decrease in reserve positions in Naval Submarine Forces, 1,061 (96 percent) resulted from decommissioning a submarine tender (maintenance support ship) and decreasing reserve positions for logistics and administrative support operations.

The activity cut 939 positions from an inactive submarine tender because the Fleet Forces Command decided that this mission was not essential and could be performed by a contractor. The activity also cut 122 positions from logistics and administrative support operations because, according to officials, the reservists' part-time duty status would not allow them to participate in submarine training deployments.

Activity 3: Bureau of Medicine and Surgery, Washington, D.C.

The Bureau of Medicine and Surgery provides health care to about 700,000 active duty Navy and Marine Corps members and to 2.6 million family members of active duty and retired personnel, while supporting contingency, humanitarian, and joint operations around the world. As shown in table 4, the zero-based review recommended almost a 29 percent reduction in medical reserve manpower.

Table 4: Zero-Based Review Results for Bureau of Medicine and Surgery Reserve Manpower

Reserve positions before review	Activity's proposed reserve positions	CNO-approved reserve positions	Change (before – approved)	Percentage change
7,810	5,619	5,569	(2,241)	-28.69%

Sources: United States Navy (data); GAO (analysis).

Of the total 2,241 decrease in reserve positions for the Bureau of Medicine and Surgery, 2,198 (98 percent) are from cuts in medical treatment facilities and fleet hospitals.

The activity cut 1,388 positions from medical treatment facilities because most of these positions were associated with special medical skills that were never filled. The activity also cut 810 positions due to a reduction in the number of fleet hospitals. The Navy reduced the number of fleet hospitals from three to two because it does not expect to need as many hospitals to meet mission requirements under new defense planning guidance.

Activity 4: Naval Security Group, Fort Meade, Maryland

The Naval Security Group performs cryptologic and logistics support functions for the fleet. As shown in table 5, the zero-based review recommended more than a 16 percent increase in naval security reserve personnel.

Table 5: Zero-Based Review Results for Naval Security Group Reserve Manpower

Reserve positions before review	Activity's proposed reserve positions	CNO-approved reserve positions	Change (before – approved)	Percentage Change
950	1,150	1,106	156	16.42%

Sources: United States Navy (data); GAO (analysis).

The activity had a net increase of 156 reserve positions, which was achieved through reductions of some positions and additions of other positions.

The activity added 180 cryptologic linguists and 20 applied research and development positions. The number of positions for intelligence collection and analysis increased because the National Security Agency agreed to pay for the additional positions to meet its operational requirements. At the same time, the activity cut 44 information operations positions because anticipated technological advances in telephone and computer security allowed the activity to reduce the number of personnel.

**Activity 5:
 Headquarters, Mine
 Warfare Command,
 Corpus Christi, Texas**

The Mine Warfare Command develops and evaluates mine warfare doctrine, tactics, and equipment to conduct offensive and defensive mine warfare operations throughout the world. It is responsible for removing all types of mine threats, providing intelligence on foreign mine capabilities, and developing tactics to counter other nations' mining capabilities. As shown in table 6, the zero-based review recommended more than a 90 percent decrease in mine warfare reserve manpower.

Table 6: Zero-Based Review Results for Mine Warfare Command Reserve Manpower

Reserve positions before review	Activity's proposed reserve positions	CNO-approved reserve positions	Change (before – approved)	Percentage change
1,280	122	122	(1,158)	-90.47

Sources: United States Navy (data); GAO (analysis).

Of the total 1,158 decrease in reserve positions for the Mine Warfare Command, 1,016 (88 percent) were taken from the Airborne and Surface Mine Countermeasures Units. This decrease was a result of converting reserve positions to active positions.

The activity cut 541 Airborne Mine Countermeasures positions by reorganizing its two Airborne Mine Countermeasures squadrons, each of which consisted of six active aircraft and four reserve aircraft, into two squadrons of eight active aircraft each. The activity decided to man the two squadrons with only active manpower because the reserve functions could not recruit sufficient manpower needed in specific specialties.

