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

May 2009

MILITARY PERSONNEL

Army Needs to Focus on Cost-Effective Use of Financial Incentives and Quality Standards in Managing Force Growth

GAO-09-256

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Highlights

Highlights of GAO-09-256, a report to the Subcommittee on Military Personnel, Committee on Armed Services, House of Representatives

Why GAO Did This Study

To ease the pace of overseas deployments, the President announced a plan in 2007 to grow the Army's end strength by about 7 percent by 2013. GAO was asked to evaluate the Army's management of this growth. Specifically, GAO determined the extent to which the Army has (1) made progress in growing the force, (2) awarded cost-effective bonuses to attract and retain enlistees, (3) maintained the quality of its enlisted force, and (4) directed growth in its officer force to areas of need and determined whether trade-offs it has made to alleviate shortages will have long-term effects. GAO reviewed the Army's growth plans, bonuses, waivers, and officer promotions, and interviewed Defense and Army officials.

What GAO Recommends

GAO recommends that the Secretary of Defense direct the Secretary of the Army to (1) build on currently available analyses to enable the Army to set cost-effective bonuses for enlisted personnel, (2) collect data on the costs of recruiting and training soldiers with conduct waivers who separate early, (3) build on currently available analyses that will enable the Army to set cost-effective bonus amounts and other incentives, and (4) track the effects on the officer corps of actions taken to address shortages that involve deviations from congressional benchmarks. The Department of Defense concurred with the first three recommendations and partially concurred with the fourth.

To view the full product, including the scope and methodology, click on GAO-09-256. For more information, contact Brenda S. Farrell at (202) 512-3604 or farrellb@gao.gov.

What GAO Found

Although the Army's Grow the Force plan originally called for growth to be completed by fiscal year 2013, the Army had met 99 percent of this growth goal by the end of fiscal year 2008. Since fiscal year 2005, when none of the Army components met recruiting goals, all have made steady progress. To achieve this growth, the Army substantially increased its number of recruiters and its funding of incentives. In addition, the active Army and Army Reserve exceeded their retention goals from fiscal years 2005 through 2008; the Army National Guard exceeded its goals in fiscal years 2006 and 2008 and achieved retention within the allowable margin in fiscal years 2005 and 2007.

While the Army has increased its expenditures for bonuses by almost 75 percent since fiscal year 2005, it has not used available research to set bonuses at dollar amounts that are most cost-effective. Although a substantial body of research exists on how to cost-effectively use recruiting resources, the Army has not used this research to calculate bonus amounts. During GAO's review, Army officials stated that the main proof of success of the bonus program was that the Army had met its goals for accessions and retention. Also, because Defense guidance allows the Army to offer bonuses to enlistees in any occupation, the Army has been able to award and often has awarded bonuses to occupations that are not considered priority. Further, because each component makes decisions on bonuses independently, the amounts of bonuses awarded by different components vary widely. Since GAO completed its audit work, the Army states, however, that it has been reducing the numbers and amounts of bonuses offered enlistees.

In fiscal years 2005 through 2008, the Army did not consistently meet quality goals for new recruits, as measured by the percentage who have high-school diplomas and who score in the upper half on the Armed Forces Qualification Test. The Army implemented some new programs to increase the market of eligible recruits, such as programs for overweight individuals or those without high-school diplomas. In addition, the Army has continued to use conduct waivers for candidates who fall short of entrance standards for reasons such as prior criminal misconduct. Existing analyses have shown that recruits with conduct waivers perform similarly to those without conduct waivers—although they are more likely to be separated for adverse reasons; the Army lacks data on the cost of enlisting persons who require conduct waivers.

The Army is experiencing shortages of captains, majors, and lieutenant colonels and projects that these shortages will continue. The Army has offered bonuses to captains; however, it has not offered incentives to majors or lieutenant colonels because those ranks are not considered to have retention problems. While the Army has research focused on incentive packages, this research has not been directed at calculating the most cost-effective bonus amounts. Also, the Army has no method of determining whether actions it has taken that deviate from congressional benchmarks will have any effect on the future Army officer corps.

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Abbreviations

AFQT	Armed Forces Qualification Test
DOD	Department of Defense
GED	General Educational Development
OSD	Office of the Secretary of Defense

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United States Government Accountability Office
Washington, DC 20548

May 4, 2009

The Honorable Susan A. Davis
Chairwoman
The Honorable Joe Wilson
Ranking Member
Subcommittee on Military Personnel
Committee on Armed Services
House of Representatives

The Overseas Contingency Operation[1] has dramatically increased the scale of U.S. military operations and has accelerated the pace of operations for soldiers who must deploy to Iraq and Afghanistan. To help alleviate the burden on those most seriously affected by these deployments, the President announced a plan in January 2007 to grow the Army's end strength by 65,000 active-duty; approximately 8,200 Army National Guard; and approximately 1,000 Army Reserve personnel by fiscal year 2013.[2] These planned increases represent about a 7 percent increase in the total size of the Army, from approximately 1.04 million personnel to a growth goal of over 1.11 million personnel. In 2008, however, recognizing the intensified demands on Army forces and the stress associated with their long deployments, the Army decided to accelerate this planned growth and complete it by fiscal year 2010. As the Army has increased its forces, it has been faced with the added challenge of doing so in a difficult recruiting environment, partly due to the long and repeated deployments expected of Army servicemembers. To meet this challenge and to successfully target youth who are qualified for service, the Army has invested heavily in recruiting and bonuses. However, the nation is now faced with difficult economic circumstances that are straining government resources. In this context, all agencies, including the Department of Defense (DOD), will need to rethink the way they do business and demonstrate the best possible stewardship of federal funds.

Given the extraordinary demands now being placed on the Army, you asked us to examine the Army's ability to manage its planned growth in

[1] Formerly referred to as the Global War on Terror.

[2] The President's plan also included increasing the size of the Marine Corps by 27,000 active-duty personnel. The Marine Corps now expects to complete its growth and reach its active-duty end strength goal of 202,000 by fiscal year 2011.

personnel and meet its future personnel needs. This report addresses the following questions. To what extent is the Army (1) making progress in growing the force, (2) awarding cost-effective bonuses to attract and retain enlistees in occupations of greatest need, (3) maintaining the quality of its enlisted force, and (4) directing the growth in its officer force to areas of need and determining whether short-term trade-offs it has made to alleviate shortages will have any long-term effects on its officer corps?

To assess the Army's progress in growing the force, we reviewed its actual and projected end strength under both the original and the accelerated Army growth plans. We also analyzed recruiting and retention data from the Office of the Secretary of Defense (OSD) for active Army, Army Reserve, and Army National Guard servicemembers. To assess the extent to which the Army is awarding cost-effective bonuses to attract and retain enlistees in occupations of greatest need, we reviewed Army data on occupations with personnel shortages and observed the Army's processes for allocating bonuses. To assess the efforts that the Army is making to maintain the quality of its enlisted personnel, we analyzed data from OSD on educational credentials and aptitude test scores for these personnel, and we collected data from the U.S. Army Recruiting Command and the National Guard Bureau on enlistees who were accepted into the Army with waivers—permission to join the service despite a formerly disqualifying factor such as prior misconduct. We also reviewed the Army's and the RAND Corporation's analyses of the outcomes for soldiers who had received waivers. In addition, we collected information on the Army programs designed to widen the market of eligible recruits. To assess the extent to which the Army is directing its growth to areas of need in its officer corps, we reviewed data on the shortages that exist within the officer corps and collected information on the bonus programs and other incentives used by the Army to address officer shortages. To understand the Army's efforts to maintain the appropriate rank structure and experience levels of its officer corps, we collected information on the officer evaluation process and reviewed data on officer promotions from the U.S. Army Human Resources Command. The data we reviewed for each of our research objectives generally covered fiscal years 2005 through 2008; however, our analysis of enlistment waivers was limited to fiscal year 2008 due to limitations in waiver data from previous years, such as the system's failure to capture some waivers and the overcounting of

other waivers.[3] Except in the case of the enlistment waiver data, we found the data for fiscal years 2005 through 2008 to be sufficiently reliable for the purposes of this report. In addition to analyzing available data and documents, we interviewed officials from the Office of the Under Secretary of Defense for Personnel and Readiness and various organizations within the Army, including the Army's Office of the Chief of Staff for Programs, the Army Office of the Deputy Chief of Staff for Personnel, the Army Budget Office, and the Office of the Assistant Secretary of the Army for Manpower and Reserve Affairs. Additionally, we visited and interviewed officials from the U.S. Army Accessions Command, U.S. Army Cadet Command, U.S. Army Recruiting Command, U.S. Army Human Resources Command, U.S. Army Reserve Command, and National Guard Bureau Headquarters. We conducted this performance audit from February 2008 to March 2009 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. More information on our scope and methodology is available in appendix I.

Results in Brief

By the end of fiscal year 2008, the Army as a whole had already met 99 percent of its overall growth goal, whereas it had planned to complete the growth by 2013 under the original Grow the Force plan and by 2010 under the accelerated plan. To attain this high rate of growth, the Army made progress in meeting recruiting goals, increased its number of recruiters and its funding for incentives, and exceeded its retention goals. All of the Army's components have made steady progress in recruiting personnel since fiscal year 2005, when all three fell short of meeting recruiting goals. The Army increased the number of recruiters from fiscal years 2005 through 2008, in the active Army by almost 25 percent (from 5,454 to 6,589); in the Army Reserve by more than 50 percent (from 1,117 to 1,739); and in the National Guard by 38 percent (from 3,700 to 5,100). The Army's growth has also depended heavily on its ability to retain personnel, and in fiscal years 2005 through 2008 the active Army exceeded its retention goals for personnel in each experience category for which

[3] In addition, we conducted a qualitative review of the waiver files for all those accessed by the active Army or Army Reserve in fiscal year 2007 with waivers for felony convictions. The purpose of this review was to obtain examples of the offenses committed by those who were ultimately admitted by the Army.

retention goals were set. During the same period, the Army Reserve attained attrition rates lower than the established maximum. The Army National Guard kept its attrition rates below the established maximum in fiscal years 2006 and 2008, and while it had attrition rates slightly higher than the maximum in fiscal years 2005 and 2007, these rates still fell within the 2 percentage point margin of variance allowed by DOD.

During this period of heightened military operations, the Army was able to dramatically increase its spending on enlistment and reenlistment bonuses in fiscal years 2005 through 2008. However, as its spending for bonuses went up, it did not use available research to determine whether it was paying more than it needed to in order to get the same results. The Army's annual expenditures on enlistment and reenlistment bonuses increased from $671.5 million in fiscal year 2005 to approximately $1.2 billion in fiscal year 2008 for the active Army; from $123.5 million to $290.7 million for the Army Reserve; and from $377 million to $595 million for the Army National Guard. According to DOD directives, the intent of enlistment and reenlistment bonuses is to influence personnel inventories in situations in which less costly methods have proven inadequate or impractical.[4] A substantial body of research exists, dating from the 1960s to the present, exploring options for how the services can estimate the extent to which enlistment and reenlistment rates for particular segments of the force are likely to be affected by alternative uses of resources. While this research has provided much valuable information, it has focused on comparing incentive packages—not on whether the Army's increasing spending on bonuses is as cost-effective as it could be. During our audit work, Army officials told us that the main proof of the success of the bonus programs is that the Army has met its goals for accessions and retention. Because the Army does not use available research to determine whether it is setting bonus amounts at the most cost-effective levels, it does not know whether they are excessive and therefore cannot be assured that it is getting the maximum benefit from bonus expenditures. Furthermore, the Army's guidance allows the services the flexibility to award bonuses to occupations that are not considered to be priorities in the Army's readiness assessment process. The Army's Enlisted Incentives Review

[4]DOD Directive 1304.21, "Policy on Enlistment Bonuses, Accession Bonuses for New Officers in Critical Skills, Selective Reenlistment Bonuses, and Critical Skills Retention Bonuses for Active Members" (Jan. 31, 2005); and DOD Instruction1304.29, "Administration of Enlistment Bonuses, Accession Bonuses for New Officers in Critical Skills, Selective Reenlistment Bonuses, and Critical Skills Retention Bonuses for Active Members" (Dec. 15, 2004).

Board considers several factors when deciding those occupational specialties for which it will award bonuses, including the difficulty of recruiting for these positions, the numbers of available training slots, and the rates at which these occupations are filled. This process sometimes results in cases in which bonuses are not offered for priority occupations but are offered for nonpriority occupations. In addition, soldiers in the same occupations may receive different bonuses depending on the component in which they enlist. We are recommending that the Army build on currently available analyses that will enable it to set cost-effective enlistment and reenlistment bonuses. After our audit work was completed, Army officials told us that they had begun, in fiscal year 2009, to reduce the numbers and amounts of bonuses it offers and planned to reexamine its bonus program. In commenting on a draft of this report, DOD concurred with this recommendation and reported that in February 2009, DOD had contracted for a DOD-wide research study entitled "Recruiting and Retention Effectiveness of Cash Incentives." The objective of this research is to assess the impact on enlistment and reenlistment propensity of military cash incentives used in the services.

During this period of rapid growth, the Army components have not consistently been able to meet DOD's traditional quality goals, which call for at least 90 percent of new recruits to have high-school diplomas and at least 60 percent to have scores in the upper half on the Armed Forces Qualification Test (AFQT). In fiscal year 2005, all three components fell short of the high-school diploma goal, and the Army National Guard fell short of the AFQT goal. Since then, components have continued to struggle. In fiscal year 2008, only the National Guard met the high-school diploma goal, and only the active Army met the AFQT goal. The Army estimates that only 3 out of 10 youth aged 17 to 24 are qualified to join the Army without requiring a waiver for medical conditions, conduct issues, or administrative reasons such as the number of dependents—including those who have low educational credentials or low aptitude scores. The Army has initiated new programs to widen the pool of eligible recruits. For example, the Army has begun to target potential recruits who are slightly overweight or do not have high-school diplomas or equivalent degrees. In addition, all Army components have continued their use of conduct waivers to admit recruits who do not meet the standard entrance requirements for reasons such as prior criminal misconduct. Approximately 12 percent of all new recruits admitted by the active Army in fiscal year 2008 had a conduct waiver; some of those waivers were

granted to recruits with prior felony charges.[5] However, recruits with felony waivers comprised less than 1 percent of accessions to the active Army and less than 2 percent of accessions to the Army Reserve and the Army National Guard. In 2006, the Army began to study the performance of recruits with conduct waivers. For example, the Army conducted a study of recruits with conduct waivers who were accessed during fiscal years 2003 through 2007, and the RAND Corporation conducted a study of Army recruits with conduct waivers who were accessed during fiscal year 2002 through June 2005. Both the Army's and RAND's analyses showed that, while the performance of these recruits was generally as good as that of the recruits without conduct waivers, the former had a higher likelihood of being separated for adverse reasons, such as behavioral problems. As it continues to study soldiers admitted to the Army with waivers, RAND will be analyzing whether their presence adversely affects the behavior of other members of their units and will be updating its prior work. However, as in its prior analysis, RAND does not plan to consider in the scope of its work the costs associated with soldiers who require conduct waivers, such as the costs of the waiver review and approval processes and any early separations of these soldiers from the Army for adverse reasons. Army officials told us that they believe that the cost of the waiver review process is "negligible." However, because the Army has not yet calculated the cost of its multistep process and because research on enlistees with conduct waivers is mixed, it is not yet clear whether the cost of the recruiting, waiver, and training processes for recruits with conduct waivers justifies the possible loss of these enlistees before the end of their first terms. The Army therefore cannot be certain that it is making the most prudent use of its resources. To enable the Army to do so, we are recommending that it collect data on the cost-effectiveness of its policies related to recruits who have conduct waivers and use these data to inform its waiver policies. In commenting on a draft of this report, DOD concurred with this recommendation and reported that in February 2009, the Army Audit Agency had begun a study of waiver policy.

