



September 2014

# MILITARY PERSONNEL

## DOD Needs to Update General and Flag Officer Requirements and Improve Availability of Associated Costs

## Why GAO Did This Study

GFOs are the elite leaders of the U.S. military. In August 2013 Congress raised questions about costs associated with GFOs as the size of the military forces decreases.

GAO was mandated to assess the trends in costs of the active duty GFO population from FY 2001 through FY 2013. This report (1) identifies changes in the population and statutory limits for active duty GFOs relative to other active duty personnel, and the extent to which DOD updated GFO requirements, and (2) assesses what is known about the costs associated with active duty GFOs and their aides and trends in such costs, including trends in GFO compensation costs relative to those of other active duty personnel from FY 2001 through FY 2013. GAO assessed the availability of cost data and analyzed available active duty military personnel population and cost data, including costs for compensation, housing and travel for FY 2001 through FY 2013, using FY 2013 dollars. GAO also met with DOD officials.

## What GAO Recommends

GAO recommends that DOD update GFO requirements and define circumstances for doing so, improve information related to GFO aides, and define costs associated with GFOs. DOD partially concurred with the recommendations on updating requirements and improving information on GFO aides, and did not concur with defining costs associated with GFOs, citing among other reasons, a need for flexibility and the adequacy of existing information. GAO continues to believe the recommendations are valid, as discussed in the report.

View [GAO-14-745](#). For more information, contact Brenda S. Farrell at (202) 512-3604 or [farrellb@gao.gov](mailto:farrellb@gao.gov).

## MILITARY PERSONNEL

### DOD Needs to Update General and Flag Officer Requirements and Improve Availability of Associated Costs

#### What GAO Found

The general and flag officer (GFO) population (i.e., officers ranked at or above brigadier general or rear admiral) experienced higher rates of growth than the enlisted population since fiscal year (FY) 2001. The Department of Defense (DOD) has not comprehensively updated GFO requirements—the number of GFOs needed to fill positions—since 2003 to reflect changes in the active duty force nor has DOD defined circumstances under which such an update should occur. GFO population growth was generally consistent with the growth in GFO statutory limits. From FY 2001 through FY 2013 growth was not evenly distributed across all military ranks. For example, the GFO and non-GFO officer populations grew from 871 to 943 (8 percent) and from 216,140 to 237,586 (10 percent), respectively, while the enlisted population decreased from 1,155,344 to 1,131,281 (2 percent). DOD officials attributed these differences to the greater flexibility that military planners have to decrease the enlisted population. DOD guidance requires military personnel requirements to be periodically evaluated. DOD conducted a comprehensive update of GFO requirements in 2003 and concluded that the department needed more GFOs than were authorized by Congress. However, DOD officials said that they have not comprehensively updated the requirements since 2003 or advocated for an increase of GFOs because of fiscal constraints. Nevertheless, without periodically conducting a comprehensive update of DOD's GFO requirements, and defining when such an update should occur, it will be difficult for DOD to help ensure that the GFO population is properly sized and structured to meet its assigned missions.

The full cost to DOD for GFOs from FY 2001 through FY 2013 is unknown because complete cost data for GFOs and their aides were not available and trends in available cost data varied. Certain cost data were fully available and complete for FY 2001 through FY 2013, while other cost data were either partially complete or unavailable because of reporting practices, retention policies, inconsistent definitions, and reliability factors. Also, the position of officer aide is not defined in departmental guidance and as a result all military services were not able to consistently track the number of personnel in these positions. Cost data related to GFO compensation and housing were readily available, and trends for these costs varied, with compensation increasing by 38 percent and housing decreasing by 67 percent from FY 2001 through FY 2013. Measured on a per capita basis, compensation costs grew by 18 percent for GFOs, 19 percent for non-GFO officers, and 32 percent for enlisted personnel over the same time frame. GAO assessed GFO commercial travel and per diem and GFO health care costs as partially complete because data were not available for FY 2001 through FY 2013. For the years in which complete data were available, travel and per diem costs increased by 4 percent from FY 2009 through FY 2013 and health care costs grew by 77 percent from FY 2003 through FY 2013. Other cost data, including data for GFO travel on military and government flights, GFO personal security details, and certain enlisted and officer aide costs, were not readily available or GAO determined them to be unreliable because of concerns regarding completeness or accuracy. By defining the officer aide position and GFO and associated aide costs, DOD will be able to better account for the full costs of GFOs and improve its ability to make sound workforce allocation decisions.

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## Abbreviations

DOD	Department of Defense
GFO	General and Flag Officer

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September 9, 2014

### Congressional Committees

General and flag officers (GFO) are the elite leaders of the U.S. military at the rank of brigadier general and above (for the Army, the Air Force, and the Marine Corps) and rear admiral and above (for the Navy), and make up less than a tenth of a percent of the active duty force. In 2003, the Department of Defense (DOD) determined that GFO requirements—the number of GFOs DOD components need to fill positions—were higher than the number of GFOs that were being authorized by Congress at that time.<sup>1</sup> However, in March 2011, DOD announced plans to eliminate 102—or 11 percent of—GFO positions as part of the department’s efficiencies initiatives.<sup>2</sup> Also, recent inspectors general investigations of GFO misconduct have placed costs associated with GFOs under increased scrutiny.<sup>3</sup> While recognizing DOD’s efforts to control the numbers of GFOs on active duty, Congress has raised questions over the costs

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<sup>1</sup>Department of Defense, Office of the Under Secretary of Defense for Personnel and Readiness, *Review of Active Duty and Reserve General and Flag Officer Authorizations* (Washington, D.C.: March 2003).

<sup>2</sup>In 2010, the Secretary of Defense announced efficiencies initiatives designed to reduce overhead, duplication, and excess in DOD. The initiatives were structured into four “tracks”; the GFO reductions were included in Track 4.

<sup>3</sup>For example, in June 2012 the DOD Inspector General reported that the general formerly serving as Commander of U.S. Africa Command engaged in multiple forms of misconduct related to official and unofficial travel, misused government funds, and misused his position (see Department of Defense, Office of Inspector General, *Investigation Concerning Major General (MG) William E. Ward, U.S. Army, Former Commander, U.S. Africa Command*, 11-119226-153 (Alexandria, Va.: June 26, 2012). In June 2013 the Naval Inspector General reported violations of travel regulations, improper solicitation and receipt of moneys from an outside source, and false statements associated with official travel by three flag officers (see Department of the Navy, Office of Inspector General, *Senior Official Cases: 201202138 Alleging Violation of Joint Travel Regulations by RADM Mark F. Heinrich, Capt (Rdml Select) David R. Pimpo and Capt (Rdml Select) Donald L. Singleton; 201204067 Alleging RADM Heinrich Improperly Solicited and Received Monies from an Outside Source; and 201300498 Alleging RADM Heinrich Made False Official Statements Pursuant to an Official Request* (June 17, 2013).

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associated with sustaining the GFO population as the size of the active duty force decreases.<sup>4</sup>

In DOD's 2003 Review of Active Duty and Reserve General and Flag Officer Authorizations, DOD concluded that at that time, GFO requirements were higher than the GFO statutory limit of 1,311 positions by 319 positions.<sup>5</sup> In April 2004, we reviewed this study and found that DOD did not explain why it did not seek to increase the statutory limits on GFO numbers to meet validated requirements. We recommended, among other things, that DOD periodically update GFO requirements.<sup>6</sup> DOD concurred with this recommendation at the time, and we discuss the status of the recommendation later in this report.