The activity also cut 475 Surface Mine Countermeasures positions. The activity decided to convert all reserve positions authorized for its 15 ships to active positions because it had experienced reduced operational effectiveness due to the inability to fill the reserve positions.

Comments from the Department of Defense



RESERVE AFFAIRS

ASSISTANT SECRETARY OF DEFENSE
1500 DEFENSE PENTAGON
WASHINGTON, DC 20301-1500

SEP 20 2005

Ms. Janet A. St. Laurent
Director, Defense Capabilities and Management
U.S. Government Accountability Office
Washington, DC 20548

Dear Ms. St. Laurent:

This is the Department of Defense (DoD) response to the GAO draft report, "FORCE STRUCTURE: Assessment of Navy Reserve Manpower Requirements Need to Consider the Most Cost Effective Mix of Active and Reserve Manpower to Meet Mission Needs", dated August 22, 2005 (Code 350588/GAO-05-965). The Department concurs with recommendations 1 and 2. Detailed comments on the GAO recommendations and report are enclosed.

The point of contact for this office is Captain Michael Herman, U. S. Navy, Office of the Assistant Secretary of Defense for Reserve Affairs (RT&M), at (703 695-4125).

We appreciate the opportunity to comment on the draft report.

Sincerely,

A handwritten signature in black ink that reads "T. F. Hall".

T. F. Hall

Enclosure:
As stated



GAO DRAFT REPORT - DATED AUGUST 22, 2005
GAO CODE 350588/GAO-05-965

**“FORCE STRUCTURE: Assessments of Navy Reserve Manpower
Requirements Need to Consider the Most Cost Effective Mix of
Active and Reserve Manpower to Meet Mission Needs”**

**DEPARTMENT OF DEFENSE COMMENTS
TO THE RECOMMENDATIONS**

RECOMMENDATION 1: To assist the Navy in meeting its human strategy goals and ensure that ongoing and future Navy active and reserve manpower requirement assessments result in the most cost-effective force, the GAO recommended that the Secretary of Defense direct the Secretary of the Navy to develop and implement guidance to ensure that: (1) ongoing and future workforce reviews include cost analyses to determine the most cost-effective mix of active and reserve manpower; and (2) the methodology for and results of cost analyses are documented. (Pages 16 and 17/GAO Draft Report)

DOD RESPONSE: Concur.

RECOMMENDATION 2: To assist the Navy in meeting its human strategy goals and ensure that ongoing and future Navy active and reserve manpower requirement assessments result in the most cost-effective force, the GAO recommended that the Secretary of Defense direct the Secretary of the Navy to allocate the required resources to maintain current Navy mission documents that would provide a valid baseline for ongoing and future workforce reviews. (Page 17/GAO Draft Report)

DOD RESPONSE: Concur.

GAO Contact and Staff Acknowledgments

GAO Contact

Janet St. Laurent, (202) 512-4402 (stlaurentj@gao.gov)

Acknowledgments

Richard G. Payne, Assistant Director; George O. Morse; Willie J. Cheely, Jr.; Nicole L. Collier; Bethann E. Ritter; Renee S. Brown; Jonathan Clark; and Rebecca Shea also made significant contributions to this report.

GAO's Mission

The Government Accountability Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday, GAO posts newly released reports, testimony, and correspondence on its Web site. To have GAO e-mail you a list of newly posted products every afternoon, go to www.gao.gov and select "Subscribe to Updates."

Order by Mail or Phone

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. Government Accountability Office
441 G Street NW, Room LM
Washington, D.C. 20548

To order by Phone: Voice: (202) 512-6000
TDD: (202) 512-2537
Fax: (202) 512-6061

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Gloria Jarmon, Managing Director, JarmonG@gao.gov (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, D.C. 20548

Public Affairs

Paul Anderson, Managing Director, AndersonP1@gao.gov (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, D.C. 20548