To help alleviate shortages in the officer corps, the Army has offered incentives to several groups of officers, increased promotion rates, and shortened time-in-service requirements. While the Army seeks to fill all authorized officer positions, it is currently experiencing shortages of captains, majors, and lieutenant colonels, and it projects that shortages at

[5] After we had completed our audit work, Army officials told us that in fiscal year 2009, they had suspended the granting of adult felony waivers.

some ranks will continue through 2013. For example, at the end of fiscal year 2008, the Army was short by 1,208 captains; 3,112 majors; and 529 lieutenant colonels. To help alleviate these shortages, through November 2008, the Army offered captains a choice of incentives to remain in the Army: a cash bonus of up to $35,000; a choice of graduate school; a choice of military or language training; a choice of branch (or career area of expertise); or a choice of location. The Army is authorized to offer bonuses, but DOD Directive 1304.21 states that it is wasteful to authorize the use of financial incentives when less costly but equally effective methods are available. However, as in the case of enlisted personnel, while the Army has conducted research to explore possible incentive packages, it has not demonstrated that the package it offered was the most cost-effective. In other efforts to alleviate officer shortages, since 1992, the Army has been exceeding congressional benchmarks for promotion rates and reducing time-in-service requirements for promotion. The Army has made these short-term trade-offs to alleviate current and future shortages but has not yet assessed what effect, if any, these trade-offs may be having on its officer corps. We are recommending that, should the Army decide to offer incentives to officers in the future, it build on currently available analyses that will enable the Army, with the direction and assistance of the Secretary of Defense, to set cost-effective bonus amounts and other incentives. We are further recommending that the Army track the effects on the officer corps of its actions to alleviate shortages, particularly when it has deviated from benchmarks described in Senate Report 96-375, which accompanied the Defense Officer Personnel Management Act (DOPMA). In commenting on a draft of this report, DOD stated that it concurred with our recommendation that the Army build on available analyses to set cost-effective bonus amounts and other incentives, adding that it requires the services to provide detailed business cases before employing retention bonuses. Regarding our recommendation that the Army track the effects on its officer corps of deviating from DOPMA benchmarks, DOD partially concurred, stating that these benchmarks are not intended to serve as fixed mandates. We agree but continue to believe that the Army should monitor the effect of its deviation from these benchmarks to determine whether this deviation will have a negative effect on the future officer corps.

Background

DOD-wide, military personnel costs make up 23 percent of defense spending. According to GAO estimates, in fiscal year 2000 the average compensation for an active-duty soldier in terms of cash and noncash benefits and deferred benefits such as healthcare in retirement was $101,537. In fiscal year 2007, it cost about $125,000 a year to compensate

an active-duty soldier, a rise of about 23 percent.[6] The Army must annually recruit and retain more than twice the number of uniformed personnel needed by any other military service, and it has budgeted approximately $51.8 billion for military personnel in fiscal year 2009. Each fiscal year, the Army determines its quantity goals—the number of uniformed personnel it must recruit into the active Army, the Army Reserve, and the Army National Guard—based on the difference between the congressionally authorized end strength for each of these components and the projected number of currently serving personnel expected to continue their military service through the end of the fiscal year. In addition, requirements specific to the military services' officer corps set out in law—specifically the Defense Officer Personnel Management Act—guide the Army's management of these personnel.[7] For example, the act sets the upper limit on the number of officers that the Army may have at any given time,[8] and Senate Report No. 96-375 describes benchmarks for officer promotion rates. Congressional reports accompanying the Defense Officer Personnel Management Act also contain information intended to guide management of the officer corps.[9]

Since 2004, two major Army initiatives—one to restructure the Army and another to expand its size—have influenced the Army's needs for both enlisted and officer personnel.

- In 2004, the Army began its multiyear modular force restructuring, sometimes referred to as "Army Modularity," which involves the total redesign of the operational Army. It was initiated, in part, to support current operations in Iraq and Afghanistan. The foundation of modular restructuring is the creation of new, standardized, modular units that change the Army's division-based force structure to a structure in which smaller, more numerous brigade formations are embedded within significant support elements. These new modular Brigade Combat Teams and Multi-Functional Support Brigades are designed to be self-sufficient,

[6] Compensation costs are reported in constant fiscal year 2007 dollars. These costs have been updated and adjusted for inflation and are based on costs reported in GAO-05-798, *Military Personnel: DOD Needs to Improve the Transparency and Reassess the Reasonableness, Appropriateness, Affordability, and Sustainability of Its Military Compensation System* (Washington, D.C: July 19, 2005).

[7] Pub. L. No. 96-513 (1980), as amended.

[8] 10 U.S.C. § 523.

[9] H. Rep. No. 96-1462 and S. Rep. No. 96-375.

stand-alone units that are more rapidly deployable and better able to conduct joint and expeditionary combat and support operations than were their larger division-based predecessors. These units, along with Functional Support Brigades and modular Headquarters Units, comprise the Army's new modular force. In most cases, modular brigades require a different personnel skill level mix than did the brigades they replace.

- In January 2007, the President announced an initiative—called Grow the Force—intended to expand the size of the Army in order to meet strategic demands and help reduce stress on the force. Subsequently, in October 2007, the Chief of Staff of the Army announced a plan to accelerate the original Grow the Force completion date from fiscal year 2013 to fiscal year 2010. The original plan called for an increase in active Army end strength of 65,000 personnel, bringing it to 547,400; an increase in Army National Guard end strength of approximately 8,200 personnel, bringing it to 358,200; and an increase in Army Reserve end strength of approximately 1,000, bringing it to 206,000. The accelerated plan calls for the active Army and the Army National Guard to achieve their target end strengths by fiscal year 2010—3 years earlier than initially planned; the accelerated plan does not affect the Army Reserve's timeline. As we have previously reported, based on the original timeline, the Army's preliminary cost estimate indicated that expanding the Army would require approximately $70.2 billion from fiscal year 2007 through fiscal year 2013 for military personnel, operations and maintenance, procurement, and military construction costs.[10] The Army also anticipates that it will need additional supplemental funding to meet the accelerated timeline.

The Army has control over some but not all of the factors that affect recruiting. For example, to increase the number of recruits, the Army may choose to increase the size of its recruiting force or to use incentives, such as enlistment bonuses or educational benefits. However, according to the Congressional Budget Office, the combination of the duration of ongoing operations, the length and frequency of deployments, and the generally difficult nature of deployments has led to some concerns about the continuing effects of these factors on recruiting and retaining the force.[11] Additionally, as we have previously reported, recent conditions present some of the most difficult recruiting and retention challenges DOD has experienced in recent history. Since the September 11, 2001, terrorist attacks on the United States, DOD has launched three major military

[10] GAO, *Force Structure: Need for Greater Transparency for the Army's Grow the Force Initiative Funding Plan*, GAO-08-354R (Washington, D.C.: Jan. 18, 2008).

[11] U.S. Congressional Budget Office, *Recruiting, Retention, and Future Levels of Military Personnel* (October 2006).

operations requiring the deployment of significant numbers of military servicemembers. These are Operation Noble Eagle, which covers military operations related to homeland security; Operation Enduring Freedom, which includes ongoing military operations in Afghanistan and certain other countries; and Operation Iraqi Freedom, which includes ongoing military operations in Iraq. These military operations have greatly increased the rate at which personnel have been deployed, especially in the active Army, Army National Guard, Army Reserve, and the Marine Corps, which have provided the bulk of the military servicemembers for operations in Iraq.[12] On the other hand, the recent downturn in the U.S. economy may increase potential recruits' interest in military service, as DOD has historically found that more youth are willing to consider military service during periods of high unemployment. While unemployment rates in the United States dropped from 2003 through 2007—falling from 6 percent in 2003 to 4.6 percent in 2007—as of January 2009, the unemployment rates had risen to 7.6 percent.

The Army Is Well Ahead of Schedule in Growing the Force

By the end of fiscal year 2008, the Army had almost reached its overall growth goal, although the original Grow the Force plan called for the growth to be completed by 2013. The Army decided to accelerate this planned growth and complete it by fiscal year 2010. In fiscal year 2008, two Army components—the active Army and the Army National Guard—exceeded their fiscal year 2008 growth goals under the accelerated growth plan. All Army components have made progress in meeting their recruiting goals since fiscal year 2005, when none of them met recruiting goals. In 2008, all components exceeded their recruiting goals. The active Army and the Army Reserve also exceeded their retention goals each year from fiscal year 2005 through fiscal year 2008. The Army National Guard exceeded its goals in fiscal years 2006 and 2008 and fell within the allowable margin of variance for meeting its goals in the other 2 fiscal years.

[12] GAO, *Military Personnel: DOD Needs Action Plan to Address Enlisted Personnel Recruitment and Retention Challenges*, GAO-05-134 (Washington, D.C.: Nov. 17, 2005).

The Army Has Almost Met Its Overall Growth Goal, and Two Components Have Exceeded Their Annual Goals under the Accelerated Growth Plan

By the end of fiscal year 2008, the Army as a whole had met 99 percent of its overall growth goal, whereas it had initially planned to complete the growth by fiscal year 2013 under the original Grow the Force plan and by 2010 under the accelerated plan. Specifically, the Army's total end strength at the end of fiscal year 2008 stood at 1,101,020 personnel, and its final end-strength goal under the Grow the Force plan is 1,111,600 personnel.

Under the Army's accelerated growth plan, the goal for the active Army was to reach an end strength of 547,400 personnel by the end of fiscal year 2010; the active Army ended fiscal year 2008 with a total of 543,645 personnel (see table 1). As table 1 also shows, the active Army exceeded its 2008 goals under both the original and the accelerated growth plans. At the end of fiscal year 2008, the active Army needed to grow only by an additional 3,755 to reach its overall end-strength goal of 547,400 personnel. Officials said that at this rate of growth, the active Army is well on track to reach its overall end strength goal by fiscal year 2010.

Table 1: Army End Strength Goals and Growth Achieved under Original and Accelerated Plans in Fiscal Years 2007-2013

Numbers in thousands

		Fiscal year						
		2007	2008	2009	2010	2011	2012	2013
Active Army	Original plan	518.4	525.4	532.4	539.4	546.4	547.4	547.4
	Accelerated plan	522.0	529.2	537.5	547.4	547.4	547.4	547.4
	End strength achieved	522.0	543.6					
Army National Guard	Original plan	350.0	351.3	352.6	353.9	355.3	356.8	358.2
	Accelerated plan	352.7	358.0	358.0	358.2	358.2	358.2	358.2
	End strength achieved	352.7	360.4					
Army Reserve	Original plan	200.0	198.3	205.0	205.0	205.0	205.0	206.0
	End strength achieved	189.9	197.0					

Source: GAO analysis of Army data.

Notes: The Army National Guard is seeking permission from OSD to increase its force size to 370,700 personnel to better meet its operational needs.

The end strength authorized for the Army Reserve prior to 2007 was 205,000. The Grow the Force plan called on the Army Reserve to increase its force size by only 1,000 personnel—to 206,000. However, because the Army Reserve's actual end strength has been below the 205,000 that was authorized, the force size of the Army Reserve increased by approximately 7,000 by the end of fiscal year 2008. The Army Reserve is not subject to the accelerated growth plan.

The Army National Guard has also had success in growing well ahead of the schedule. By the end of fiscal year 2008, the National Guard had met

100.6 percent of its overall growth goal. As shown in table 1, the goal for the Army National Guard was to reach an end strength of 358,200 personnel by the end of fiscal year 2010 under the accelerated growth plan; however, the Army National Guard ended fiscal year 2008 with a total of 360,351 personnel. Army National Guard officials attributed their ability to exceed growth goals to their successes with recruiting and retaining personnel.

The Army Reserve is not subject to the accelerated plan, but the original plan called on it to grow to 206,000 personnel by the end of fiscal year 2013. By the end of fiscal year 2008, the Army Reserve had met approximately 96 percent of this goal, with an end strength of 197,024. As shown in table 1, the Army Reserve increased its number of personnel by approximately 7,000 by the end of fiscal year 2008, but it still fell slightly short of its 2008 end strength goal of 198,268. Army Reserve officials acknowledged that the Army Reserve has struggled in meeting its annual end-strength goal. They told us that despite the Army's need to accelerate the growth in personnel in order to reduce the burden of frequent and lengthy deployments, the Army Reserve was not included in the acceleration plans because of the difficulties it was experiencing in meeting its end-strength goals.

Army Components Have Made Progress in Meeting Their Recruiting Goals Since 2005

The Army manages its overall end strength by setting goals for recruiting new personnel and retaining existing personnel. Since fiscal year 2005, when all Army components fell short of their recruiting goals, the components have made progress toward meeting their annual recruiting goals. To help accomplish this, they have increased the size of their recruiting force. As shown in table 2, the active Army met approximately 92 percent of its recruiting goal in fiscal year 2005, while the Army National Guard met approximately 80 percent of its goal and the Army Reserve met approximately 84 percent of its goal. Since fiscal year 2005, all three components have made steady progress toward meeting their recruiting goals. As shown in table 2, the active Army exceeded its annual goal of 80,000 new recruits from fiscal years 2006 through 2008. The Army National Guard met more than 95 percent of its goal in both fiscal years 2006 and 2007 and exceeded its goal in fiscal year 2008. The Army Reserve met approximately 95 percent of its goal in fiscal year 2006 and exceeded its goal in both fiscal years 2007 and 2008.

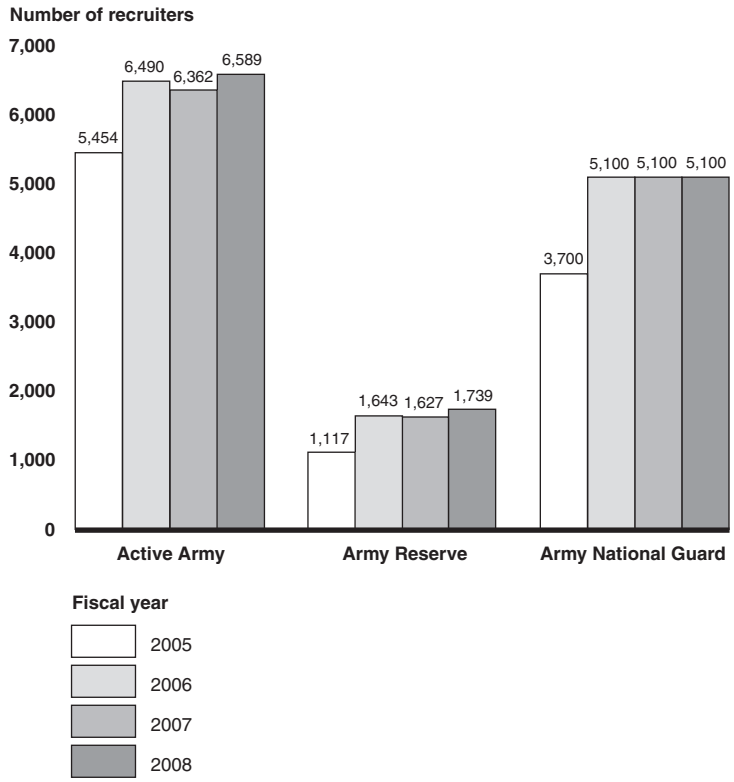
Table 2: Enlisted Accessions in Fiscal Years 2005-08, by Component

	Fiscal year			
Component	**2005**	**2006**	**2007**	**2008**
Active Army				
Goal	80,000	80,000	80,000	80,000
Achieved	73,373	80,635	80,407	80,517
Percentage of goal achieved	91.7	100.8	100.5	100.6
Army National Guard				
Goal	63,002	70,000	70,000	63,000
Achieved	50,219	69,042	66,652	65,192
Percentage of goal achieved	79.7	98.6	95.2	103.5
Army Reserve				
Goal	28,485	36,032	35,505	37,500
Achieved	23,859	34,379	35,734	39,870
Percentage of goal achieved	83.8	95.4	100.6	106.3
Total				
Goal	171,487	186,032	185,505	180,500
Achieved	147,451	184,056	182,793	185,579
Percentage of goal achieved	86.0	98.9	98.5	102.8

Source: GAO analysis of data from the Office of the Secretary of Defense.

In working toward achieving its recruiting goals, the Army increased its number of recruiters from 10,271 in fiscal year 2005 to 13,428 in fiscal year 2008, a total increase of more than 30 percent. The number of recruiters also grew within each Army component during this period. For example, the number of recruiters in the active Army grew from 5,454 in fiscal year 2005 to 6,589 in fiscal year 2008, an increase of more than 20 percent. The number of recruiters in the Army Reserve grew by more than 50 percent between fiscal years 2005 and 2008 (from 1,117 to 1,739). For the Army National Guard, the number of recruiters grew by approximately 38 percent during that period (from 3,700 to 5,100) (see fig. 1).