Moreover, in 2003 and 2004, DOD submitted legislative proposals to Congress aimed at enhancing the department's flexibility in managing GFOs. However, in our September 2004 review of these proposals, we found that DOD did not present evidence that the laws the department sought to change hindered the management of GFOs and noted that DOD had not made full use of flexibilities that existed without changes to the law. We recommended that DOD evaluate options for extending GFO careers within the existing legislative framework.<sup>7</sup> DOD did not concur with our findings because it disagreed that the desired flexibility could have been achieved within the existing statutory framework. However, DOD had not presented a sound business case to support the need for changing the existing legislative framework. Since we issued our September 2004 report, DOD has continued to seek changes in the legislative framework for managing GFOs, and Congress has approved several changes. For example, the fiscal year 2007 National Defense Authorization Act extended the mandatory retirement age for active duty

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<sup>4</sup>See S. Rep. No. 113-85, at 11-12 (2013). Also, as of August 2014, the House of Representatives has passed a bill (H.R. 4435) and the Senate Armed Services Committee has reported out a bill (S. 2410) that if enacted, would freeze GFO pay at 2014 levels.

<sup>5</sup>Department of Defense, Office of the Under Secretary of Defense (Personnel and Readiness), *Review of Active Duty and Reserve General and Flag Officer Authorizations*.

<sup>6</sup>GAO, *Military Personnel: General and Flag Officer Requirements Are Unclear Based on DOD's 2003 Report to Congress*, [GAO-04-488](#) (Washington, D.C.: Apr. 21, 2004).

<sup>7</sup>GAO, *Military Personnel: DOD Could Make Greater Use of Existing Legislative Authority to Manage General and Flag Officer Careers*, [GAO-04-1003](#) (Washington, D.C.: Sept. 23, 2004).

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GFOs. Also, for the fiscal year 2008 National Defense Authorization Act, DOD proposed eliminating mandatory retirement for years of service or time in grade for GFOs above the grade of major general or rear admiral.

A Senate report accompanying the Consolidated Appropriations Act of 2014 and a House report accompanying the National Defense Authorization Act for Fiscal Year 2014 mandated that GAO assess the trends in costs of the active duty GFO population from fiscal years 2001 to 2013.<sup>8</sup> This report (1) identifies any changes in the population and statutory limits for active duty GFOs relative to other active duty personnel, and the extent to which DOD updated GFO requirements, and (2) assesses what is known about the costs associated with the active duty GFO population and their aides and any trends in such costs, including trends in GFO compensation costs relative to those of other active duty personnel for fiscal years 2001 through 2013.

To identify any changes in the population and statutory limits for active duty GFOs relative to other active duty personnel for fiscal years 2001 through 2013, we reviewed the relevant U.S. Code provisions (10 U.S.C. §§ 525 and 526) as applicable and amended for each of these years, and obtained and analyzed population data for this time period using end strengths from the Defense Manpower Data Center.<sup>9</sup> We assessed the reliability of Defense Manpower Data Center end strength data by reviewing documentation, interviewing and administering questionnaires to cognizant officials, and independently assessing the completeness of data. We determined the data to be sufficiently reliable for the purposes of this report, specifically to determine the population trends associated with GFOs and other active duty military personnel from fiscal years 2001 through 2013. We included population data from fiscal years 2001 through 2013 in our review to be consistent with the time frame included in our review of trends in GFO costs. The scope of our analysis included those personnel on active duty; we did not include reserve component personnel in our review. To determine the extent to which DOD updated GFO requirements since 2003, we reviewed relevant GAO and DOD studies, analyzed population trends for changes, reviewed relevant DOD policies and guidance, and interviewed officials at the Office of the

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<sup>8</sup>See S. Rep. No. 113-85, at 11-12 (2013), and H.R. Rep. No. 113-102, at 142 (2013).

<sup>9</sup>End strengths are a measure of the number of personnel on military payrolls on the last day of each fiscal year (September 30).

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Secretary of Defense and the military services responsible for GFO management. We assessed the information we collected against DOD guidance that requires military and civilian personnel resources be programmed in accordance with validated requirements that are periodically reevaluated,<sup>10</sup> and a best practices model for strategic human capital management.<sup>11</sup>

To assess what is known about the costs associated with the active duty GFO population and their aides from fiscal years 2001 through 2013, including any trends in GFO compensation costs relative to those of other active duty personnel, we identified the relevant offices in the Office of the Secretary of Defense, the Joint Staff, and the military departments responsible for managing active duty GFOs and aides, along with related costs, such as compensation, housing, and travel; met with officials at these offices to determine the extent to which data were available for this time frame; obtained and assessed the reliability of available data; and analyzed available data, when possible. We used DOD's composite standard pay rates to calculate the cost of compensation provided to active duty GFOs and enlisted and officer aides from fiscal years 2001 through 2013. The composite rates are used by DOD when determining the military personnel appropriations cost for budget and management studies, but do not include compensation costs located in other budgets, such as education benefits. We identified criteria in DOD guidance, federal internal control standards, and federal accounting standards that specify the need for full and reliable personnel and other cost data for the purpose of making operating decisions and allocating resources, and assessed the availability of GFO cost data against those criteria.<sup>12</sup> We

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<sup>10</sup>Department of Defense Directive 1100.4, *Guidance for Manpower Management*, (Feb. 12, 2005).

<sup>11</sup>GAO, *A Model of Strategic Human Capital Management*, [GAO-02-373SP](#) (Washington, D.C.: Mar. 15, 2002). To develop this model, we reviewed multiple sources, including lessons learned from public and private organizations that are viewed as leaders in strategic human capital management and managing for results, in addition to findings from academia, the Office of Personnel Management, the Merit Systems Protection Board, and the National Academy of Public Administration.

<sup>12</sup>See Department of Defense Instruction 7041.04, *Estimating and Comparing the Full Costs of Civilian and Active Duty Military Manpower and Contract Support*, (July 3, 2013); GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999); and Federal Accounting Standards Advisory Board, *Statement of Federal Financial Accounting Standards No. 4: Managerial Cost Accounting Concepts and Standards for the Federal Government* (Washington, D.C.: July 31, 1995).



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defined the GFO-related costs included in our scope as those costs that were (1) specified in the congressional reports that mandated our work, (2) consistent with our prior body of work on military compensation,<sup>13</sup> or (3) determined as GFO-related costs based on discussions with knowledgeable officials. We categorized each cost element as “complete,” “partially complete,” or “unavailable” based on the availability, completeness, and reliability of data provided for fiscal years 2001 through 2013. Cost data that were determined to be “complete” were readily available for all of the years included in our review. Cost data that were determined to be “partially complete” were either not available or not reliable for all years. “Unavailable” cost data were either not readily available or were determined to be unreliable across all of the years included in our review. Because of the incomplete nature of the data, cost elements should not be aggregated to determine the full cost of GFOs. We assessed the reliability of available data by reviewing documentation, interviewing and administering questionnaires to cognizant DOD officials, and independently assessing the completeness of data in order to determine the process by which data were compiled; identify data aggregation, storage, reporting, and quality control processes; and resolve any data anomalies. We did not assess all of the processes used to create or assemble certain data, such as data sets assembled by DOD officials from multiple sources. We determined that certain data were not sufficiently reliable for the purpose of our review based on the presence of significant errors or incompleteness in some or all of the key data elements, or because using the data might lead to an incorrect or unintentional message. Those data were excluded from our analyses. We believe the cost data that we did include in this report are sufficiently reliable for the purpose of determining the costs associated with GFOs and other active duty personnel from fiscal years 2001 through 2013. A more detailed discussion of our scope and methodology is provided in appendix I.

