



AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, AFL-CIO

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September 12, 2013

The Honorable John McHugh
Secretary of the Army
101 Army Pentagon, Room 3E700
Washington, DC 20310-0101
FAX: (703) 697-8036

Dear Secretary McHugh:

I appreciate the significant management difficulties imposed by current budget challenges. There is justified concern that the Department of Defense's (DoD) leadership is expensively top-heavy and that cuts should be made in management headquarters spending. At the same time, the "2013 Office of the Secretary of Defense (OSD) Organizational Review" must take into account all parts of the headquarters workforce, be consistent with workforce management law and policy, and be based on accurate information.

I have several questions about the Army's implementation of the Review:

1. According to the Deputy Secretary's July 31 memorandum, the OSD Organizational Review is intended to achieve a 20% cut in "total headquarters budgets". However, in your memorandum of August 14, you and General Odiero write that it is necessary "to determine how to reduce Army headquarters (both institutional and operational, at the 2-star and above levels) in the aggregate by 25%." The 20% cut called for by the Deputy Secretary is completely arbitrary, of course, but what analysis supports even greater cuts in the Army than in the other components?
2. Your August 14 memorandum directs the establishment of "specific targets for each focus area in dollars and full-time equivalents (FTE)..." However, your memorandum never uses the word "contractor". Even the Deputy Secretary's July 31 memorandum acknowledges that reductions must include service contractor personnel: "Total headquarters budgets include government civilian personnel who work at headquarters and associated costs including contract services..." How will the Army be taking into account the size and cost of contractor personnel in the management headquarters workforce in the development of recommendations?
3. The size and cost of military and civilian personnel in the Army's management headquarters workforce are known. How many contractor employees are included in the Army's management headquarters workforce, what is their total cost, and what is the average cost of a contractor employee in the Army's management headquarters workforce? Are the Army's answers to those questions regarding the size and cost of service contractors reliable, comprehensive, and well-informed? If not, how can the Army properly determine the extent to which the Army should reduce its reliance on contractor personnel?

4. Both the Congress and the Administration have identified instances in which contractor personnel are inappropriately performing functions that are inherently governmental, closely associated with inherently governmental, and critical. Will the Army take into account instances in which contractor personnel in the management headquarters workforce should be reduced because they are performing inappropriate functions? Are non-civilian personnel involved in making recommendations for reductions in total headquarters budgets? If so, how have the inevitable conflicts of interests been addressed?
5. 10 USC 129 forbids the application of arbitrary constraints on the size of the civilian workforce. 10 USC 2461 forbids giving to contractors work last performed by civilian personnel in the absence of a formal cost comparison. Consistent with statutory requirements, the Department has issued its own guidance on total force management (DoD Directive 1100.4), workforce mix (DoD Instruction 1100.22), and manpower costs (DoD Instruction 7041.04). How are the arbitrary 25% cuts that would be imposed on civilian positions in the management headquarters workforce consistent with the cited law and guidance? How will the Army take into account the cited law and guidance? In recent testimony before the Senate Defense Appropriations Subcommittee, the Secretary and the Comptroller agreed that contractors are significantly more expensive than civilian personnel, particularly for the provision of long-term services. To what extent will the Army generate savings through insourcing, consistent with 10 USC 2463?

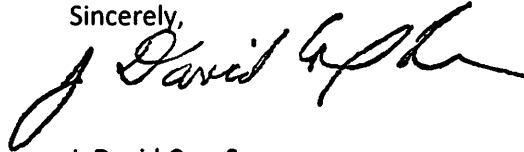
I will also take this opportunity to ask about three related issues about which we have corresponded in the past:

6. The Army's historic leadership on the inventory of contract services, in the face of opposition from the usual suspects, does the Army great credit. Taxpayers have a significant interest in the inventory finally being implemented. Is the Army continuing to fulfill its commitment to assist OSD in leveraging the Contract Manpower Reporting Allocation for implementation across the Department? And is OSD continuing to facilitate this effort? Is the Army using the significant cost data it has collected already to inform its performance decisions, consistent with the DoD Instruction 7041.04? And is the Army using the cost data and the Plan for Documentation of Contractors for budget projections?
7. Section 808 of the FY12 National Defense Authorization Act imposed a cap on the amount of money that could be spent on service contracts in FY12 and FY13. To what extent in FY12 did the Army over-execute spending on service contracts and under-execute spending on civilian personnel? Will the Army be able to improve upon that performance in FY13?
8. In an April 1 letter to me, you wrote: "...I have temporarily adjusted certain of the Army's restrictions on the use of (Borrowed Military Manpower, BMM)...Please be assured that my action is intended only as a short-term solution—the temporary modification of the Army's BMM policy to address emergency requirements associated with the current budgetary situation does not contemplate the permanent conversion to military performance of work presently allocated to civilian employees. Further, Army prerequisites to the use of BMM remain compliant with the 2012 Under Secretary of Defense for Personnel and Readiness policy." I want you to know how much I appreciate those commitments. Will the Army

continue to use BMM consistent with the commitments you made in your correspondence—principally, that any use of BMM will be temporary because of emergency budget requirements and that Army policy will be compliant with the 2012 OSD policy?

Again, thank you for your leadership during these difficult times as well as your willingness to engage with AFGE on these important issues.

Sincerely,

A handwritten signature in black ink, appearing to read "J. David Cox, Sr.", with a stylized, flowing script.

J. David Cox, Sr.
National President