Figure 1: Numbers of Army Recruiters in Fiscal Years 2005-08



Source: GAO analysis of Army Budget Office, Army Reserve, and National Guard Bureau data.

Army Components Met Their Retention Goals in Recent Years

Despite concerns that the increased length and frequency of deployments could cause soldiers to leave the Army, the Army components met their retention goals between fiscal years 2005 and 2008. The active Army uses soldiers' reenlistments as a measure of retention. The active Army exceeded its retention goals at each experience level every year from fiscal years 2005 through 2008 (see table 3).[13]

[13] The Army tracks retention rates for soldiers in three categories: initial term (for those serving in their first enlistments and having fewer than 6 years of service); midcareer (for those serving on their second or subsequent enlistments and having fewer than 10 years of service); and career (those serving on their second or subsequent enlistments and having 10 or more years of service).

Table 3: Active Army Enlisted Reenlistments, 2005-08

	Goal	Reenlistments achieved	Percentage of goal achieved
Fiscal year 2005			
Initial term	26,935	27,818	103.3
Midcareer	23,773	24,407	102.7
Career	13,454	17,287	128.5
Total	**64,162**	**69,512**	**108.3**
Fiscal year 2006			
Initial term	26,490	28,081	106.0
Midcareer	24,510	24,562	100.2
Career	13,200	14,664	111.1
Total	**64,200**	**67,307**	**104.8**
Fiscal year 2007			
Initial term	25,502	29,828	117.0
Midcareer	21,770	23,314	107.1
Career	14,928	16,635	111.4
Total	**62,200**	**69,777**	**112.2**
Fiscal year 2008			
Initial term	27,900	31,866	114.2
Midcareer	21,500	24,455	113.7
Career	15,600	17,592	112.8
Total	**65,000**	**73,913**	**113.7**

Source: GAO analysis of data from the Office of the Secretary of Defense.

Like the active Army, the Army Reserve and the Army National Guard were successful in retaining personnel each year from fiscal years 2005 through 2008. Both of these components use attrition rates—the number of losses from a component during a given period compared to the component's average end strength during that period—as a measure of retention, striving to keep attrition below an established maximum rate, or ceiling.[14] However, DOD allows a 2 percentage point margin of variance from the established ceiling in assessing whether or not attrition goals have been met. As table 4 shows, the attrition rate for the Army Reserve remained at rates below the ceiling each year from fiscal years 2005

[14] Unlike the active Army, the Army Reserve and the Army National Guard calculate losses regardless of whether personnel have a service obligation remaining on their contract.

through 2008. The Army National Guard had attrition rates above the ceiling in fiscal years 2005 and 2007, but the rates during these 2 years fell to within the 2 percentage point margin of variance allowed by DOD. The Army National Guard also succeeded in keeping attrition rates below the ceiling in fiscal years 2006 and 2008 (thus exceeding its goals).

Table 4: Enlisted Attrition for the Army Reserve and the Army National Guard in Fiscal Years 2005-2008

In percentages

Component	Attrition ceiling	Attrition in fiscal year 2005	Attrition in fiscal year 2006	Attrition in fiscal year 2007	Attrition in fiscal year 2008
Army Reserve	28.6	23.4 ↓	21.5 ↓	24.4 ↓	21.1 ↓
Army National Guard	19.5	20.2 ↑ (Falls within margin of variance)	18.8 ↓	19.7 ↑ (Falls within margin of variance)	18.9 ↓

Source: GAO analysis of data from the Office of the Secretary of Defense.

Note: Arrows indicate whether the attrition rate for the year was above or below the ceiling. The goal for each component is to maintain attrition at rates below the ceiling. However, DOD allows a 2 percentage point margin of variance from the established ceiling. Therefore, the Army National Guard met its goals in fiscal years 2005 and 2007, even though its attrition rates were slightly above the established ceiling. An official with the Army National Guard told us that it is not uncommon for attrition rates to vary from year to year, as they reflect all types of losses, including retirements and medical discharges that fluctuate annually.

Army officials attributed the generally high retention rates among enlisted personnel to their strong commitment to the mission and their pride in the military service. Also, several Army officials said that the ongoing conflicts in Iraq and Afghanistan provide soldiers with opportunities to take advantage of their training and to put their combat skills to use, thus increasing satisfaction with their Army careers. Focus groups conducted with soldiers returning from 15-month combat tours and their families from December 2007 through February 2008 also found that soldiers and their family members expressed great pride in their service, and soldiers indicated that they were doing what they had originally joined the Army to do.

At the same time, deployments that are too long or too frequent may start having an adverse effect on retention, as pressure on personnel and their

families increases. Participants in the focus groups reported that 15-month deployments are too long and 12-month dwell time[15] is too short to fully integrate with family and prepare for the next deployment. Top Army leaders acknowledge the strain on soldiers and families, and the Army has recently reduced deployments to 12 months, followed by 12 months at home for active-duty soldiers. Officials we interviewed said that the accelerated rate of growth in Army end strength is helping them move toward the goal of shorter deployments and longer dwell time.

The Army Has Dramatically Increased Bonus Expenditures but Does Not Use Available Research to Calculate the Most Cost-Effective Bonus Amounts

Since fiscal year 2005—the last year in which the Army failed to meet its end-strength mission—it has dramatically increased expenditures for enlistment and reenlistment bonuses. However, while the Army has completed or contracted for extensive analysis of the effectiveness of various recruiting tools, it has not integrated the results of its research to calculate the most cost-effective bonus amounts. That is, the Army cannot determine whether or not it is paying more in bonuses than it needs to pay. Also, these bonuses are not always targeted as precisely as they could be. The Army's process for determining whether to award a bonus to a specific occupational specialty is based on a number of factors, including whether the Army is having difficulty recruiting for and needs to fill training slots for the specialty and whether the occupation's fill rates indicate shortages. (Fill rates are the rates at which occupational specialties are filled in relation to the existing number of vacancies.) The Army's current system results in (1) soldiers in occupations of varying priority or responsibility sometimes getting the same bonus amounts; (2) all soldiers who are eligible for and apply for reenlistment while they are in Iraq, Afghanistan, and Kuwait receiving bonuses, regardless of their occupational specialties; and (3) soldiers in the same occupational specialties getting different bonus amounts depending on which component they join. After we had completed our audit work, OSD and the Army reported that the worsening U.S. economy had resulted in their ability to decrease bonus amounts and the numbers of occupations offered bonuses. In March 2009, they stated that in this fiscal year, they had contracted for analyses to be done on the effectiveness of cash incentives and on bonus prediction models.

[15] Dwell time refers to the amount of time between deployments.

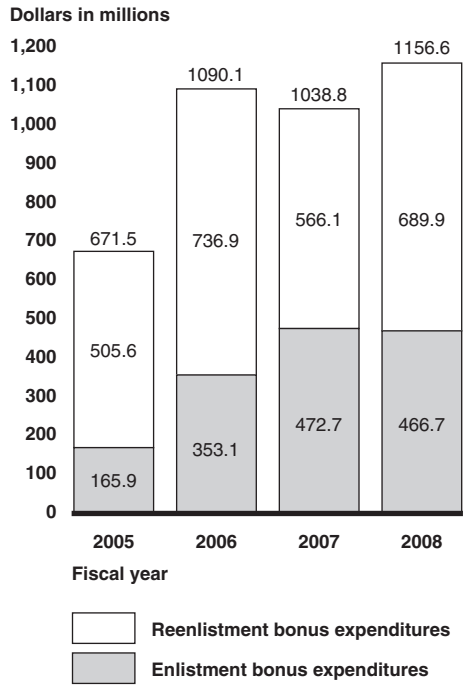
The Army Has Substantially Increased Its Expenditures on Bonuses

In fiscal year 2005, the Army's total enlistment and reenlistment bonus expenditures stood at approximately $1.2 billion; in fiscal year 2008, they had increased by almost 75 percent, to approximately $2.0 billion. Bonus expenditures also grew within each of the Army's components.

Active Army

As figure 2 shows, the active Army spent $165.9 million on enlistment bonuses in fiscal year 2005; by fiscal year 2008, it had almost tripled its enlistment bonus expenditures, spending approximately $466.7 million. The active Army also spent $505.6 million on reenlistment bonuses in fiscal year 2005; by fiscal year 2008, it had increased these expenditures by more than 35 percent, to $689.9 million.

Figure 2: The Active Army's Total Bonus Expenditures for Fiscal Years 2005 through 2008



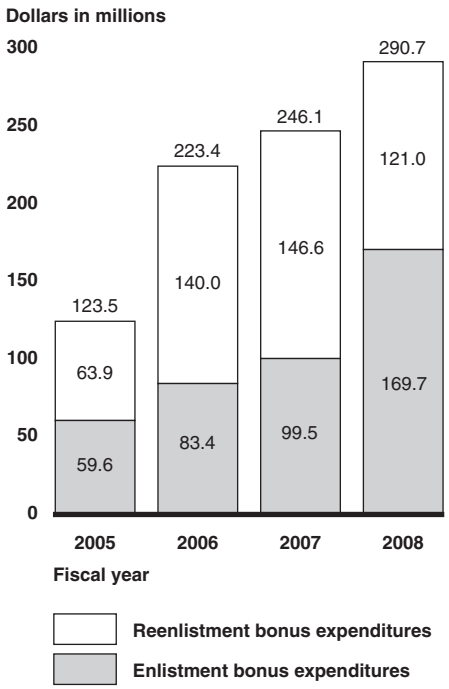
Source: GAO analysis of data from the Army Budget Office.
Note: Numbers may not add due to rounding.

Army Reserve

The Army Reserve has also significantly increased its spending on bonuses to soldiers since fiscal year 2005. As figure 3 shows, the Army Reserve spent $59.6 million on enlistment bonuses in fiscal year 2005. By fiscal year 2008, it had almost tripled this amount, to $169.7 million. Additionally, the

Army Reserve spent $63.9 million on reenlistment bonuses in fiscal year 2005, nearly doubling its fiscal year 2008 expenditures, to $121 million.

Figure 3: The Army Reserve's Total Bonus Expenditures for Fiscal Years 2005 through 2008

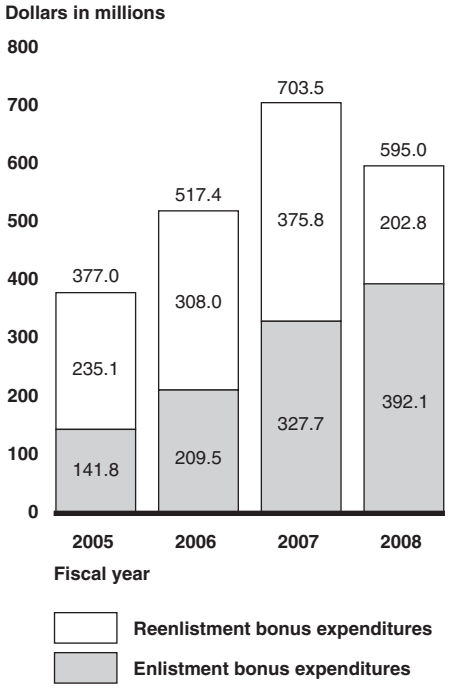


Source: GAO analysis of data from the Army Reserve.

Army National Guard

The Army National Guard almost tripled its spending on enlistment bonuses from $141.8 million in fiscal year 2005 to $392.1 million in fiscal year 2008. It also increased total reenlistment bonus expenditures from $235.1 million in fiscal year 2005 to $375.8 million in fiscal year 2007, before curtailing reenlistment bonus spending for fiscal year 2008 (see fig. 4).[16]

Figure 4: The Army National Guard's Total Bonus Expenditures for Fiscal Years 2005 through 2008



Source: GAO analysis of data from the National Guard Bureau.

Army officials stated that the use of incentives, such as bonuses, is an integral part of a comprehensive recruiting and retention strategy. OSD officials said that the increase in bonus expenditures over the past several

[16] These figures do not include bonuses paid to Army National Guard members who enlisted through the Active First program. Under the Active First program, an enlistee joins the Army National Guard but in fact serves first in the active Army for 2 to 4 years. After serving on active duty, the soldier goes into the National Guard. Bonuses given to those entering through the Active First program were funded in the active Army's budget.

years has been necessary to overcome a recruiting environment made difficult by factors such as the declining propensity of youth to enter the military service, the decreasing number of youth who meet the Army's entrance standards, and the reality of recruiting during a time of overseas military conflicts. Up until now the Army has been able to dramatically increase the amounts it spends on enlistment and reenlistment bonuses. However, the current level of bonus expenditures may prove difficult to sustain in the tighter fiscal environment expected in the next several years. Also, rising unemployment rates in the civilian sector may make it easier to attract recruits and retain soldiers.

The Army Has Not Used Research to Calculate What Bonus Amounts Would Be Most Cost-Effective

While the Army has conducted extensive research on the use of cash and other incentives such as choice of branch or graduate school, this research has been focused on comparing different incentive plans. It has not been directed at determining the most cost-effective bonus amounts. The Army therefore cannot determine whether or not it is paying more than it needs to pay in enlistment and retention bonuses. DOD Directive 1304.21 establishes policies for administering enlistment and reenlistment bonuses for military servicemembers, and DOD Instruction 1304.29 provides guidance on implementing these policies.[17] These directives state that bonuses should be used in situations in which less costly methods have proven inadequate or impractical. DOD Directive 1304.21 further states that it is wasteful to authorize the use of financial incentives when less costly but equally effective incentives are available. In determining what bonus amounts to offer active-duty enlistees, the Army has established seven different amount levels based on the occupation that the enlistee would fill. (See table 10 in app. II for a listing of the bonus amounts.) Bonus levels 1 through 7, as defined by the U.S. Army Recruiting Command, have been adjusted over the years. The current amounts range from $2,000 to $35,000, depending on the bonus level under which an occupation falls and the length of the enlistment contract signed by the recruit. For example, a recruit who enters the active Army in a level 3 occupational specialty and signs a 2-year contract would receive an enlistment bonus of $3,000. A recruit who enters the active Army in a level

[17] "Policy on Enlistment Bonuses, Accession Bonuses for New Officers in Critical Skills, Selective Reenlistment Bonuses, and Critical Skills Retention Bonuses for Active Members" (Jan. 31, 2005). Department of Defense Instruction 1304.29, "Administration of Enlistment Bonuses, Accession Bonuses for New Officers in Critical Skills, Selective Reenlistment Bonuses, and Critical Skills Retention Bonuses for Active Members" (Dec. 15, 2004).

1 occupational specialty—the highest bonus category—and signs a 6-year contract would receive an enlistment bonus of $35,000.

Although a substantial body of research exists on how analysts can estimate the extent to which enlistment and reenlistment rates for particular segments of the force are likely to be affected by alternative uses of resources, the Army has not integrated this research into its decisionmaking process in setting the most cost-effective bonus amounts.[18] Accordingly, officials told us that the Army is not able to determine whether it is paying more than it needs to and therefore getting a cost-effective return on its investment. In light of the tighter fiscal environment expected in the next few years, it will become more important to determine whether it is paying bonuses to persons who would have joined or stayed in the Army without them. In fact, after we had completed our audit work, the Army stated that in fiscal year 2009, it had begun to decrease the number of occupational specialties that receive bonuses and the amounts spent for this purpose.