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<sup>13</sup>DOD provides active duty personnel with a compensation package made up of cash, such as pay and allowances; noncash benefits, such as health care; and deferred compensation, such as retirement pensions and health benefits. See GAO, *Military Personnel: Military and Civilian Pay Comparisons Present Challenges and Are One of Many Tools in Assessing Compensation*, [GAO-10-561R](#) (Washington, D.C.: Apr. 1, 2010); *Military Personnel: DOD Needs to Establish a Strategy and Improve Transparency over Reserve and National Guard Compensation to Manage Significant Growth in Cost*, [GAO-07-828](#) (Washington, D.C.: June 20, 2007); and *Military Personnel: DOD Needs to Improve the Transparency and Reassess the Reasonableness, Appropriateness, Affordability, and Sustainability of Its Military Compensation System*, [GAO-05-798](#) (Washington, D.C.: July 19, 2005).

We conducted this performance audit from November 2013 to September 2014 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.

## Background

GFOs are officers in the four ranks of brigadier general and above (for the Navy, rear admiral and above). GFOs are senior officers with high-level interagency, intergovernmental, and multinational responsibilities. These officers plan and implement military operations by integrated military forces across the domains of land, sea, air, and space. Table 1 displays the pay grade, title of rank, and insignia worn by GFOs.

**Table 1: Pay Grade, Title of Rank, and Insignia Worn at General and Flag Officer Ranks**

Pay grade	Title of rank		Insignia
	Army, Air Force, and Marine Corps	Navy	
O-10	General	Admiral	★★★★
O-9	Lieutenant general	Vice admiral	★★★
O-8	Major general	Rear admiral	★★
O-7	Brigadier general	Rear admiral (lower half)	★

Sources: Title 10 U.S. Code and Department of Defense. | GAO-14-745

GFOs are assigned based on statutory limits and requirements. Congress establishes statutory limits on the number and distribution across each rank of GFOs for each of the services and joint staff. For fiscal year 2014, Title 10 of the U.S. Code mandated service-specific ceilings totaling 652 active duty GFOs for all services.<sup>14</sup> In addition to the service-specific GFO positions, for fiscal year 2014, Title 10 also specifies 310 GFO positions

<sup>14</sup>10 U.S.C. § 526.

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to be designated by the Secretary of Defense for joint duty positions.<sup>15</sup> These positions are not included in the service ceilings. DOD determines GFO requirements—the number of GFOs DOD components need—by determining the number of positions that should be filled by a GFO.

DOD provides active duty personnel with a compensation package made up of cash, such as pay and allowances; noncash benefits, such as health care; and deferred compensation, such as retirement pensions and health benefits. We have previously reported on the costs of military compensation and found that there is variability in how compensation is defined.<sup>16</sup> GFOs are generally eligible for the same types of compensation as other active duty personnel, and may also be provided with security details, travel on military aircraft, aides, and funds for official entertainment and representation functions.<sup>17</sup> See appendix I for a discussion of the specific cost elements included in this review.

According to DOD Instruction 1315.09, enlisted aides are a resource to assist GFOs with minor details that if performed by the officers themselves, would affect the GFOs' primary military and official duties. Enlisted aides may, for example, perform tasks that directly aid the officer in the performance of his or her military and official responsibilities and assist with the planning and implementation of official social functions and activities.<sup>18</sup> Title 10 also places a ceiling on the total number of enlisted personnel that may be assigned or otherwise detailed as enlisted aides

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<sup>15</sup>10 U.S.C. § 526(b). Joint duty assignments are defined by DOD as assignment to a designated position in a multiservice, joint, or multinational command or activity that is involved in the integrated employment or support of the land, sea, and air forces of at least two of the three military departments. Such involvement includes, but is not limited to, matters relating to national military strategy, joint doctrine and policy, strategic planning, contingency planning, and command and control of combat operations under a unified or specified command.

<sup>16</sup>[GAO-10-561R](#).

<sup>17</sup>Official representation funds are used to host official guests of the United States and DOD, such as civilian or military dignitaries and officials of foreign governments.

<sup>18</sup>Department of Defense Instruction 1315.09, *Utilization of Enlisted Personnel on Personal Staffs of General and Flag Officers*, (Oct. 2, 2007).

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on the personal staffs of GFOs.<sup>19</sup> Officers may also be detailed as officer aides to the personal staffs of GFOs.

Various organizations across DOD are responsible for tracking GFOs and associated costs. Within the Office of the Under Secretary of Defense for Personnel and Readiness, the Officer and Enlisted Personnel Management office is responsible for GFO matters, including officer promotion and continuation policies and oversight of the number of GFOs in relation to statutory limits. Also, within the Office of the Under Secretary of Defense for Personnel and Readiness, the Military Compensation office is responsible for formulating, implementing, and administering DOD policy on military personnel compensation, including active duty and reserve military pay and allowances. The Director, Cost Assessment and Program Evaluation, is the principal advisor to the Secretary of Defense and other senior officials in DOD for independent cost assessment, program evaluation, and analysis. In collaboration with the Under Secretary of Defense for Personnel and Readiness and the Under Secretary of Defense (Comptroller), this office developed a tool to collect cost elements required to estimate the full cost of military and civilian personnel as outlined in DOD Instruction 7041.04.<sup>20</sup> In September 2013, we reported that while this effort has improved DOD's ability to estimate the full cost of personnel, there are limitations in certain areas, such as the lack of specific guidance for estimating certain costs.<sup>21</sup> We recommended, among other things, that DOD develop further guidance on certain cost elements. DOD partially concurred with this recommendation, but noted that the department will issue clarifying guidance where necessary or appropriate. We continue to believe that fully addressing this recommendation would enhance the development of DOD's methodology for estimating and comparing the cost of its

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<sup>19</sup>The number of enlisted aides on the personal staffs of officers is limited to the lesser of the sum of (1) four times the number of officers serving on active duty at the end of the preceding fiscal year in the grade of general or admiral and (2) two times the number of officers serving on active duty at the end of the preceding fiscal year in the grade of lieutenant general or vice admiral, or 300 enlisted members per fiscal year. The statutory limit of 300 enlisted aides per fiscal year has not changed since October 1976. See 10 U.S.C. § 981.

<sup>20</sup>DOD Instruction 7041.04, *Estimating and Comparing the Full Costs of Civilian and Active Duty Military Manpower and Contract Support*, (July 3, 2013).

<sup>21</sup>GAO, *Human Capital: Opportunities Exist to Further Improve DOD's Methodology for Estimating the Costs of Its Workforces*, [GAO-13-792](#) (Washington, D.C.: Sept. 25, 2013).

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workforces. DOD Instruction 7041.04 specifies that the Director, Cost Assessment and Program Evaluation, is responsible for preparing clarifying guidance as needed for implementing the instruction.

The Secretary of Defense may authorize physical protection and personal security within the United States for departmental leadership who, based on their positions, require continuous security and protection.<sup>22</sup> The Secretary of Defense also may authorize protection for additional personnel within the United States when necessary, as provided by law. The Under Secretary of Defense for Policy is the approving authority for designating individuals who are outside the United States as high-risk personnel and authorizing protective security details for those individuals.

Each of the services and the Joint Staff has a general or flag officer matters office responsible for management and tracking of GFOs within their organization, which identifies, assigns, and tracks aides to GFOs. The services also track certain GFO costs, including official representation expenditures and costs associated with providing personal security details for eligible GFOs.<sup>23</sup> The Under Secretary of Defense (Comptroller) is responsible for the budget and financial management policy of DOD, including budget data, justification materials, and performance measures. The Comptroller's office also formulates composite rates that reflect the estimated cost to DOD of compensation for all ranks of military personnel, including GFOs, and preparing annual reports on the costs associated with housing units used as quarters for GFOs (GFO housing). The Defense Travel Management Office and the Defense Logistics Agency manage the Defense Travel System, which is designed to capture travel costs for GFOs and other military personnel. The Defense Health Agency tracks health expenditures for GFOs and other military personnel, and the Defense Manpower Data Center maintains GFO and other military personnel population data, including end strengths.

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<sup>22</sup>Pub. L. No. 110-181, § 1074(a), defines departmental leadership as the persons who hold the following positions: Secretary of Defense, Deputy Secretary of Defense, Chairman of the Joint Chiefs of Staff, Vice Chairman of the Joint Chiefs of Staff, secretaries of the military departments, chiefs of the services, and commanders of combatant commands.

<sup>23</sup>GFOs, along with members of the Senior Executive Service, have the authority to use official representation funds to host guests of the United States and DOD, such as civilian or military dignitaries and officials of foreign governments.

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## GFO Population Growth Was Generally Consistent with the Growth in Statutory Limits but Was Higher Than Enlisted Personnel Growth, and DOD Has Not Updated GFO Requirements since 2003

The GFO population has experienced higher rates of growth than the enlisted population since fiscal year 2001, but DOD has not comprehensively updated GFO requirements since 2003 to reflect changes in the active duty force.<sup>24</sup> This growth in the GFO population was generally consistent with the growth in statutory limits. In addition, growth varied across all of the active duty military personnel populations (i.e., GFOs, non-GFO officers, and enlisted personnel), with the most growth experienced by non-GFO officers—officers at or below the rank of colonel/captain. DOD officials stated that there continues to be a need for more GFOs than are authorized by Congress, but added that the department has not comprehensively updated GFO requirements since 2003 or advocated for increased GFO statutory limits because of the recent fiscal constraints faced by the department. However, without periodically conducting a comprehensive update of DOD's GFO requirements, it will be difficult for DOD to help ensure that resources are properly matched to the needs of today's environment.

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## GFO Population Growth Was Generally Consistent with the Growth in Statutory Limits

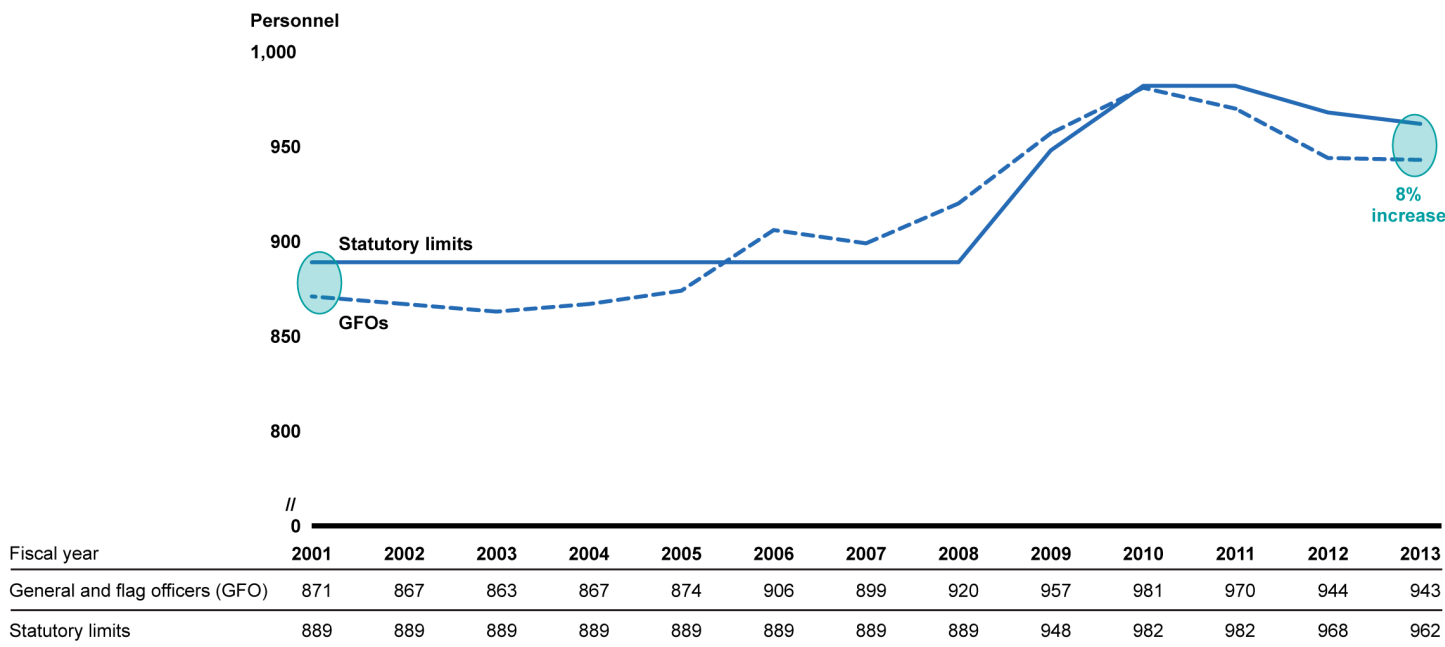
In fiscal year 2001, there were 871 GFOs, growing to 943 by fiscal year 2013 for an 8 percent overall increase. This growth in the GFO population was consistent with the growth in statutory limits for GFO positions, from 889 in fiscal year 2001 to 962 in fiscal year 2013, also an 8 percent increase (see fig. 1). According to DOD officials, the growth in the GFO population is attributable in part to increases in the number of commands; growth in the number of headquarters staff members needed to support overseas contingency operations; demand for GFOs to support overseas contingency operations; and congressionally directed GFO positions, such as the director of DOD's Sexual Assault Prevention and Response Office. Our body of work has found that new commands and headquarters organizations have created additional requirements for military personnel, including GFO positions, and we have recommended that DOD take action to consolidate or eliminate military commands that are geographically close or have similar missions, to seek opportunities to centralize headquarters functions, and to periodically evaluate whether

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<sup>24</sup>For the purposes of this report, we use end strength for our analysis of changes in the populations of GFOs and other military personnel. Enlisted personnel are those individuals at or below the rank of sergeant major (Army and Marine Corps), master chief petty officer (Navy), or chief master sergeant (Air Force).

the size and structure of commands meet assigned missions.<sup>25</sup> DOD generally concurred with our recommendations and specified steps it will take in response, such as revising agency guidance and establishing timelines for DOD organizations to review data on command personnel.

**Figure 1: General and Flag Officer End Strengths and Statutory Limits for Fiscal Years 2001 through 2013**



Source: GAO analysis of Defense Manpower Data Center end strength data and 10 U.S.C. §§ 525 and 526. | GAO-14-745

Notes: From fiscal years 2006 through 2009, GFO end strengths were above statutory limits. These end strength data do not reflect exemptions applied by DOD to certain GFO positions during those years, and which allowed the services to exceed statutory limits on the numbers of GFOs. The Department of Defense applied an average of 30 exemptions per year to the GFO population from fiscal years 2011 through 2013.

<sup>25</sup>GAO, *Defense Headquarters: DOD Needs to Reevaluate Its Approach for Managing Resources Devoted to the Functional Combatant Commands*, GAO-14-439 (Washington, D.C.: June 26, 2014); *Defense Headquarters: Guidance Needed to Transition U.S. Central Command's Costs to the Base Budget*, GAO-14-440 (Washington, D.C.: June 9, 2014); *Defense Headquarters: DOD Needs to Periodically Review and Improve Visibility Of Combatant Commands' Resources*, GAO-13-293 (Washington, D.C.: May 15, 2013); and *Defense Headquarters: Further Efforts to Examine Resource Needs and Improve Data Could Provide Additional Opportunities for Cost Savings*, GAO-12-345 (Washington, D.C.: Mar. 21, 2012).