[18] This body of research dates back to the 1960s and 1970s, when various organizations were researching the cost of an all-volunteer force. GAO cites many of these studies, conducted by RAND and other researchers in GAO's report, *Military Draft: Potential Impacts and Other Issues*, GAO/NSIAD-88-102 (Washington, D.C.: Mar. 10, 1988). Other studies include *An Enlisted Force Management System Model to Predict the Effects of Bonus Decisions* (1988); *A System for Allocating Selective Reenlistment Bonuses* (1989); National Research Council, *Attitudes*, *Aptitudes*, *and Aspirations of American Youth* (Washington, D.C.: National Academies Press, 2003); RAND, *Have Improved Resources Increased Military Recruiting and Retention?* (2004); Chadwick, Martin, and Bailey, Incorporated, *U.S. Army Accessions Command: Active Duty Recruitment Incentive Study Report of Findings (*Apr. 2005*);* Orvis, B. *Issues for Discussion Re Changing the Value of the Enlistment Bonus.* (Washington, D.C.: Army Staff Decision Brief, 2005); Greenston, P, Diaz, M. & Sticha, *Raising the Cap on Enlistment Bonus Programs: Forecasted Impact on Army Accessions* (Washington, D.C., Army Research Institute, 2006); Center for Naval Analysis, *The Effect of Enlistment and Reenlistment Bonuses on Participation in the Navy Selected Reserve* (Apr. 2006); *The Effect of Bonuses on Participation in the Navy Selected Reserve: Regression Results* (May 2006); Congressional Budget Office, *Recruiting*, *Retention*, *and Future Levels of Military* Personnel (Oct. 2006); and Pionk, J. *Evaluation of the Effectiveness of Army Cash Enlistment Bonus Incentives*. Doctoral Dissertation. (Prescott, AZ: Northcentral University, 2009).

The Army's Process Leads to Cases in which Occupations of Different Priority Levels Receive Similar Bonuses and Bonuses Vary by Component

To determine the occupational specialties for which active-duty enlistees should be offered enlistment bonuses, the Army has formed an Enlisted Incentives Review Board—made up of officials from the Army Office of the Deputy Chief of Staff, the U.S. Army Recruiting Command, and the U.S. Army Human Resources Command—which meets four times a year. Occupational fill rates, or the percentages of an occupation's positions that are filled, are a major factor in the board's determination of whether to offer enlistment bonuses for a particular occupational specialty. However, other factors are also considered, such as the Army's future planned growth, decreases in the need for an occupational specialty, the success of any previously offered bonuses in attracting the required numbers of enlistees, and the availability of training slots. The Army has a list of priority occupations that is compiled by field commanders when they assess their units' personnel needs, but given the various factors considered by the Enlisted Incentives Review Board, situations arise in which some priority occupations do not receive bonuses or in which different occupations with varying degrees of responsibility are awarded the same amount. For example, of the 35 occupational specialties on the Army's priority list, 9 were not designated to receive enlistment bonuses at the time of the June 2008 Enlisted Incentives Review Board meeting.[19] However, at the same meeting the Enlisted Incentives Review Board identified 52 nonpriority occupational specialties that would be offered some level of bonus. (See table 11 in app. II for a list of occupational specialties that were selected to receive bonuses.)

The board's system for determining enlistment bonuses also sometimes results in cases in which occupations with varying degrees of responsibility receive the same bonus. For example, in June 2008, Food Service Specialists were eligible to receive the same bonus as Explosive Ordnance Disposal Specialists, even though the Explosive Ordnance Disposal Specialist was listed as a priority occupational specialty and was tasked with more dangerous responsibilities. Similarly, Infantrymen, an occupational specialty listed by the Army as a priority specialty, received the same level of enlistment bonus as Army band musicians. Army officials told us that these decisions were based on factors such as the difficulty of recruiting for some occupations and the availability of training slots for them. DOD guidance allows the services to grant bonuses to occupations

[19] These were 11C, Indirect Fire Infantry; 15R, AH-64 Helicopter Repairer; 15S, OH-58D Helicopter Repairer; 15T, UH-60 Helicopter Repairer; 15U, CH-47 Helicopter Repairer; 19D, Cavalry Scout; 25B, Information Systems Operator-Analyst; 35K, UAV Operator; and 35M, Human Intelligence Collector.

that the services have not deemed "priority" but that are experiencing shortages or for which total accession objectives have not been met.[20]

Like enlistment bonuses, reenlistment bonuses are not always targeted at priority occupational specialties. For example, in fiscal years 2007 and 2008, the active Army awarded tax-free reenlistment bonuses of up to $15,000 to all soldiers, regardless of occupational specialty, who were deployed to Afghanistan, Iraq, and Kuwait while they were in theater. Army officials reported that in fiscal year 2007, 15,984 soldiers received these reenlistment bonuses, which averaged $10,700. As of April 2008, 4,483 soldiers had received these bonuses during fiscal year 2008; the average 2008 bonus was $12,700. Army officials linked these tax-free reenlistment bonuses to the Army's ability to attain high levels of retention. For example, they reported that recently deployed units or units currently deployed to Iraq, Afghanistan, and Kuwait have reenlistment rates at 110 to 120 percent of their yearly goals.

Furthermore, because the Army's components manage their enlistment bonus programs separately, soldiers in the same occupations might receive bonuses of different amounts, depending on the component in which they serve. One prominent difference among the bonuses offered by Army components is the difference between what is offered to an active-duty enlistee and an enlistee who enters under the National Guard's Active First incentive program.[21] All Active First recruits get a bonus of at least $20,000 if they sign up for 2 years in the active Army; $30,000 if they sign

[20] Department of Defense Instruction Number 1304.29, "Administration of Enlistment Bonuses, Accession Bonuses for New Officers in Critical Skills, Selective Reenlistment Bonuses, and Critical Skills Retention Bonuses for Active Members" (Dec. 15, 2004), allows the services to award bonuses to occupational specialties that are experiencing shortages, even if they are not considered to be critical occupations on the basis of other factors. In 2002, we reported that the services, including the Army, were paying reenlistment bonuses to occupations that were not considered critical (GAO, *Military Personnel: Management and Oversight of Selective Reenlistment Bonus Program Needs Improvement*, GAO-03-149 (Washington, D.C.: Nov. 25, 2002)). In that report, we recommended that DOD require the Army to establish criteria for selecting critical specialties and that it issue an instruction to the services with guidance for administering and selecting specialties for inclusion in their reenlistment programs. In its written response to our report, DOD stated that the criteria for selecting specialties for inclusion in reenlistment programs were already sound because they were written to provide flexibility for the management of critical skills to meet shortfalls in the services' inventories.

[21] Under the Active First program, an enlistee joins the Army National Guard but serves first in the active Army for 2 to 4 years. After serving on active duty, the soldier goes into the National Guard.

up for 3 years; and $40,000 if they sign up for 4 years. Because all Active First enlistees are eligible for bonuses, an enlistee in a specific occupational specialty may find that he or she is eligible for a bonus for joining the Active First program but not eligible for a bonus for joining the active Army.[22] According to data provided by the U.S. Army Recruiting Command, such differences in bonuses offered by the Army's three components resulted in a divergence in the average dollar amount of bonus per enlistee in fiscal year 2008. As table 5 shows, bonuses ranged from $18,304 for an active-duty enlistee to $36,966 for an enlistee in the National Guard's Active First Program.[23]

Table 5: Enlistment Bonuses Awarded to New Recruits by Each Army Component in Fiscal Year 2008

Component	Active Army	Army Reserve	National Guard	National Guard Active First
Number of accessions awarded an enlistment bonus	46,927	21,681	39,905	2,119
Average enlistment bonus	$18,304	$19,524	$20,000	$39,966

Source: U.S. Army Recruiting Command.

The Army Has Fallen Short of Its Quality Goals and Has Taken Steps to Expand Its Recruiting Market

The Army components have not consistently met their quality goals for the percentage of new recruits who have high-school diplomas[24] and who score in the upper half on the AFQT. The Army estimates that only 3 out of 10 youth aged 17 to 24 are qualified to join the Army without a waiver, even including those who have low educational credentials or low aptitude. This has led the Army to experiment with some initiatives to expand its recruiting market to individuals who before now might have been considered ineligible for service, for example recruits who do not meet standard entrance requirements for reasons such as body fat and age requirements. While its programs to expand the recruiting market appear promising, the Army has not yet had time to collect long-term data on the performance of individuals admitted through these programs.

[22] Both regular Army and Active First enlistees have total military service obligations of 8 years, meaning that their total obligation period on active and reserve duty together is 8 years.

[23] After we had completed our audit work, the Army reported that effective October 1, 2008, all Active First accessions received the same bonus as active Army accessions.

[24] This group excludes persons with General Educational Development certificates.

Army Components Have Not Consistently Met Quality Benchmarks for Recruits with High-School Diplomas and Scores on the Upper Half on the AFQT

In fiscal years 2005 through 2008, the Army components did not consistently meet the quality benchmarks set for the services by DOD. Historically, DOD has used two primary measures to identify quality recruits: possession of a high-school diploma and a score in the upper half on the AFQT. These benchmarks require that at least 90 percent of recruits each year have a high-school diploma, at least 60 percent score in the upper half on the AFQT, and no more than 4 percent score in the bottom 30 percent on the AFQT. In fiscal year 2005, none of the Army's components met DOD's 90 percent benchmark for recruits with high-school diplomas (see table 6). The active Army and the Army Reserve met the benchmark for 60 percent of enlistees scoring in the upper half on the AFQT, but the Army National Guard did not. Since fiscal year 2005, only the active Army has met the benchmark for 60 percent of its recruits scoring in the upper half on the AFQT. The Army National Guard has consistently met the high-school diploma benchmark since fiscal year 2005, while the active Army and the Army Reserve have not. In fiscal years 2006 through 2008, 91 percent of the Army National Guard's recruits had high-school diplomas.

Table 6: Army Progress in Meeting Quality Benchmarks, Fiscal Years 2005-08

		Fiscal year			
Army component	**Quality indicator**	**2005**	**2006**	**2007**	**2008**
Active Army	Percentage with high-school diplomas	87	81	79	83
	Percentage at or above the 50th percentile on the AFQT	67	61	61	62
	Percentage at or below the 30th percentile on the AFQT	4.0	3.8	4.0	3.5
Army Reserve	Percentage with high-school diplomas	88	90	86	89
	Percentage at or above the 50th percentile on the AFQT	67	59	57	58
	Percentage at or below the 30th percentile on the AFQT	3	4	4	3
Army National Guard	Percentage with high-school diplomas	83	91	91	91
	Percentage at or above the 50th percentile on the AFQT	57	57	57	59
	Percentage at or below the 30th percentile on the AFQT	5	4	4	1

Source: GAO analysis of data provided by the Office of the Secretary of Defense.

All three components have met DOD's benchmark that no more than 4 percent of enlistees score in the bottom 30th percentile on the AFQT, with one exception: in fiscal year 2005, 5 percent of the Army National Guard's recruits were in this category.

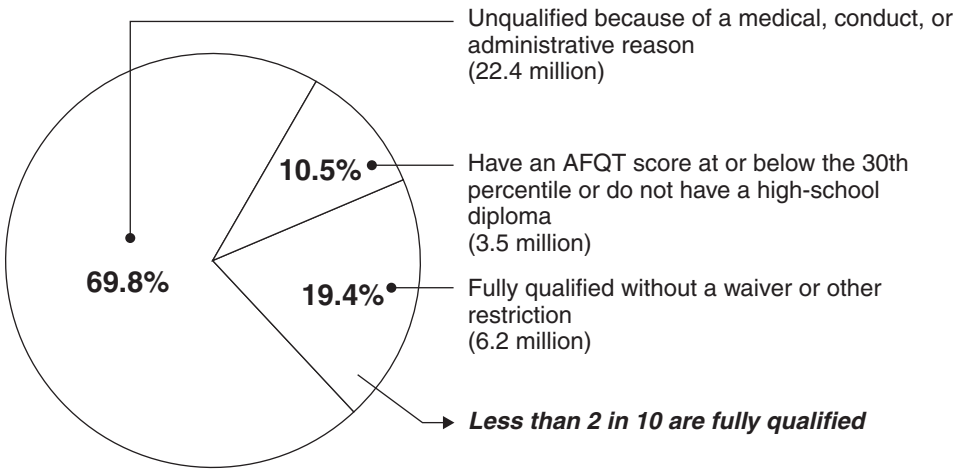
The Army Has Implemented Initiatives to Expand Its Recruiting Market

Given the challenges the Army faces in meeting DOD quality benchmarks and because the Army estimates that only about 3 out of 10 youth aged 17 to 24—including those who have low educational credentials or low aptitude—do not need a waiver to join the Army, it has recently introduced initiatives to assess the quality of potential recruits by other measures and to expand its traditional market for recruiting. The Army currently estimates that of the approximately 32 million young people in the United States aged 17 to 24, only 9.7 million (or approximately 3 out of 10) are qualified without requiring a waiver for medical conditions, conduct issues, or administrative reasons such as the number of dependents.[25] However, the Army emphasizes that some of these fall into a category subject to a DOD percentage cap restriction for enlistment because they have AFQT percentile scores below 31 or lack high-school diplomas.[26] Therefore, the Army estimates that only about 2 out of 10, or 6.2 million, can be considered fully qualified and eligible to enlist at any given time (see fig. 5). Each year, the Army tries to recruit approximately 176,000 of these individuals, meaning that the Army needs almost 3 percent of this population to enlist.

[25] This calculation is based on a study by the Lewin Group, which, in its report to the Office of the Under Secretary of Defense, stated that the study could be improved for more accuracy. For example, the report stated that refining the estimated aptitude levels, which are based on 1997 data, would lead to a larger eligible population. Likewise, refining the way the system determines when youth are disqualified for more than one reason could reduce the disqualified population by several percentage points, thereby increasing the qualified market.

[26] While the Army is allowed to recruit individuals without high-school diplomas, DOD's benchmark is that at least 90 percent of recruits each year have high-school diplomas. Likewise, the Army can recruit individuals whose AFQT percentile scores fall between 10 and 30, but DOD's policy requires that no more than 4 percent of these individuals be admitted each year. While the Army has not consistently met these benchmarks set by DOD, it is restricted in how many of these individuals can be admitted. Furthermore, anyone with an AFQT percentile score below 10 is not permitted to enlist.

Figure 5: The Army's Estimate of the Size of the Population Eligible to Enlist in Fiscal Year 2008



Source: U.S. Army Accessions Command.

Individuals fall outside of the Army's target market for recruiting for a variety of reasons, including physical factors (such as body fat) or educational factors (such as not having a high-school diploma). To help meet its recruiting goals, however, the Army has targeted its efforts to some individuals who do not fully meet its entrance criteria, especially those who are over the body fat limit, do not possess high-school diplomas, or are ages 41 and 42[27] but fully qualified otherwise.

The Army has implemented four initiatives to expand its recruiting market.[28] One of these focuses on overweight individuals. The Army has traditionally rejected individuals whose body fat exceeds a prescribed limit, but it has now begun to admit individuals who, although their body fat exceeds the limit, have other characteristics that have been found to be predictors of success in the Army. To screen for these characteristics, the

[27] In 2007, the Army increased the maximum age for enlistees from 40 to 42.

[28] In February 2009, after we had completed our audit work, the Secretary of Defense authorized the military services to recruit certain legal aliens whose skills are considered to be vital to the national interest. This "Military Accessions Vital to National Interest" program is a pilot program that will continue for up to 12 months and involve recruiting up to 1,000 personnel with critical skills, such as physicians, nurses, and experts in languages with associated cultural backgrounds.

Army has developed an Assessment of Recruit Motivation and Strength test, which assesses an individual's physical fitness and motivation and identifies promising individuals who would otherwise have been denied entry. The Army has also implemented a second and third program to target individuals without high-school diplomas. In 2005, the Army implemented a Tier Two Attrition Screen, used to screen individuals without high-school diplomas for characteristics such as motivation and mental and physical fitness—indicators linked to relatively low rates of attrition. In addition to the Tier Two Attrition Screen, the Army Preparatory School was opened in August 2008 to help promising individuals without high-school diplomas earn General Educational Development (GED) certificates in 4 weeks and to prepare them for basic training. The school is open to youth without high-school diplomas who have scored in the upper half on the AFQT, who need no other waivers, and who have passed the Tier Two Attrition Screen. The Army also implemented a fourth initiative to expand the recruiting market by increasing the maximum recruitment age from 40 to 42.[29] According to the Army, individuals in this category often bring a range of experiences that can benefit both the Army and their fellow soldiers. This expansion of the pool provides a larger segment of the population with a chance to serve.

As table 7 shows, the active Army and the Army Reserve have accessed several thousand recruits through these initiatives to expand its recruiting market. However, many of the recruits who entered through these programs have not yet completed their first enlistment terms, and the Army is still evaluating each program's long-term impact and effectiveness.

[29] Army Regulation 601-210, section 2-3, states that all Army applicants with no prior service must enlist and ship prior to their 42nd birthday. Army Regulation 601-210, "Active and Reserve Components Enlistment Program" (June 7, 2007).

Table 7: Numbers of Recruits Accessed in Fiscal Year 2008 through the Army's Initiatives to Expand the Recruiting Market

Expansion program	Active Army accessions	Army Reserve accessions
Assessment of Recruit Motivation and Strength	998	366
Tier Two Attrition Screen	6,580	884
Army Preparatory School	362	41
Enlistment of persons aged 41-42	283	313
Total	**8,223**	**1,604**

Source: GAO's analysis of data provided by the U.S. Army Accessions Command.

The Army has accessed nearly 1,000 recruits in fiscal year 2008 as a result of the Assessment of Recruit Motivation and Strength program, and the Army Reserve has accessed 366. Initial findings from this program indicate that females who exceeded the body fat standards but were allowed to enlist as a result of passing the Assessment of Recruit Motivation and Strength test had attrition rates similar to those of fully qualified females; attrition among males who exceeded the body fat standards but passed the test was slightly higher compared to the attrition of fully qualified males. However, these recruits had not completed their terms of enlistment at the time of the study, and the Army plans to conduct analyses with a larger number of subjects in the future. In fiscal year 2008, the Army accessed 6,580 soldiers for the active Army and nearly 1,000 for the Army Reserve through the Tier Two Attrition Screen, and initial program evaluation results show that these recruits had attrition rates higher than those with high-school diplomas but lower than those with GEDs. However, because this initiative was first implemented in 2005, the Army has not yet gathered sufficient data to prove the long-term success of this program in predicting recruits' attrition behavior. From August 2008, when the Army Preparatory School first opened, to the end of fiscal year 2008, the Army also reported graduating and accessing 362 new recruits in the active Army and 41 new recruits in the Army Reserve entering through this program, but performance in the long term has yet to be assessed.

The Army Has Continued to Grant Conduct Waivers for New Recruits and Analyzes the Outcomes of Recruits Entering with Conduct Waivers

The Army has continued to grant conduct waivers to recruits who do not meet some of the Army's entrance standards for reasons such as prior criminal misconduct. In fiscal year 2008, approximately 12 percent of new recruits admitted by the active Army had conduct waivers, compared with approximately 6 percent in the Army Reserve and 3 percent in the Army National Guard.[30] According to the Army, enlistment waivers offer opportunities to individuals who have the potential to be good soldiers but who may not otherwise have been given a chance to serve. Some officials also acknowledged that waivers are necessary, given the Army's efforts to grow and the ongoing challenges in the recruiting environment.

Through fiscal year 2008, the Army granted conduct waivers for various types of offenses: felonies,[31] serious or minor misdemeanors, and serious or minor traffic offenses.[32] Army data show that waivers for serious misdemeanors comprise the largest category of conduct waivers granted by all components in fiscal year 2008, followed by waivers for felonies for the active Army and the Army Reserve and by waivers for minor traffic offenses for the Army National Guard. Waivers for felonies—the most serious type of offense that may qualify for a waiver—comprised approximately 13 percent of all conduct waivers for the active Army, 14 percent for the Army Reserve, and 10 percent for the Army National Guard. We reviewed the files of all of those personnel accessed by the active Army or Army Reserve in fiscal year 2007 with waivers for felony

[30] The Army also grants waivers for reasons such as certain medical conditions or having a large number of dependents. In fiscal year 2008, conduct waivers comprised approximately 49 percent of all waivers given by the active Army, 29 percent of all waivers given by the Army Reserve, and 20 percent of all waivers given by the Army National Guard.

[31] In March 2009, after we had completed our audit work, the Army stated that waivers for adult felonies had been suspended for the active Army and the Army Reserve. Prior to that date, the Army National Guard had already suspended felony waivers.

[32] According to Army Regulation 601-210, examples of waiverable felonies include burglary, narcotics or habit-forming drug charges, aggravated assault, larceny (more than $500), and breaking and entering. The Army further indicated that waiverable serious misdemeanors include two or more charges of Driving Under the Influence, two or more charges for possession of marijuana, leaving the scene of an accident or hit and run, contributing to the delinquency of a minor, and larceny (less than $500). Officials explained to us that examples of waiverable minor misdemeanors include one charge of Driving Under the Influence, one charge for possession of marijuana, an altered drivers' license or identification charge, disorderly conduct, and violation of probation. The number of offenses that would necessitate a waiver depends on the severity level of the offense. For example, the following offenses would require a waiver: one felony conviction, one or more serious misdemeanor convictions, and five or more minor misdemeanor convictions. Individuals with more than one felony conviction are permanently disqualified from entry.

convictions. Appendix III provides examples of the felonies committed by these recruits. Overall, however, the percentage of recruits entering with felony waivers was small. For example, recruits with felony waivers comprised less than 1 percent of overall accessions to the active Army and less than 2 percent of overall accessions to the Army Reserve and the Army National Guard.

In fiscal year 2006, the Army began to collect and analyze data on the performance outcomes of recruits with conduct waivers. DOD Instruction 1304.26 states that the underlying purpose of moral character standards is to minimize the enlistment of persons who are likely to become disciplinary cases. Initial analyses conducted by the Army and the RAND Corporation have shown that, while those with conduct waivers tend to perform as well as those without conduct waivers, they are more likely to be separated for adverse reasons, such as behavioral issues.[33] All of these studies, however, examined accessions with waivers from fiscal years 2002 through 2007, years when, according to Army officials, the waiver data were subject to certain data reliability problems, including the overcounting of conduct waivers and the miscoding of some

[33] An analysis conducted by the Army in the fall of 2008 showed that active Army soldiers who entered with conduct waivers between 2003 and 2007 generally did not differ in their length of stay, reenlistment rates, or separation rates due to unsatisfactory performance from those who entered during the same period without conduct waivers. When soldiers who entered the Army in fiscal year 2003 were analyzed separately from soldiers who entered in other years, no statistical difference in reenlistment rates was found between soldiers who had conduct waivers and those who did not have conduct waivers. However, when reenlistment rates for all soldiers who entered the Army in fiscal years 2003 through 2006 were analyzed, soldiers with conduct waivers were found to have slightly lower reenlistment rates than those without conduct waivers. This result also held for the analysis of soldiers who entered in fiscal year 2007.

At the same time, these soldiers had higher rates of separation for adverse reasons such as misconduct, alcohol rehabilitation failure, and separation in lieu of trial by court martial, and they had a higher percentage of court martial cases than soldiers without conduct waivers who entered the Army during the same period.

An analysis conducted by the RAND Corporation used data on accessions from fiscal years 2002 through June 2005 in order to follow recruits for at least 3 years; unlike the Army, RAND controlled for the effect of demographic factors. RAND's study results, like the Army's, indicated that those with conduct waivers showed evidence of early success in terms of their performance, followed by a greater likelihood of serious behavioral problems and separation for adverse reasons. We have not independently assessed the reliability of the study conducted by RAND.

misdemeanors as felonies.[34] Since that time, the Army has made improvements to the waiver data, and results of any forthcoming studies should provide a more reliable assessment of the conduct waiver population.

At the Army's request, in 2009, RAND will assess whether the presence of soldiers with waivers adversely affects the behavior of other members of their units. In addition, RAND plans to update its analysis of how recruits with conduct waivers are performing.[35] An Army official told us that the Army's own analyses and the work undertaken by RAND provide a comprehensive view of the Army's waiver policies and a mechanism for identifying the need for any changes. According to Army officials, the administrative cost of the waiver review process is "negligible." They added that the primary cost metric used to measure the return on investment for enlistees with waivers is comparing the attrition rates of those with waivers to the rates of those without waivers. They stated that in 2006, the Army found that there were no significant differences in attrition rates between these two groups. However, Army officials also acknowledge that the findings regarding the performance of those with and without conduct waivers are "mixed." As stated earlier, the Army has found evidence that some enlistees who entered the Army in fiscal year 2007 were more likely to be separated early for adverse reasons. Because the waiver process involves several different administrative layers, the cost of this process may be found to be more than originally estimated. Also, because research results on the performance of enlistees with and without conduct waivers are not definitive, the issue of whether granting these waivers is cost-effective is not yet clear. Completed and planned work on waivers does not consider the costs associated with the Army's separation of soldiers who were granted conduct waivers and were later separated early for adverse reasons. Studying these issues is important, given that the recruiting and training of individuals involves substantial

[34] The Army has since implemented controls to correct these deficiencies, and we have found the latest waiver data, from fiscal year 2008, to be sufficiently reliable for our purposes. Moreover, in an effort to improve the consistency of waiver reporting across all the services and service components, OSD issued a new policy in June 2008 on how waivers should be categorized. Directive-Type Memorandum 08-018, "Enlistment Waivers," describes the new policy, including standardized terminology, reporting requirements, and specific codes that the services should use for tracking and reporting waiver data.

[35] A RAND official overseeing the work on waivers told us that a draft report is expected in the fall of 2009. The official also told us that RAND does not plan to continue analyzing this issue after 2009, unless there is a specific request from the Army for more work.

expenditures on the part of the Army.[36] After our audit work was complete, Army officials told us that in February 2009, the Army Audit Agency had begun a study of waiver policy.

The Army Lacks Support to Gauge the Effect on the Officer Corps of Its Actions to Alleviate Shortages

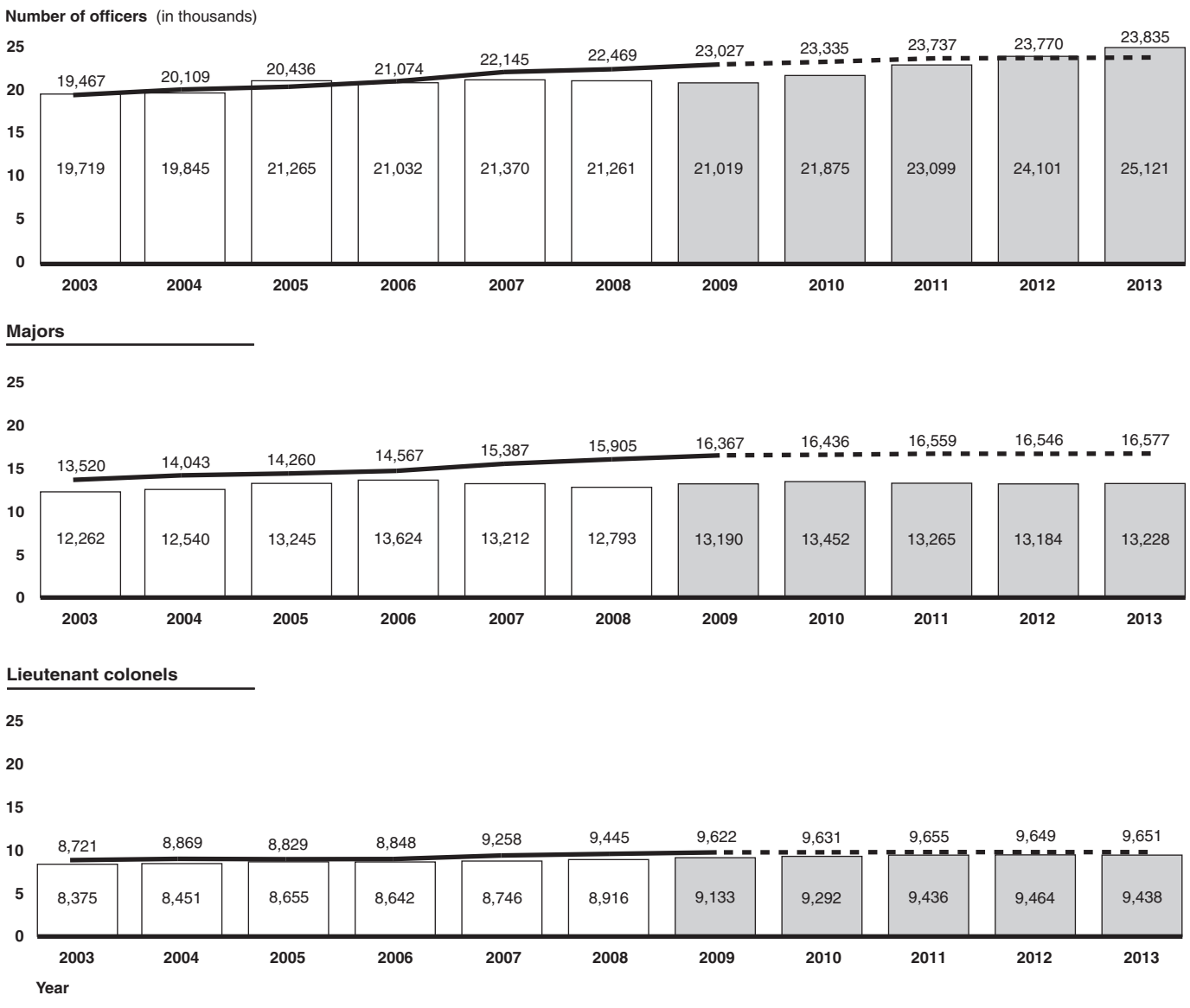
In part as a result of the increased demand for officers created by Grow the Force and Army Modularity efforts, the Army is faced with shortages of captains, majors, and lieutenant colonels. To find ways to address these shortages, the Army contracted a study to predict the appeal to junior officers of different incentive packages. This study compared incentive packages that ranged in cost-per-person from $14,000 to $165,000. Despite this research, it is not clear how the package ultimately offered to Army officers represented the most cost-effective one from the standpoint of the Army or whether the Army could have achieved the same results with less money. Also to alleviate shortages in its officer force, the Army has recently promoted officers at above-average rates, reduced time-in-service requirements for promotion, and suspended a performance indicator for its junior officers that it had previously used to identify the best-performing officers relative to their peers. These actions have had an immediate effect on alleviating some of the shortages, but the Army has not yet assessed whether the short-term measures it has taken will have long-term effects on its officer corps in the future.

[36] Documentation provided to us by the Army in 2008 indicated that the total initial investment per new recruit ranges from $53,976 to $66,376, depending on the training option. This estimate includes the cost of recruiting, processing, and basic and follow-up training.

The Army Has Experienced Shortages of Captains, Majors, and Lieutenant Colonels

The Army's efforts to grow the force have exacerbated preexisting shortages in the officer corps, and the Army projects that some shortages will continue until fiscal year 2018. At the end of fiscal year 2008, the Army had a shortage of 1,208 captains; 3,112 majors; and 529 lieutenant colonels. The Army had an excess of captains in fiscal year 2005, but since then it has fallen short of its requirements for captains. The Army has had a shortage of majors since at least 2003, and this shortage more than doubled from fiscal years 2003 through 2008. Likewise, there has been a shortage of lieutenant colonels since at least 2003. According to Army officials, shortages have grown because the Army's modular structure requires more midlevel officers per brigade, and the Army has increased its requirements for officers in general as part of its Grow the Force initiative. (See fig. 6 for the numbers of Army requirements for captains, majors, and lieutenant colonels compared with the numbers of these officers the Army had in its operating strength from fiscal years 2003 through 2013.)

Figure 6: Historical and Projected Shortages of Active Army Captains, Majors, and Lieutenant Colonels, Fiscal Years 2003 to 2013



Source: GAO analysis of data prepared by the Army's Office of the Deputy Chief of Staff for Personnel.

Note: Operating strength refers to the number of officers the Army needs to conduct operations and maintain the force. For example, operating strength does not include officers in training or in transit.

As figure 6 shows, the Army projects the shortages of captains, majors, and lieutenant colonels to continue. Our analysis of these projections shows that by fiscal year 2012, the supply of captains will have caught up with the demand. The shortage of majors, however, is projected to remain more severe and to continue beyond 2013 with no significant change in the operating strength of majors, despite growing authorizations. According to projections, the shortage of lieutenant colonels will have lessened but also will continue through the end of fiscal year 2013.