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As shown in figure 1, from fiscal years 2006 through 2009 GFO end strengths were above statutory limits. However, DOD officials explained that these end strength data do not reflect exemptions applied by DOD to certain GFO positions during those years, and which allowed the services to exceed statutory limits on the numbers of GFOs. Specifically, GFOs who were on terminal leave immediately prior to retiring were included in end strength data, but were exempt from counting toward statutory limits. Also, 10 U.S.C. § 527 provides the President with authority to suspend the statutory limits on GFO numbers in time of war or national emergency.<sup>26</sup> DOD provided data for fiscal years 2011 through 2013 that provided more detail on the department's use of exemptions to manage GFO numbers against statutory limits. These data showed that the services claimed an average of 30 exemptions per fiscal year for GFOs. DOD officials stated that it has been necessary to use such exemptions to manage the GFO population since the population has been consistently at the statutory limits, and the department needed flexibility to transition GFOs into their new assignments with sufficient time to allow for knowledge transfer from the GFOs they were replacing.

In March 2011, DOD announced plans to eliminate 102 GFO positions as part of the department's efficiencies initiatives. DOD officials said that while the primary goal of the initiatives was to identify areas for cost savings, a secondary goal was to create flexibility in managing GFO positions by creating a "buffer" between the number of active duty GFOs and the statutory limits. The officials explained that this "buffer" would allow DOD the flexibility to immediately staff new GFO requirements (e.g., newly created commands or emerging requirements) rather than waiting for GFO retirements. DOD's 2011 study, as part of the department's efficiencies initiatives, specified 86 GFO positions that would be used by the Secretary of Defense to meet future and temporary GFO requirements.<sup>27</sup> The officials said that they believe it is important for GFO statutory limits to remain at their current level, even as the GFO

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<sup>26</sup>A national emergency was declared by President George W. Bush on September 14, 2001. See 66 Fed. Reg. 48199, 7463 (Sept. 14, 2001). This declaration has been continued each year, with the latest continuation declared by President Barack Obama on September 18, 2013. See 78 Fed. Reg. 58,151 (Sept. 20, 2013).

<sup>27</sup>Department of Defense, *General and Flag Officer Efficiencies Study Group* (2011). This study was conducted in response to direction from the Secretary of Defense to identify 50 GFO positions that would be eliminated within 2 years. The report noted that the effort was not a GFO requirements validation.

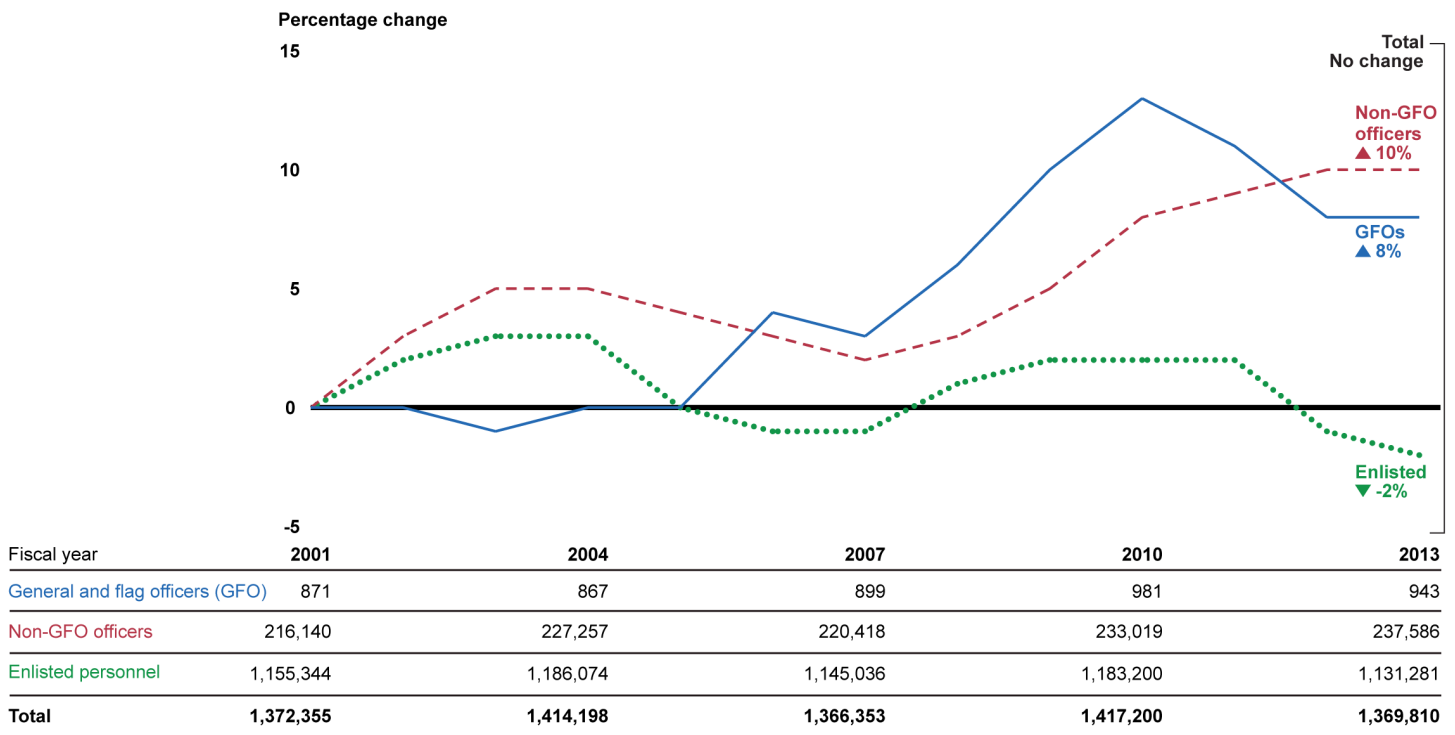


population is reduced, to preserve the department's flexibility in managing GFO assignments.

## The Growth of Active Duty Military Personnel Varied across Populations

From fiscal years 2001 through 2013, as the nation's military engaged in combat operations in Iraq and Afghanistan, all populations of active duty military personnel experienced periods of growth, with the total population peaking at 1,417,200 in fiscal year 2010 (see fig. 2). However, this growth was not consistently distributed across military populations.

**Figure 2: Percentage Change in General and Flag Officer (GFO), Non-GFO Officer, and Enlisted End Strengths from Fiscal Years 2001 through 2013**



Source: GAO analysis of Defense Manpower Data Center end strength data. | GAO-14-745

Notes: Non-GFO officers are those officers on active duty ranked below O-6 (colonel/captain), including warrant officers. Enlisted personnel are those personnel on active duty ranked E-1 through E-9.

Growth among active duty personnel varied across active duty military populations. For example, growth of the GFO population after fiscal year 2005 outpaced that of the enlisted active duty military population and has remained higher through fiscal year 2013. As the military began to draw

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down after fiscal year 2010, enlisted personnel have dropped below fiscal year 2001 levels while officers remained higher. Moreover, the ratios of enlisted to non-GFO officers and enlisted to GFOs are both at their lowest levels since prior to 2001 (5:1 and 1,200:1, respectively). DOD reported in a 1988 officer requirements study that decreases in the enlisted to officer ratio could reflect changing requirements for personnel. For example, the study stated that a new weapon system may need fewer crew members to operate it without changing the number of officers needed to lead the units that use the system, or there may be new requirements for officers in joint-service assignments and in research, development, or contracting activities.<sup>28</sup> DOD officials stated that during military drawdowns, population decreases in the officer population tend to lag behind those of the enlisted population and attributed this to the greater flexibility that military planners have to decrease the enlisted population by rotating them out of the active duty force, while officers tend to remain in theater to manage the drawdown effort. The officials added that because the officer population is much smaller than the enlisted population, relatively small changes to this population can have greater relative effect, and that they expect the officer population to follow a similar decrease as the enlisted population in future years as senior officers retire.

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### DOD Has Not Updated GFO Requirements to Reflect Changes in the Active Duty Force since 2003

The last comprehensive update of DOD's GFO requirements was in 2003 when Congress mandated that DOD study GFO statutory limits and provide an assessment of whether statutory limits were sufficient to meet all GFO requirements.<sup>29</sup> Since that time, DOD has added new commands and organizations, including U.S. Africa Command (2007), U.S. Cyber Command (2010), the Sexual Assault Prevention and Response Office (2006), and the Defense Health Agency (2013), all of which require additional GFOs for senior leadership positions. For example, the fiscal year 2012 National Defense Authorization Act mandated that the Director position at the Sexual Assault Prevention and Response Office be elevated and filled by either a GFO or a senior executive civilian DOD employee.<sup>30</sup> The office's current director is now the third GFO to have served in that position since the statute was passed. Also, in November

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<sup>28</sup>Department of Defense, *Defense Officer Requirements Study* (March 1988), 32-36.

<sup>29</sup>Pub. L. No. 107-314, § 404(c) (2002).

<sup>30</sup>Pub. L. No. 111-383, § 1611(a) (2011), as amended by Pub. L. No. 112-81, § 583 (2011).

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2013 we found that while the creation of the Defense Health Agency was intended to reduce personnel costs, the organization added new GFO positions at the two- and three-star ranks while retaining existing GFO positions at the service level.<sup>31</sup> We recommended, among other things, that DOD provide Congress with a more thorough explanation of the potential sources of cost savings and an estimate of the number of military, civilian, and contractor personnel who will work in the organization when it reaches full operating capability. DOD concurred with our recommendations. Also, in the past decade, the military concluded the Iraq war and is currently in the process of reducing its presence in Afghanistan.

DOD guidance requires that military and civilian personnel resources be programmed in accordance with validated requirements that are periodically evaluated,<sup>32</sup> and best practices for strategic human capital management state that high-performing organizations periodically evaluate their human capital practices and use complete and reliable data to ensure that resources are properly matched to the needs of today's environment.<sup>33</sup> DOD currently updates requirements for GFOs on an ad hoc basis. For example, as emerging requirements are identified the department uses multiple criteria, such as the extent of interaction with foreign officials and the value of resources managed, to determine whether a newly created senior leader position should be filled by a GFO or a senior civilian employee. However, this process does not include a comprehensive update of all GFO requirements, specifically a position-by-position validation of GFO requirements across the department. Further, the department has not defined under what circumstances such comprehensive, periodic updates of GFO requirements should occur.

As discussed earlier, DOD completed a validation of GFO requirements in 2003, and DOD concluded that at that time GFO requirements were

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<sup>31</sup>GAO, *Defense Health Care Reform: Additional Implementation Details Would Increase Transparency of DOD's Plans and Enhance Accountability*, [GAO-14-49](#) (Washington, D.C.: Nov. 6, 2013).

<sup>32</sup>Department of Defense, *Guidance for Manpower Management*.

<sup>33</sup>[GAO-02-373SP](#). To develop this model, we reviewed sources, including lessons learned from public and private organizations that are viewed as leaders in strategic human capital management and managing for results, in addition to findings from academia, the Office of Personnel Management, the Merit Systems Protection Board, and the National Academy of Public Administration.

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higher than the GFO statutory limit of 1,311 positions by 319 positions (24 percent). However, DOD has not conducted a comprehensive update of GFO requirements since then. In April 2004 we reviewed DOD's 2003 GFO requirements study and recommended, among other things, that DOD periodically update GFO requirements. DOD concurred with our recommendation at the time, stating that a requirements database maintained by each of the military services was adequate to update requirements. However, as we noted in our 2004 report, DOD's process for updating the requirements database was not comprehensive. Since 2003, DOD has not conducted a comprehensive update of GFO requirements. Also, as previously discussed, the ratio of enlisted personnel to GFOs is at its lowest level since prior to 2001. These types of changes to the active duty force suggest that an updated comprehensive validation of GFO requirements against statutory limits would help the department ensure that resources are properly matched to the needs of today's environment.

DOD completed a study in 2011 to determine opportunities for efficiency gains in the GFO corps; the study noted that the objective was not to determine GFO requirements but instead to identify organizational efficiencies that would allow more effective alignment of the force to the priority missions of the department.<sup>34</sup> As such, the study did not identify, assess, and validate positions that the department believes should be filled by GFOs, nor did it assess the impact of any shortfall of GFOs on the department's mission. The study was conducted in response to direction from the Secretary of Defense to review all active duty GFO positions and their associated overhead and determine how to reallocate positions such that at least 50 GFO positions would be eliminated within 2 years. The study identified 73 positions for elimination within 2 years, and an additional 28 eliminations based on conditions in overseas contingency operations. DOD officials said that these reductions are not complete because of continuing overseas contingency operations and the need to wait for GFOs serving in positions identified for elimination to retire. In commenting on the study, some services disagreed with the study's recommendation to reduce GFO positions, noting that GFO requirements had increased and that GFO reductions were not distributed fairly across all of the services. DOD officials told us that there continues to be a need for more GFOs than are authorized by Congress, but added

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<sup>34</sup>Department of Defense, *General and Flag Officer Efficiencies Study Group*.

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that the department has not comprehensively updated GFO requirements since 2003 or advocated for increased GFO statutory limits because of the recent fiscal constraints faced by the department. Without conducting a comprehensive update of DOD's GFO requirements—to include identifying, assessing, and validating positions that the department believes should be filled by GFOs; defining the circumstances under which subsequent updates should occur; and assessing whether GFO statutory limits are sufficient to meet GFO requirements—it will be difficult for DOD to ensure that the GFO corps is properly sized and structured. It will also be difficult for DOD to ensure that the department can identify opportunities for managing these personnel and their associated resources more efficiently.

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## The Full Cost of Active Duty GFOs Is Unknown; Trends in Available Costs Varied

The full cost to DOD for active duty GFOs from fiscal years 2001 through 2013 is unknown because complete cost data for GFOs and their aides were not available. Data for compensation and housing were fully available, and trends for those costs varied from fiscal years 2001 through 2013. Other costs, such as commercial travel and per diem and military and government air travel, were either partially complete or unavailable, thus affecting our ability to identify trends for those costs. Our work found that data availability was affected by reporting practices, retention policies, inconsistent definitions for certain cost elements, and reliability factors. DOD guidance states that DOD officials must be aware of the full costs of manpower, use these costs to support workforce allocation decisions, and have a thorough understanding of the implications of those costs to DOD and, on a broader scale, to the federal government.<sup>35</sup> By defining in guidance the officer aide position and GFO and associated aide costs, DOD will be in a better position to help ensure that a consistent approach is employed when estimating GFO and associated aide costs, better account for the full costs of GFOs, and improve its ability to make sound workforce allocation decisions.