Aside from the general shortage of officers at these two ranks, officers are in short supply in particular career areas. When the rate at which a career area, or branch,[37] is filled falls below 85 percent, the Army considers the branch to have a critical shortage. On the basis of calculations performed on Army data, Army officials believe that there are several areas where the Army does not have enough officers to meet current demand, including transportation, military intelligence, foreign area expertise, and the special branches.[38] (See app. IV for a list of branches with fill rates below 85 percent.)

The Army Has Offered Incentives to Address Critical Shortages of Midlevel Officers but Lacks Data to Assess Their Effectiveness

The Army initiated an incentive program for captains and continues to offer incentives to cadets just prior to their commissioning. DOD Directive 1304.21 states that bonuses should be awarded only when less costly methods have proven inadequate or impractical and, similarly, that it is wasteful to authorize the use of financial incentives when less costly but equally effective methods are available. In order to fill immediate needs for captains, the Army offered a "menu of incentives" to 23,053 captains in branches with fill rates below 90 percent who began service as officers between 1999 and 2005. From September 2007 until March 2008—phase one of this program—the Army offered these captains a choice of five incentives in return for taking on extended service obligations: (1) a cash bonus of up to $35,000;[39] (2) a graduate education; (3) a choice of branch;

[37] Army officer branches refer to the various categories of jobs performed by officers.

[38] The Transportation Corps was singled out by Army officials as one area with particular need. Special branches facing critical shortages of majors include the Judge Advocate General's Corps, Dental Corps, Nurse Corps, and Medical Service Corps.

[39] Depending on the fill rates for their particular branches, captains' cash bonuses were $25,000, $30,000, or $35,000.

(4) a choice of location; or (5) military school.[40] In phase two, from April 2008 until November 2008, the Army did not offer captains the choice of branch or choice of location, and it limited the military school option to language training. Captains were offered these incentives in exchange for committing to at least 3 additional years of active-duty service. Of the 15,317 captains who accepted one of these incentives, 94.6 percent chose the cash bonus (see table 8). According to the most recent Army estimate, the cash bonus has cost the Army $443.5 million; based on that estimate, the average bonus was $30,488.[41]

Table 8: Number of Captains Participating in the Menu of Incentives, September 2007 through November 2008

	Cash bonus	Graduate school	Choice of branch	Choice of location	Special training	Total participants
Total number of contracts	14,497	243	320	185	72	**15,317**
Percentage of total contracts	94.6	1.6	2.1	1.2	0.5	**100.0**

Source: GAO analysis of data from the Army's Office of the Deputy Chief of Staff for Personnel.

Although 15,317 captains have taken advantage of one of these incentives, the Army did not collect data that would allow it to determine the most cost-effective amount for the cash bonus. Also, despite the requirement to use less costly measures first, the Army did not determine whether offering less costly measures—for example, offering the menu of incentives without the cash bonus option or the choice of graduate school—would have similar results. Before selecting this incentive package, the Army contracted with Chadwick, Martin, and Bailey in 2006 to explore different options.[42] The contractor conducted an online questionnaire involving about 2,000 officers who had entered the Army in 2003, 2004, and 2005. The questionnaire asked the officers to choose

[40] Under phase one, captains were offered the chance for special training, for example, to attend a military school or language training. However, during phase two, the special training offer was limited to language training.

[41] The cost estimate provided by the Army was based on more recent data that showed 14,547 bonus contracts, whereas the final data reported in table 8 were the most recent comprehensive data available on all contracts.

[42] The resulting report was "U.S. Army Jr. Officer Retention Incentive Study: Presentation of Findings," September 14, 2006.

among different incentive packages, which included incentives that ranged in cost from $14,000 per person to $165,000 person. The incentive costing the least involved offering the officer his or her branch or functional area of choice, and the incentive costing the most involved offering the officer a choice of graduate school and a degree from a list of options. While the study predicted the likely results of the Army's offering of different incentive packages, it did not recommend a package that represented the most cost-effective use of Army resources, and it is not clear how the Army selected the incentive package it ultimately offered its officers. Because the Army did not use such data to determine which incentives would be most cost-effective, it cannot provide evidence that its policy is in line with DOD Directive 1304.21. Without such data, the Army cannot determine how best to allocate the money it spends on incentives to achieve maximum effect.

The Army has also attempted to alleviate what it expects to be a future demand for captains and majors by offering a precommissioning incentive to cadets at the United States Military Academy and in the Reserve Officer Training Corps. Under this incentive program, in return for a commitment to at least 3 additional years of service, cadets are offered (1) a chance to attend graduate school, (2) a choice of branch, or (3) a choice of location. This program did not include the option of a cash bonus but did offer cadets a graduate school education, which the Chadwick, Martin, and Bailey study had estimated would cost $165,000 per person, the most expensive of the incentives examined. When cadets are first commissioned, they are obligated to serve 3 to 5 years, depending on whether they were accessed through the Military Academy, the Reserve Officer Training Corps, or the Officer Candidate Schools. By adding 3 years to their initial obligations, officers who participate in this program will be required to stay in the Army until they have been captains for several years. Some, particularly if they choose the graduate school option, will become majors before completing their service obligations.[43] Army officials have stated that participation in this precommissioning program to date has been promising; they believe the program will significantly increase the retention of officers at the rank of captain and beyond and close the future gap without the need for additional retention incentives for officers. According to the Army's calculations, the program

[43] Under the graduate school option, an officer incurs an additional 3 years of service, plus the additional time incurred for time spent in graduate school, which is a 3-to-1 ratio (i.e., for every 1 month in graduate school, the officer is required to serve an additional 3 months in the Army).

will increase the percentage of officers accessed in 2007 and 2008 who will complete 8 years of service from 47 percent to 66 percent. Table 9 provides information on the number of officers who participated in the precommissioning incentive program.

Table 9: Number of Officers Participating in the Precommissioning Incentive Program in Fiscal Years 2007-2009

	Incentive			
Commissioning source	**Graduate school**	**Branch of choice**	**Post of choice**	**Total**
U.S. Military Academy	605	354	61	**1,020**
Reserve Officer Training Corps	718	1,971	409	**3,098**
Total	**1,323**	**2,325**	**470**	**4,118**

Source: Army's Office of the Deputy Chief of Staff for Personnel.

As of November 2008, the Army had not implemented any programs specifically targeted at majors or lieutenant colonels. An Army official stated that the Army has not offered incentives to majors or lieutenant colonels because officials do not believe there is a retention problem with majors or lieutenant colonels.

The Army Has Not Yet Assessed the Effects on Its Officer Corps of Short-Term Actions to Alleviate Shortages

In addition to offering incentive programs, the Army has been promoting officers at faster-than-recommended rates and reducing time-in-service requirements. However, the Army has not yet determined whether these actions will have a negative effect on its future officer corps. Because the Army operates in a closed system, it can only promote from within; this limits the actions the Army can take and makes it important to identify trends that may need to be addressed as early as possible. House Report 96-1462 on the Defense Officer Personnel Management Act describes the complexity of the promotion system and emphasizes that any change to one variable affects the others. The report concludes that in order to maintain a high-quality officer corps, changes to the system must be made very carefully. While the Army provided data regarding the quality of officers at the time of their accession—such as a bachelor's degree or Scholastic Aptitude Test score—the Army had no data that could demonstrate whether the performance of its officers had changed over time or whether actions it had taken, such as promoting at higher rates, would have an effect on the officer corps in the future.

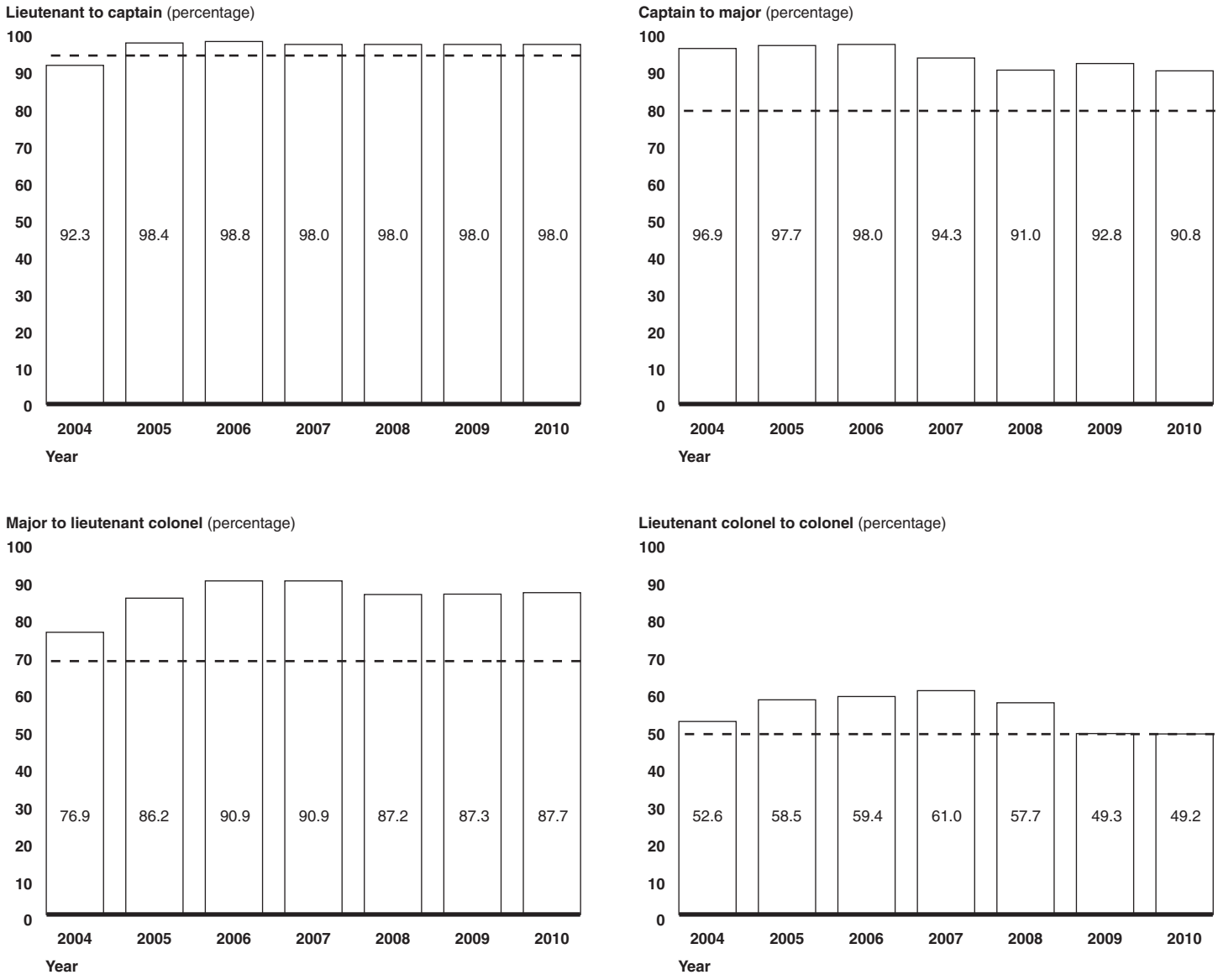
Since 1992, in order to meet the increased demand for officers, the Army has dramatically increased its promotion rates for officers, exceeding the benchmarks set forth in 1980 in Senate Report No. 96-375, which accompanied the Defense Officer Personnel Management Act.[44] In order to maintain the rank structure outlined in the act and simultaneously provide officers with rewarding career tracks, the established promotion rates (which are lower as officers proceed up the ranks)—as well as the "up-or-out" system—guide the Army in promoting the best-qualified officers to higher ranks, with the understanding that some fully qualified officers will not be promoted.[45] The Secretary of the Army issues guidance defining what the Army considers to be important experience, and the Deputy Chief of Staff for Personnel determines which officers are to be considered for promotion. The Army promotes only officers who have been determined by promotion boards to be fully qualified to serve at the next higher rank.

The Army expects to continue this practice of promoting officers at certain ranks at rates higher than recommended benchmarks through fiscal year 2010. Figure 8 shows comparisons between promotion rates established in Senate Report No. 96-375 and the Army's actual or expected promotion rates in fiscal years 2004-2010 for captains, majors, lieutenant colonels, and colonels.

[44] S. Rep. No. 96-375 (1979).

[45] Pub. L. No. 96-513, Dec. 12, 1980.

Figure 7: Actual or Projected Promotion Rates Compared with Promotion Rate Benchmarks in Fiscal Years 2004-2010



Source: GAO analysis of data from Senate Report 96-375 and the Army's Office of the Deputy Chief of Staff for Personnel.

While promoting at these high rates, the Army has reduced the time that it requires officers to remain at certain ranks before they are promoted. For example, as of November 2008, the Army was promoting officers to the rank of captain after they had served 3 years and 2 months as lieutenants, while the other services were promoting officers to captain or the equivalent rank only after they had served for 4 or more years. Likewise, as of November 2008, the Army had reduced its time-in-service requirement for promotion to major to 9 years of service, while the other services were requiring between 9 years, 8 months; and 10 years, 2 months of service. While shortening its time-in-service requirements for promotion to captain, the Under Secretary of Defense suspended the requirement that first lieutenants serve 2 years before being promoted to captain, shortening the requirement to 18 months. For all other promotions, the Army's requirements are within those established in Title 10 of the United States Code, which call for officers to serve 18 months as second lieutenants and 3 years at the rank of captain, major, and lieutenant colonel before being considered for promotion.[46]

In addition to reductions in the standard time-in-service requirements for promotion, early promotions for majors and lieutenant colonels are on the rise. Early promotions are given to officers who, although they have less time in service than the officers identified to be considered for promotion in a particular year, are judged to be clearly better choices for promotion. Early promotions do not increase the number of officers promoted; rather, the Army draws from officers having 1 fewer year of experience to select candidates for promotion. From fiscal years 2006 through 2008, early promotions to major rose from 7.5 percent to 12.5 percent. Likewise, from fiscal years 2006 through 2008, early promotions to lieutenant colonel rose from 7.4 percent to 14.8 percent. The Defense Officer Personnel Management Act requires authorization by the Deputy Secretary of Defense if early promotions account for over 10 percent of promotions, and the Army has acquired this authorization.[47] The act also requires that early promotions not exceed 15 percent of all promotions, and the Army has stayed within this benchmark. Early promotions to lieutenant colonel are moving more majors up the ranks faster. However, although this helps to prevent shortages of lieutenant colonels, it exacerbates the shortage of majors.

[46] 10 U.S.C. § 619.

[47] 10 U.S.C. § 616.

As House Report 96-1462 stated, officer management is a complex system, and any changes must be made carefully. While the Army moves away from the legislative benchmarks and changes previous standards to meet the current demands for officers, it has not yet assessed the long-term effect of these actions on the officer corps. As a result, the Army is missing critical data to inform its decisions and to allow it to identify and address any trends in the officer corps while taking appropriate force-shaping actions.

Conclusions

The Army has been successful in finding innovative ways to meet its goals for increasing end strength. However, its expenditures for bonuses and incentives have not been as effectively targeted as they could be. While the Army has access to various studies and data, it is not clear that the Army has used this information to set the most cost-effective bonus amounts. For example, although its expenditures for enlistment and reenlistment bonuses have grown by about 75 percent, the Army does not know whether these bonuses are set at amounts that are sufficient to meet its enlistment and reenlistment goals and at the same time do not result in excessive payments to achieve these results. Initial results of the effect of admitting individuals who do not meet the Army's standard eligibility requirements appear positive, and the Army has begun efforts to analyze the performance outcomes of recruits with conduct waivers. While the studies conducted by the Army, including the one it has contracted out to RAND, may provide useful information on the performance of those admitted with conduct waivers during a certain period of time, it will be important for the Army to continue monitoring this population closely, including assessing the cost-effectiveness of investing in those who require conduct waivers in order to determine whether it is making prudent use of its valuable resources in recruiting and training these individuals and whether any modifications to its waiver policies are needed. This is especially the case given that, even though data show that recruits with conduct waivers are strong performers, other evidence indicates that they are more likely to exhibit disciplinary problems and to be separated for adverse reasons than those who do not need conduct waivers.