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## Availability of GFO and Aide Cost Data Varied

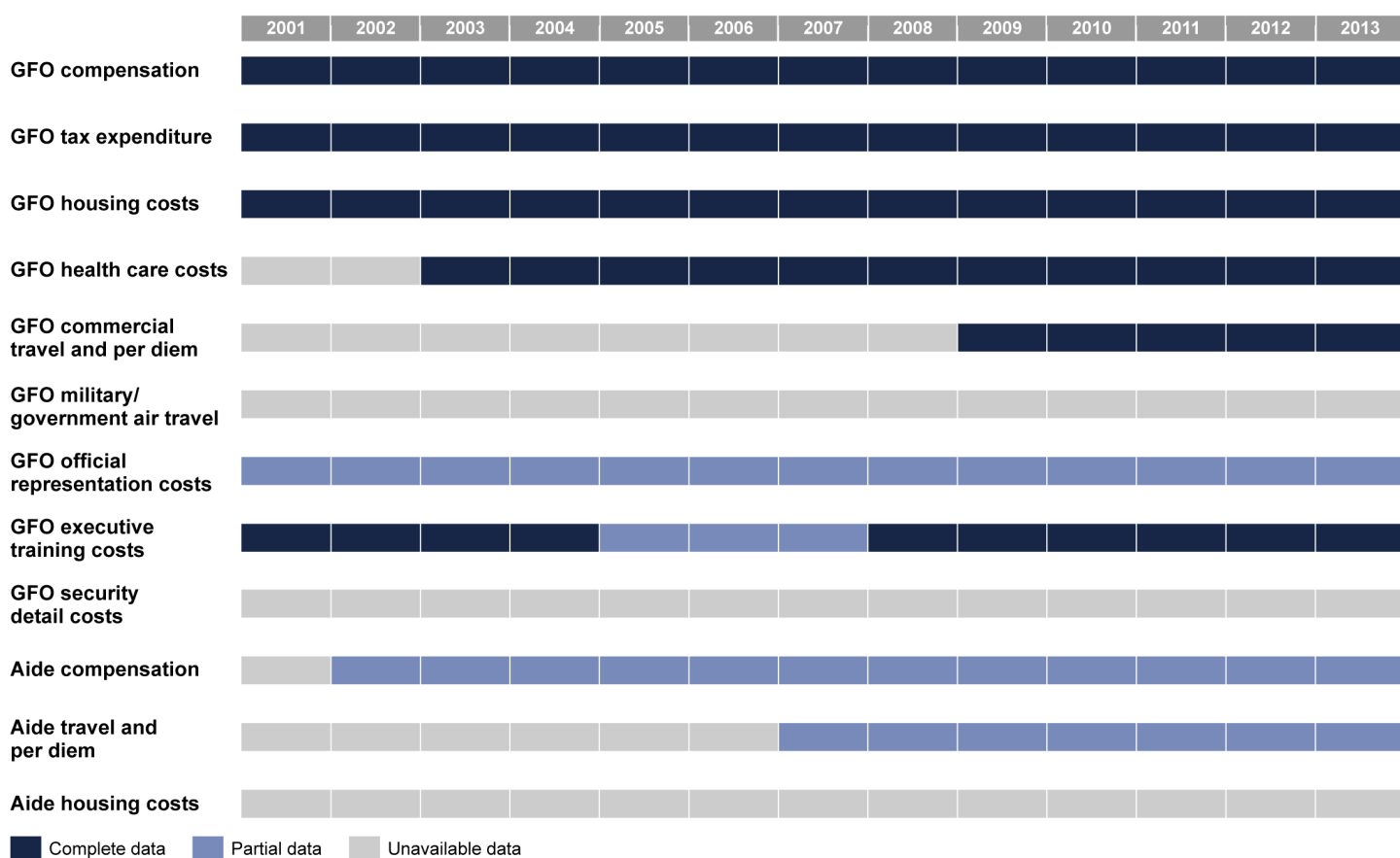
The full cost to DOD for GFOs from fiscal years 2001 through 2013 is unknown because complete cost data for GFOs and their aides were not available. Elements of active duty GFO costs varied in availability from

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<sup>35</sup>Department of Defense, *Estimating and Comparing the Full Costs of Civilian and Active Duty Military Manpower and Contract Support*.

fiscal years 2001 through 2013. We assessed cost elements as complete, partially complete, or unavailable. Figure 3 depicts the extent to which GFO costs were included in our review depending on factors such as reporting practices, data retention policies, and data reliability factors, including completeness and accuracy.

**Figure 3: General and Flag Officer (GFO) and Aide Cost Data Availability**



Source: GAO analysis of Department of Defense data. | GAO-14-745

Notes: This graphic displays the extent to which specific types of GFO and aide cost data were complete for each individual year included in our review. Cost data that were determined to be “complete” were readily available and were determined to be reliable for that specific year. Cost data that were determined to be “partial” were either not fully available or reliable for all sources for that specific year. “Unavailable” cost data were either not readily available or were determined to be unreliable for that specific year. The discussion of these cost data below provides our assessment of the extent to which the different types of cost data were available for all years of our review. As such, categorizations for individual years as shown in this graphic may not align with overall designations of “complete,” “partial,” and “unavailable” below. We calculated GFO compensation costs based on the composite rates used by DOD when determining the military personnel appropriations cost for budget and management studies. However, the composite rates do not include compensation costs located

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in other budgets, such as education benefits. App. I contains additional information regarding our approach for overall data categorizations.

## Complete Data

Certain GFO cost data are reported in budget materials or other formal reports produced by DOD and were readily available for all of the years included in our review. For example, population and cost data related to GFO compensation were available in DOD budget materials and cost memorandums for fiscal years 2001 through 2013. Similarly, cost data related to GFO housing were reported annually per Title 10 of the U.S. Code, for all of the fiscal years included in our review.<sup>36</sup> In addition, using DOD budget materials, we obtained data needed to estimate the tax expenditure resulting from a portion of GFO compensation being tax exempt.<sup>37</sup>

## Partial Data

Certain cost data within the scope of our review were not available for all years. For example, complete cost data related to GFO commercial travel and per diem expenditures were available from the Defense Travel System for fiscal years 2009 through 2013. According to DOD officials, the services did not fully transition to this system until fiscal year 2009, and cost data predating that transition were spread across disparate systems and not captured in a consistent manner. Similarly, GFO health care cost data were not available prior to fiscal year 2003, because, according to Defense Health Agency officials, DOD transitioned to a new software system for tracking these costs in fiscal year 2003 and legacy data were not migrated to the new system.

Cost data needed to calculate enlisted and officer aide compensation costs were also partially complete. For example, the Navy and the Marine Corps were unable to provide historical data on officer aides, such as name, rank, and overall numbers. According to DOD officials, the position of officer aide is not defined in departmental guidance because these positions are not established in statute. As a result, the military services

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<sup>36</sup>Per title 10 U.S.C. §2831(e), the Secretary of Defense is required to submit to the congressional defense committees no later than 120 days after the end of each fiscal year a report specifying, for each family housing unit used as quarters for a GFO at any time during that fiscal year, the total expenditures for operation and maintenance, utilities, lease, and repairs of the unit during that fiscal year.

<sup>37</sup>The tax expenditure is the estimated tax revenue forgone by the federal government by the policy of not taxing the basic allowance for housing and the basic allowance for subsistence. This is a tax advantage from the perspective of the individual servicemember but an expenditure for the federal government.

were not able to provide consistent data for these personnel. Additionally, the Marine Corps tracked enlisted aide numbers by calendar instead of fiscal year, and the Navy was unable to provide enlisted aide numbers and ranks for more than 2 fiscal years. Table 2 depicts the availability of population data needed to calculate aide compensation.

**Table 2: Available Fiscal Year Officer and Enlisted Aide Population Data, All Services**

	Data range	Officer aides	Enlisted aides
Army	12 years (FY2002 – FY2013)	•	•
Navy	2 years (FY2012 – FY2013)		•
Marine Corps	0 years <sup>a</sup>		
Air Force	11 years (FY2003 – FY2013)	•	•

Legend: FY = fiscal year.

Source: GAO analysis of Department of Defense data. | GAO-14-745

<sup>a</sup>The Marine Corps provided 2001 through 2013 enlisted aide data by calendar year.