Faced with a wartime environment, restructuring efforts that result in the need for additional officers, and a system for developing leaders that requires years of forward planning, the Army has been required to promote officers at a much faster rate than it has in the past and to offer new incentives to retain officers. While there is no easy solution to the shortage of midlevel officers, there are trade-offs involved with each action to alleviate the shortage. Without using research that will allow the

Army to assess the cost-effectiveness of its new incentives and the metrics to identify trends to help shape the force appropriately, the Army will not be in a position to make informed decisions about the choices it makes and the risks it assumes as it manages the future officer force.

Recommendations for Executive Action

We recommend that the Secretary of Defense direct the Secretary of the Army to take the following four actions:

- To enhance its existing processes to recruit and retain sufficient numbers of enlisted personnel and to avoid making excessive payments to achieve desired results, build on currently available analyses that will enable the Army to set cost-effective enlistment and reenlistment bonuses.
- To enable the most efficient use of recruiting resources, collect data on the cost-effectiveness of the Army's conduct waiver polices—including costs associated with the waiver review and approval process and with future separations of soldiers with conduct waivers for adverse reasons—and use these data to inform the Army's waiver policies.
- Should the Army decide to offer incentives to officers in the future, build on currently available analyses that will enable the Army, with the direction and assistance of the Secretary of Defense, to set cost-effective bonus amounts and other incentives.
- To enable the Army to make informed decisions regarding the management of its officer corps over time, track—and if necessary correct—any effects that its actions to alleviate shortages may have on the officer corps, particularly in cases in which the Army has deviated from benchmarks established in the Defense Officer Personnel Management Act.

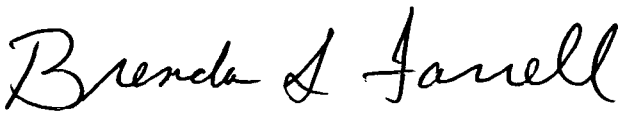
Agency Comments and Our Evaluation

We provided the Department of Defense with a draft of this report for review and comment. In response to our draft, DOD concurred with the first three recommendations and partially concurred with the fourth. Regarding our recommendation that the Army conduct further study on the cost-effectiveness of enlistment and reenlistment bonuses, DOD stated that in February 2009, it had contracted for a study that will cover all the military services and is entitled "Recruiting and Retention Effectiveness of Cash Incentives." DOD expects to receive the first draft of this study in June 2009. Regarding our recommendation that the Army collect and use data on the cost-effectiveness of its waiver policies, DOD stated that the Army Audit Agency had begun an audit in February 2009 of the Army components' granting of enlistment waivers. In response to our recommendation that the Army consider the cost-effectiveness of any future incentives offered to its officer corps, DOD concurred, stating that

DOD requires the military services to provide a detailed business case before it grants the services the authority to employ a retention bonus. In response to our recommendation that the Army track the effects of its short-term actions to alleviate shortages on its officer corps, DOD partially concurred, stating that the DOPMA guidelines are not intended to serve as fixed mandates. We agree and state this in our report. However, we continue to believe that if these guidelines are no longer valid, the Army should monitor the effect of not maintaining these benchmarks in managing its future officer corps. DOD's comments in their entirety appear in appendix V.

We are sending copies of this report to the appropriate congressional committees. This report will be available at no charge on GAO's Web site at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-3604 or by e-mail at 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 major contributions to the report are listed in appendix VI.



Brenda S. Farrell
Director, Defense Capabilities and Management

Appendix I: Scope and Methodology

To assess the Army's progress in growing the force and identify strategies that the Army has used to accomplish this progress, we obtained and analyzed data on the actual and proposed end strength for the Army as a whole, as well as for each component. Specifically, we reviewed the Army's original and accelerated Grow the Force plans to identify proposed end strength numbers for each fiscal year of the plans. For the original plan, this included fiscal years 2007 through 2013; for the accelerated plan, this included fiscal years 2007 through 2010. We obtained information from the Army's Office of the Deputy Chief of Staff for Programs on the actual end strength that the Army had achieved in fiscal years 2007 and 2008 and compared the proposed end strength to the actual end strength achieved. Further, to describe the extent to which the active Army, the Army National Guard, and the Army Reserve have met their target recruiting and retention goals for fiscal years 2005 through 2008, we obtained data on these metrics from the Office of the Undersecretary of Defense for Personnel and Readiness.

To determine the extent to which the Army is directing the growth in its enlisted force to areas of most critical need, we obtained data from the Army's Office of the Assistant Secretary of the Army, Financial Management and Comptroller, on how much the components spent on enlistment and reenlistment bonuses given to Army recruits and soldiers for fiscal years 2005 through 2008. To determine how the Army identifies priority occupational specialties and which ones should be awarded bonuses, we interviewed officials from the U.S. Army Human Resources Command; the U.S. Army Recruiting Command; and the Army's Office of the Deputy Chief of Staff for Personnel, Enlisted Career Systems Division. We also observed two working sessions of the Enlisted Incentives Review Board. We reviewed data provided by the members of that Board, as well as other documents showing fill rates, recruiting goals, and bonus levels for the various enlisted occupational specialties.

To determine the extent to which the Army is maintaining the quality of its enlisted force, we obtained and reviewed data describing the extent to which the active Army, the Army National Guard, and the Army Reserve had met DOD's quality benchmarks for fiscal years 2005 through 2008. We also reviewed the estimates made by the Army and others to determine the size of the target recruiting market and discussed the Army's methodology in applying the conclusions reached with knowledgeable Army officials. We also obtained data on active Army and Army Reserve programs to expand the youth target market population from the U.S. Army Recruiting Command. Additionally, we obtained information on the numbers and types of enlistment waivers granted by the active Army, the Army Reserve,

and the Army National Guard in fiscal years 2005 through 2008. Types of enlistment waivers include conduct waivers, drug and alcohol waivers, administrative waivers, and medical waivers. The U.S. Army Recruiting Command provided data on waivers granted to recruits enlisting into the active Army and the Army Reserve. The National Guard Bureau provided data on waivers granted to recruits enlisting into the Army National Guard. However, the U.S. Army Accessions Command holds responsibility for maintaining these data for all components, and waiver information stored in the U.S. Army Accessions Command's database originates and is entered at Military Entrance Processing Stations. After interviewing relevant officials from the U.S. Army Recruiting Command, we determined that the waiver data from fiscal years 2005 through 2007 had limitations that precluded us from presenting these data in our report. Among the problems cited by officials were the data system's failure to capture all waivers for recruits with multiple waivers, the overcounting of other waivers, and the miscoding of some misdemeanors as felonies. We determined that the Army had adequately addressed these problems for the fiscal year 2008 waiver data, and we found this year's data to be sufficiently reliable for the purposes of our report. To obtain information on the performance of recruits with and without enlistment waivers, we (1) reviewed the Army's 2007 and 2008 studies of the performance of the conduct waiver population and obtained additional information about these studies' findings and methodology through interviews with relevant Army officials and (2) reviewed RAND's 2008 study of the performance of recruits with waivers and obtained additional information on RAND's ongoing and planned efforts in the area of conduct waivers from relevant RAND and Army officials. We also reviewed DOD and Army policies pertaining to enlistment waivers— specifically the Office of the Undersecretary of Defense for Personnel and Readiness' June 2008 Directive-Type Memorandum 08-018 on enlistment waivers and Army Regulation 601-210, "Personnel Procurement: Active and Reserve Components Enlistment Program" (June 7, 2007).

To assess the extent to which the Army is directing the growth in its officer force to areas of need and the extent to which it has determined whether short-term tradeoffs to alleviate shortages will have long-term effects on its officer corps, we analyzed various data related to officer demand, strength levels, promotions, and retention. We reviewed the Defense Officer Personnel Management Act of 1980, Senate Report No. 96-375, House Report No. 96-1462, and corresponding provisions of Title 10 of the U.S. Code in order to ascertain legislated benchmarks for officer strength, promotion rates, and options available to the Army to address shortages. We obtained data on officer authorizations and strength

levels, as well as information on programs to address officer shortages from the Army's Office of the Deputy Chief of Staff for Personnel. We compared authorizations and strength levels to identify shortages in specific ranks and specific branches. We analyzed existing and projected trends in officer demand and supply for fiscal years 2003-13. We reviewed documentation and reports on incentive programs for captains and cadets prior to their commissioning. Additionally, we talked to Army officials about their intent behind these programs. Furthermore, we received information on actual promotion rates from the Army's Office of the Deputy Chief of Staff for Personnel, which we compared to the promotion benchmarks in Senate Report No. 96-375.

The data we reviewed for each of our research objectives generally covered fiscal years 2005 through 2008; however, our analysis of enlistment waivers was limited to fiscal year 2008 due to limitations in waiver data from previous years, such as the system's failure to capture some waivers and the overcounting of other waivers. Except in the case of the enlistment waiver data, we found the data for fiscal years 2005 through 2008 to be sufficiently reliable for the purposes of this report. We interviewed officials and, where appropriate, obtained documentation at the following locations:

Office of the Secretary of Defense

- Office of the Undersecretary of Defense for Personnel and Readiness
- Defense Manpower Data Center

Department of the Army

- Army National Guard
- Assistant Secretary of the Army for Financial Management and Comptroller
- Office of Economic and Manpower Analysis, United States Military Academy
- Office of the Assistant Secretary of the Army for Manpower and Reserve Affairs
- Office of the Deputy Chief of Staff for Personnel
- Office of the Chief of Staff for Programs
- U.S. Army Accessions Command
- U.S. Army Cadet Command
- U.S. Army Human Resources Command
- U.S. Army Recruiting Command
- U.S. Army Reserve Command

Other Government Agencies

- Congressional Budget Office
- Congressional Research Service

The RAND Corporation

We conducted this performance audit from February 2008 through March 2009 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: Enlistment Bonuses for Active Duty Soldiers

Table 10 shows the amounts of enlistment bonuses offered to active-duty Army soldiers at the time of the Army's June 2008 Enlisted Incentives Review Board's meeting.

Table 10: Levels of Enlistment Bonuses Offered to Active Army Soldiers, June 2008

	Length of enlistment contract				
Bonus level	**2 years**	**3 years**	**4 years**	**5 years**	**6 years**
Level 1	$10,000	$20,000	$25,000	$30,000	$35,000
Level 2	$7,000	$15,000	$20,000	$25,000	$30,000
Level 3	$3,000	$10,000	$15,000	$20,000	$25,000
Level 4	$0	$5,000	$10,000	$15,000	$20,000
Level 5	$0	$4,000	$5,000	$10,000	$15,000
Level 6	$0	$3,000	$4,000	$5,000	$10,000
Level 7	$0	$2,000	$3,000	$4,000	$5,000

Source: U.S. Army Human Resources Command.

Table 11 shows occupational specialties that were determined to qualify for bonuses at the June 2008 meeting of the Enlisted Incentives Review Board.

Table 11: Occupational Specialties Qualifying for Enlistment Bonuses (as of June 2008)

Bonus level	Occupational Specialty	Year-to-date fill rate (in percentages)	On Priority List?
1	09L – Interpreter/Translator	not listed	No
	13D - Field Artillery Tactical Data Systems Specialist	94	Yes
	14E – Patriot Fire Control Enhanced Operator/Maintainer	88	Yes
	25P – Microwave Systems Operator/Maintainer	86	No
	25S – Satellite Communication Systems Operator/Maintainer	88	No
	35W – Electronic Warfare/Signal Intelligence Recruit	57	No
2	13R – Field Artillery Firefinder Radar Operator	91	Yes
	14J - Air Defense Tactical Operations Center Operator/Maintainer	101	No
	14T – Patriot Launching Station Enhanced Operator/Maintainer	97	Yes

Bonus level	Occupational Specialty	Year-to-date fill rate (in percentages)	On Priority List?
	18X – Special Forces Recruit	102	Yes
	25Q – Multichannel Transmission Systems Operator	102	Yes
	25U – Signal Support Systems Specialist	101	Yes
	88M – Motor Transportation Operator	93	Yes
	92F – Petroleum Supply Specialist	90	Yes
	94A – Land Combat Electronic Missile System Repairer	98	No
	94E - Radio and Communications Security Repairer	91	No
	94S – Patriot System Repairer	102	No
3	13F – Fire Support Specialist	100	Yes
	35H – Common Ground Station Analyst	90	Yes
	63J – QM and Chemical Equipment Repairer	106	No
	89D – Explosive Ordnance Disposal Specialist	99	Yes
	92G – Food Service Specialist	99	No
	94F – Computer Detection Systems Repairer	100	No
	94M – Radar Repairer	102	No
	94Y – Integrated Family of Test Equipment Operator and Maintainer	103	No
4	13B – Cannon Crew Member	95	Yes
	21U – Topographic Analyst	101	No
	35G – Imagery Analyst	105	No
	35T – Military Intelligence Systems Maintainer/Integrator	97	No
	37F – Psychological Operations Specialist	96	Yes
	42RN – Keyboard Player	not listed	No
	92R – Parachute Rigger	98	Yes
5	11X – Infantryman	103	Yes
	25N – Joint Networking Nodal System Operators/Maintainers	101	Yes
	35N – Signals Intelligence Analyst	102	No
	42R9B – Cornet or Trumpet Player	not listed	No
	42R9D – French Horn Player	not listed	No
	42R9H – Oboe Player	not listed	No
	42R9J – Clarinet Player	not listed	No
	42R9K – Bassoon Player	not listed	No

Bonus level	Occupational Specialty	Year-to-date fill rate (in percentages)	On Priority List?
	42R9T – Guitar Player	not listed	No
	42R9U – Electric Bass Guitar Player	not listed	No
	52D – Power Generator Equipment	99	No
	68K – Medical Laboratory Specialist	105	No
	68S – Preventive Medicine Specialist	99	No
	74D — Chemical Biological Radiological and Nuclear Operations Specialist	105	No
	89A – Ammunition Stock Control and Accounting Specialist	115	No
	89B – Ammunition Specialist	115	No
	94T – Avenger System Repairer	118	No
6	13M – Multiple Launch Rocket System/High Mobility Artillery Rocket System Crew Member	78	No
	19K – M1 Abrams Armor Crew Member	100	Yes
	21C – Bridge Crewmember	92	No
	21D – Diver	102	No
	21Y – Geospatial Engineer	0	No
	27D – Paralegal Specialist	81	No
	31B – Military Police	101	Yes
	35S – Signals Collector/Analyst	108	No
	45G – Fire Control Rep	101	No
	63M – Bradley Fighting Vehicle System	92	No
	68W – Healthcare Specialist	99	Yes
	94H – Test, Measurement, and Diagnostic Equipment Support Specialist	89	No
7	13P – Multiple Launch Rocket System Automated Tactical Data Systems Specialist	76	No
	14S – Air and Missile Defense	117	No
	15B – Aircraft Powerplant Repairer	101	No
	15G – Aircraft Structural Repairer	100	No
	15J – OH-58D Armament/Electrical/Avionics System Repairer	101	Yes
	15Q – Air Traffic Control Operator	82	No
	21B – Combat Engineer	101	Yes
	21E – Heavy Construction Equipment	99	No
	25C – Radio Operator Maintainer	96	No
	25R – Visual Information/Audio Equipment Repairer	92	No

Bonus level	Occupational Specialty	Year-to-date fill rate (in percentages)	On Priority List?
	31E – Internment/Resettlement Specialist	105	Yes
	35F – Intelligence Analyst	105	Yes
	46Q – Journalist	98	No
	63B – Light Wheeled Vehicle Mechanic	103	Yes
	92W – Water Treatment Specialist	87	No
	92Y - Unit Supply Specialist	102	Yes
	94R – Avionic and Survivability Equipment Repairer	106	No

Source: GAO analysis of data provided by the Army Office of the Deputy Chief of Staff, U.S. Army Recruiting Command, and U.S. Human Resources Command.

Appendix III: GAO Review of Felony Waivers

Through the end of fiscal year 2008, the Army granted conduct waivers to some enlistees who had histories of felony charges, and it has a multi-step review process in place to make these determinations.[1] In fiscal year 2008, a fairly small number of individuals were admitted into the Army with a felony waiver. Specifically, 1,048 recruits with felony waivers entered the active Army in fiscal year 2008 (or less than 2 percent of overall accessions). The number of recruits entering the Army Reserve and the Army National Guard with felony waivers in fiscal year 2008 stood at 196 and 128, respectively, or less than 1 percent of these components' overall accessions for that year.[2] While the Army grants felony waivers in some cases, officials said that the Army does not admit serious criminals who may pose harm to others and to the Army's larger mission. According to Army documents, the Army does not consider applicants convicted of the most serious felonies, such as murder, sexually violent crimes, domestic violence,[3] and drug dealing, as well as alcoholism and drug dependency. The Army also excludes individuals on probation or parole, in confinement, awaiting criminal charges, and ordered to enter the military in lieu of (or as a result of) being prosecuted.[4]

Army officials said that the Army's waiver approval process is designed so that only the most deserving candidates are awarded waivers. In assessing an individual for a conduct waiver, the Army uses the "whole person concept," considering factors such as employment stability, success in school, accomplishments in the community, references from others in the community who have come to know the applicant, and signs of remorse and changed behavior since the incident occurred. The process involves a

[1] In March 2009, after we had completed our audit work, the Army stated that waivers for adult felonies had been suspended for the active Army and the Army Reserve. Prior to that date, the Army National Guard had already suspended felony waivers.

[2] As of December 6, 2007 (less than 3 months into fiscal year 2008), the Army National Guard had stopped granting waivers for adult-level felonies in an attempt to increase the quality of its soldiers.

[3] Army Regulation 601-210, section 4-7, defines a crime of domestic violence as an offense that involves the use or attempted use of physical force; threatened use of a deadly weapon by a current or former spouse, parent, or guardian of the victim; by the person with whom the victim shares a child in common; by a person who is cohabiting with or has cohabited with the victim as a spouse, parent, or guardian; or by a person who was similarly situated to a spouse, parent, or guardian of the victim. Army Regulation 601-210, "Active and Reserve Components Enlistment Program" (June 7, 2007).

[4] Officials of the Office of the Secretary of Defense acknowledged that it may not be possible for the Army to know if someone was told by a judge to enter the Army in lieu of being prosecuted, unless the individual discloses this information.

series of steps and multiple layers of review. Each individual's waiver request is typically reviewed at 6 different levels for misdemeanors and traffic offenses and at 10 different levels for felonies. All felony waivers and certain serious misdemeanor waivers must be approved at the level of the Deputy Commanding General of the U.S. Army Recruiting Command for active Army and Army Reserve recruits and at the level of the Director of the Army National Guard for Army National Guard recruits.

The Army reported that the top five offenses that receive felony waivers are burglary, narcotics and drug charges, aggravated assault, larceny, and unlawful breaking or entering. Our review of the waiver files for all those accessed by the active Army or Army Reserve in fiscal year 2007 with waivers for felony convictions identified examples within each of these categories. Table 12 provides examples of the various offenses that we found in reviewing the waiver files.

Table 12: Examples of Felony Offenses Committed by Individuals Who Received Waivers for Felony Convictions from the Army in Fiscal Year 2007

Offense category	Example
Burglary	At age 19, an individual was charged with burglary after he and a friend opened the door of the restaurant where a friend worked and took the safe. He served probation and paid a fine. He was 25 years old when the waiver application was reviewed.
	At age 20, an individual was charged with burglary for attempting to steal $1,547.50 from a store. He completed 56 weekends in jail, served probation, and paid a fine. He was 24 when the waiver application was reviewed.
Narcotics/drug charges	At age 17, an individual was charged with possession of drugs and drug paraphernalia after the search of the car he was driving resulted in the police's finding a bag of marijuana and an empty bag of heroin. He paid relevant fines. He was 20 years old when the waiver application was reviewed.
	At age 18, an individual was found to have methamphetamines in his possession. He started using marijuana at the age of 12, later moving on to methamphetamines. He served probation, paid a fine, and completed community service. At the age of 22, he was also charged with Driving While Intoxicated, for which he served one day in jail and paid a fine. He was 23 years old when the waiver application was reviewed.
Aggravated assault	At age 18, an individual was charged with aggravated assault for pulling out a pocket knife and swinging it at a group of individuals who he claims attacked him, striking one of them in the leg. He served probation. He was 20 years old when the waiver application was reviewed.
	At age 16, an individual was charged with aggravated assault with a deadly weapon. He claimed that he had come home and seen his mother being physically assaulted by her boyfriend. He called the police, grabbed a gun that was in the house, and threatened to use it. He served probation and completed community service. He was 18 years old when the waiver application was reviewed.

Offense category	Example
Other types of assault	At age 16, an individual was charged with assault with a deadly weapon for accidentally poking his friend with a tool from a metal class. He served probation. He was 18 years old when the waiver application was reviewed. At age 19, an individual was charged with assault with intent to inflict serious bodily injury for punching another individual who he assumed dented the rear of his car. The individual claimed that when he threw a punch, he forgot that he also had a bat in his hand. He served probation. He was 22 years old when the waiver application was reviewed.
Larceny/theft	At age 31, an individual was convicted for larceny over $500. He was a manager at a store at the time and was informed that he would be laid off. Out of anger and frustration, he took $26,000 from the store the day before he left. He returned the money, as well as paid a fine and served probation. He was 32 years old when the waiver application was reviewed. At age 22, an individual was arrested for grand theft after she wrote a check to pay for a motorcycle but did not have money in the bank. She paid court costs and restitution, as well as completed probation. A few months after this incident, she wrote another “hot check” for food. She was 33 years old when the waiver application was reviewed.
Robbery/armed robbery	At age 18, an individual was charged with robbery when he and a friend took items from a convenience store while carrying handguns. He paid restitution, as well as served confinement and parole. He was 27 years old when the waiver application was reviewed. At age 18, an individual was charged with robbery with a firearm when he and a friend robbed a local fast food restaurant. They took the gun that belonged to the friend’s father and told the manager, at gunpoint, to hand over the money. They were also charged with grand theft of the motor vehicle when they took the manager’s car to get away. He paid a fine, served a prison sentence, and served probation. He was 24 years old when the waiver application was reviewed.
Breaking and entering	At age 18, an individual was charged with breaking and entering. He claimed he was homeless and broke into a high school building to use a bathroom and a shower. He served probation and paid a fine. He was 21 years old when the waiver application was reviewed. At age 20, an individual was charged with residential entry after he and a friend went inside his girlfriend’s beach house without permission and stayed there through the night. He served a jail sentence and probation, as well as paid a fine. He was 22 years old when the waiver application was reviewed.
Sexual offenses	At age 21, an applicant was dating a coworker. The applicant claimed he did not know that she was under the age of 18 and was charged with corruption of a minor. He completed community service and paid a fine. He was 23 years old when the waiver application was reviewed. At age 17, an applicant had consensual sex with a 17-year-old girl. After her mother became aware of the incident, he was arrested and charged with having sex with a child. He paid a fine, as well as served a jail sentence of 2-1/2 months and probation. He was 18 years old when the waiver application was reviewed.

Source: GAO review of fiscal year 2007 waiver files from the U.S. Army Recruiting Command. These files covered all waivers granted in fiscal year 2007 to active Army and Army Reserve recruits with felony convictions.

Note: All of these examples were based on the information provided by waiver analysts at the U.S. Army Recruiting Command, reflecting the waiver analysts’ interpretations of the events. Substantial amounts of the information in the files were redacted, and it is not clear what evidence the Army used to determine the individuals’ eligibility for a waiver.

According to the Army, waivers will always be considered in the enlistment process because a one-time incident may not accurately reflect the true character of a person whom the Army ultimately decides to admit. Officials told us that those applying for conduct waivers are strong candidates whose qualifications are high enough to motivate the Army to

undertake this rigorous process on their behalf. However, some of the waiver files that we reviewed showed that the waiver applicants did not have high school diplomas or had fairly low AFQT scores.[5]

[5] The limited amount of information from the waiver files that was made available to GAO precluded us from assessing all the other qualifications that were taken into consideration when officials approved felony waiver requests for particular applicants. We did not independently assess the adequacy of the Army's process or the internal controls applied at different steps in the process.

Appendix IV: Critical Shortages of Officers by Rank and Branch

The table below shows fiscal year 2008 fill rates, or rates at which specific officer career areas, or branches, are currently filled, as well as the numbers of unfilled positions in those career areas. The Army considers a career area to be experiencing a shortage if it has a fill rate below 85 percent.

Table 13: Fill Rates Below 85 Percent for Officers by Rank and Branch at the End of Fiscal Year 2008

	Percentage of authorizations filled (number of positions unfilled)				
	Lieutenants	**Captains**	**Majors**	**Lieutenant colonels**	**Colonels**
Regular Army (total)			80% (3,112)		
Combat Arms (total)					
Aviation	62% (181)				
Combat Support (total)			83% (324)		
Military Police				83% (34)	
Military Intelligence			78% (196)		
Chemical			82% (33)		
Combat Service Support (total)		81% (510)	56% (540)[a]		
Civil Affairs			71% (52)		
Adjutant General Corps		80% (156)			
Transportation Corps [a]		68% (181)[a]	2% (285)[a]	0% (122)[a]	0% (32)[a]
Ordnance [a]	76% (191)[a]	68% (170)[a]	2% (189)[a]	0% (83)[a]	0% (30)[a]
Quartermaster Corps [a]		72% (144)[a]	3% (214)[a]	1% (77)[a]	6% (17)[a]
Special Branches (total)			83% (747)		
Judge Advocate General's Corps			61% (176)		84% (20)
Medical Corps	0% (1)	83% (263)			
Dental Corps			52% (116)	48% (141)	78% (60)
Medical Specialist Corps	60% (45)				
Nurse Corps			77% (171)		
Medical Service Corps			82% (169)		
Functional Areas (total)					
Systems Engineering			63% (44)		
Information Operations			54% (96)	68% (27)	72% (5)
Strategic Intelligence			80% (20)		
Space Operations				71% (19)	
Human Resource Management [b]		0% (20) [b]	0% (139) [b]	1% (69) [b]	0% (22) [b]
Comptroller [b]		0% (66) [b]	0% (117) [b]	0% (79) [b]	0% (32) [b]
U.S. Military Academy Stabilized Faculty				59% (25)	

	Percentage of authorizations filled (number of positions unfilled)				
	Lieutenants	Captains	Majors	Lieutenant colonels	Colonels
Foreign Area Officer			59% (154)		
Operations Research/Systems Analysis		48% (61)	74% (63)		
Research, Development and Acquisition		84% (44)			
Force Development					81% (5)
Systems Automation Officer		63% (88)	62% (90)		
Simulations Operations				67% (24)	70% (6)

Source: GAO analysis of data from the Army's Office of the Deputy Chief of Staff for Personnel.

[a]The Army is in the process of combining Transportation Corps, Ordnance, and Quartermaster Corps under the functional area Logistics. While there may not be enough officers in the specific branch, positions in Transportation Corps, Ordnance, and Quartermaster Corps can be filled by Logistics officers. Therefore, these numbers do not accurately reflect the fill rate for these positions. These types of changes also distort the fill rates shown in the Combat Service Support branch.

[b]These are new categories the Army created in 2007 to replace the Financial Management category. The Army is still working to transfer officers to these new categories. Therefore, these numbers do not accurately reflect the fill rates for these positions.

Appendix V: Comments from the Department of Defense

OFFICE OF THE UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

PERSONNEL AND READINESS

APR 23 2009

Ms. Brenda S. Farrell
Director, Defense Capabilities and Management
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Ms. Farrell:

This letter is the Department of Defense's response to the draft Government Accountability Office (GAO) report, 'MILITARY PERSONNEL: Army Needs to Focus on Cost-Effective Use of Financial Incentives and Quality Standards in Managing Force Growth,' dated May 2009, (GAO Code 351131/GAO-09-256).

Please see the enclosure for our specific responses to each of the recommendations. Questions regarding this response should be addressed to the OSD (MPP) action officer, Lt Col Greg Brown at 693-3939 or greg.brown@osd.mil.

Sincerely,

William J. Carr
Deputy Under Secretary
(Military Personnel Policy)

Enclosure:
As stated

GAO DRAFT REPORT – DATED MAY, 2009
GAO CODE 351131/GAO-09-256

"MILITARY PERSONNEL: Army Needs to Focus on Cost-Effective Use of Financial Incentives and Quality Standards in Managing Force Growth"

DEPARTMENT OF DEFENSE COMMENTS TO THE RECOMMENDATIONS

RECOMMENDATION 1: The GAO recommends that the Secretary of Defense direct the Secretary of the Army to enhance its existing processes to recruit and retain sufficient numbers of enlisted personnel and to avoid making excessive payments to achieve desired results, build on currently available analyses that will enable the Army to set cost-effective enlistment and reenlistment bonuses.

DOD RESPONSE: Concur. The Department policy is: *"The intent of bonuses is to influence personnel inventories in specific situations in which less costly methods have proven inadequate or impractical. The Military Services must exercise this authority in the most cost-effective manner, considering bonus employment in relation to overall skill, training, and utilization requirements. Military skills selected for the award of enlistment, accession, reenlistment, or retention bonuses must be essential to the accomplishment of defense missions." [DoDD 1304.21, January 2005].* Moreover, Army regularly responds to the Department of Defense in justifying new bonuses or defending changes to existing incentives. Admittedly, oversight and refinement is essential in assuring successful policy compliance. To that end, in February 2009 the Department contracted a DoD-wide research study entitled "Recruiting and Retention Effectiveness of Cash Incentives." The explicit objective of this research is to assess the impact on enlistment and reenlistment propensity of military cash incentives used in the Services. The assessment of bonuses will cover scope of application, growth trends, and cost-effectiveness relative to other resources utilized to improve recruiting and retention. The Department expects to receive the first draft of this research in June of 2009.

RECOMMENDATION 2: The GAO recommends that the Secretary of Defense direct the Secretary of the Army to enable the most efficient use of recruiting resources, collect data on the cost-effectiveness of the Army's conduct waiver polices—including costs associated with the waiver review and approval process and with future separations of soldiers with conduct waivers for adverse reasons—and use these data to inform the Army's waiver policies.

DOD RESPONSE: Concur. We note that, on February 17, 2009, Army Audit Agency began an audit of the Army Recruiting Waiver Program that will, among other things, examine whether the Active, Reserve, and National Guard components are using appropriate and uniform standards for granting and processing enlistment waivers.

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RECOMMENDATION 3: The GAO recommends that the Secretary of Defense direct the Secretary of the Army to, should the Army decide to offer incentives to officers in the future, build on currently available analyses that will enable the Army, with the direction and assistance of the Secretary of Defense, to set cost-effective bonus amounts and other incentives.

DOD RESPONSE: Concur. The Department policy is: *"The intent of bonuses is to influence personnel inventories in specific situations in which less costly methods have proven inadequate or impractical. The Military Services must exercise this authority in the most cost-effective manner, considering bonus employment in relation to overall skill, training, and utilization requirements. Military skills selected for the award of enlistment, accession, reenlistment, or retention bonuses must be essential to the accomplishment of defense missions." [DoDD 1304.21, January 2005].* The Department's oversight of officer retention is rigorous and demands that the Military Services provide a detailed business case before the Office of the Secretary of Defense grants the requesting service the authority to employ a retention bonus.

RECOMMENDATION 4: The GAO recommends that the Secretary of Defense direct the Secretary of the Army, to enable it to make informed decisions regarding the management of its officer corps over time, track—and if necessary correct—any effects that its actions to alleviate shortages may have on the officer corps, particularly in cases in which the Army has deviated from benchmarks established in the Defense Officer Personnel Management Act.

DOD RESPONSE: Partially-concur. DOPMA officer promotion "benchmarks" represent generalized guidelines but are not intended, under present law and policy, to serve as fixed mandates. Moreover, OSD policy (Enclosure 2 of DoDI 1320.13, June 1996) already is explicit in defining desired promotion timing and opportunity. In the course of managing officer experience and grade profiles, the Secretaries of the Military Departments are permitted to vary actual promotion opportunity and timing (by competitive category and grade) to meet these requirements. Oversight is important, and these data are tracked annually by OSD staff, through Service inputs and data systematically assembled and submitted from the Defense Manpower Data Center.

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Appendix VI: GAO Contact and Staff Acknowledgments

GAO Contact

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