## Unavailable Data

Some GFO cost data were not readily available or were determined to be unreliable—such as cost data related to GFO travel on military and government flights and cost data associated with providing personal security details to GFOs. While the magnitude of unavailable cost data associated with GFO travel on military and government flights is unclear, the Secretary of Defense has designated certain high-ranking GFOs, including the Chairman and Vice Chairman of the Joint Chiefs of Staff, service chiefs, and combatant commanders as “required use” travelers for official air travel because of threats, secure communications requirements, or scheduling requirements that make commercial travel unacceptable.<sup>38</sup> Other GFOs are not designated as required use travelers, but may use U.S. government aircraft for official travel when the travel complies with specified criteria and when the demands of their travel prevent the use of commercial aircraft.<sup>39</sup> Similarly, while we obtained personal security cost data covering 27 organizations—including the combatant commands, services, and other DOD organizations—DOD officials told us that the data were likely underreported, and the costs

<sup>38</sup>See Department of Defense Directive 4500.56, *DOD Policy on the Use of Government Aircraft and Air Travel*, (Apr. 14, 2009, incorporating change 3, June 24, 2014).

<sup>39</sup>Ancillary costs associated with these flights, such as lodging, are captured in the Defense Travel System data.



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could not be separated by fiscal year or adjusted for inflation. Further, DOD officials said that when asked for these data, service officials did not include consistent information (such as costs associated with compensation and travel, equipment, weapons, and vehicles of security personnel) because of the lack of a department-wide definition for security detail costs. As a result, these cost data were excluded from our analysis.<sup>40</sup>

Certain cost data related to enlisted and officer aides were also unavailable. For example, the Army, the Navy, and the Marine Corps did not track enlisted and officer aides by name and fiscal year and were therefore unable to provide complete and accurate aide travel and per diem cost data. Similarly, the Army and the Navy were unable to provide enlisted and officer aide population data of sufficient detail—to include names and duration in aide position—to identify aide housing costs. Although the Air Force provided detailed aide population data, it did not track aide housing costs. An official from the Marine Corps told us that Marine aides were generally receiving a basic housing allowance, with one enlisted aide residing in the Commandant's quarters. In the absence of enlisted and officer aide population data of sufficient consistency and completeness, we were also unable to estimate the tax expenditure associated with housing and subsistence allowances provided to aides.

The availability of enlisted and officer aide cost data was affected by the extent to which the services defined and tracked aide personnel. DOD officials told us that there is no department-wide definition for the position of officer aide, and the Air Force is the only service that has established a definition.<sup>41</sup> Prior to March 2011, the secretaries of the military departments were required to provide the Principal Deputy Under Secretary of Defense for Personnel and Readiness biannual reports of enlisted aide authorizations by military service and by GFO position.<sup>42</sup>

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<sup>40</sup>Certain GFOs, including service chiefs and combatant commanders, are designated by DOD as high-risk personnel and are provided continuous security and protection. Criteria for designating physical protection are delineated by Department of Defense Instruction O-2000.22, *Designation and Physical Protection of DOD High Risk Personnel* (June 19, 2014).

<sup>41</sup>United States Air Force, *General Officer Handbook* (2012), 6.

<sup>42</sup>See Department of Defense Instruction 1315.09, *Utilization of Enlisted Personnel on Personal Staffs of General and Flag Officers*, (Oct. 2, 2007). This instruction is currently being updated; DOD has not established a time frame for completing the revision.

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However, that requirement was rescinded by the Secretary of Defense in March 2011 as part of DOD's efficiencies initiatives, and officials from the Office of the Under Secretary of Defense for Personnel and Readiness were not able to provide to us reports covering all of the years prior to the removal of this requirement.<sup>43</sup> Recognizing the need to improve oversight of GFO costs, including costs associated with enlisted aides, DOD officials stated that the department plans to reinstate the biannual reporting requirement for enlisted aide authorizations in an upcoming revision to the instruction, but has not established a time frame for completing the revision. Reinstating this requirement could help DOD to track the number of enlisted aides, along with certain related costs, such as compensation. However, the department does not plan to include officer aide population data in this instruction. Without a similar reporting requirement for officer aide population data, DOD will not be able to improve the availability of officer aide costs, such as compensation.

The size and complexity of DOD's worldwide operations, and the need to reduce its budget in an ongoing fiscally constrained environment, require that DOD have accurate, complete, and timely financial information available to make management decisions. DOD Instruction 7041.04 states that DOD officials must be aware of the full costs of its workforce, use these costs to support workforce allocation decisions, and have a thorough understanding of the implications of those costs to DOD and, on a broader scale, to the federal government.<sup>44</sup> In September 2013, we found that DOD has improved its methodology for estimating and comparing the full cost to the taxpayer of work performed by military and civilian personnel and contractor support, but the methodology continues to have certain limitations.<sup>45</sup> Best practices state that cost estimating rules should include a common set of standards that minimize conflicts in definitions, but DOD's methodology does not provide guidance for certain costs. We made a number of recommendations that DOD develop further

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<sup>43</sup>The enlisted aide report required by DODI 1315.09 was canceled in March 2011. See Department of Defense, Secretary of Defense, "Track Four Efficiency Initiatives Decisions," memorandum (Washington, D.C.: Mar. 14, 2011). As of July 2014, the House of Representatives has passed a bill which, if enacted, would reinstate this requirement.

<sup>44</sup>DOD Instruction 7041.04, *Estimating and Comparing the Full Costs of Civilian and Active Duty Military Manpower and Contract Support*, (July 3, 2013).

<sup>45</sup>GAO, *Human Capital: Opportunities Exist to Further Improve DOD's Methodology for Estimating the Costs of Its Workforces*. [GAO-13-792](#) (Washington, D.C.: Sep. 25, 2013).

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guidance on certain cost elements, such as training; develop business rules for estimating Reserve and National Guard costs; evaluate inclusion or non-inclusion of cost elements related to retirement; assess cost models being used across the department; and reassess sources for contractor data. DOD generally concurred with our recommendations but has not completed actions.

Moreover, standards for internal control in the federal government state that financial data are needed for external and internal uses, to make operating decisions and to allocate resources,<sup>46</sup> while federal accounting standards similarly emphasize the need for managers to have relevant and reliable information on the full costs of activities and changes in those costs and the need for appropriate procedures to enable the collection, analysis, and communication of cost information.<sup>47</sup> We have placed DOD on our High-Risk List for financial management beginning in 1995 because of financial management weaknesses that affect its ability to control costs; ensure accountability; anticipate future costs and claims on the budget; detect fraud, waste, and abuse; and prepare auditable financial statements. We have reported that while DOD has made efforts to improve financial management, it still has much work to do if it is to meet its long-term goals of improving financial management and achieving full financial statement auditability.<sup>48</sup> By defining the officer aide position and GFO and associated aide costs, DOD will be better positioned to help ensure that a consistent approach is employed when estimating GFO and associated aide costs, better account for the full costs of GFOs, and improve its ability to make sound workforce allocation decisions.

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<sup>46</sup>[GAO/AIMD-00-21.3.1](#).

<sup>47</sup>Federal Accounting Standards Advisory Board, *Statement of Federal Financial Accounting Standard No. 4*.

<sup>48</sup>GAO, *Financial Audit: U.S. Government's Fiscal Years 2012 and 2011 Consolidated Financial Statements*, [GAO-13-271R](#) (Washington, D.C.: Jan. 17, 2013); *Financial Audit: U.S. Government's Fiscal Years 2013 and 2012 Consolidated Financial Statements*, [GAO-14-319R](#) (Washington, D.C.: Feb. 27, 2014); and *Financial and Performance Management: More Reliable and Complete Information Needed to Address Federal Management and Fiscal Challenges*, [GAO-13-752T](#) (Washington, D.C.: July 10, 2013).

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## Trends in Complete and Partially Complete GFO and Aide Costs Varied

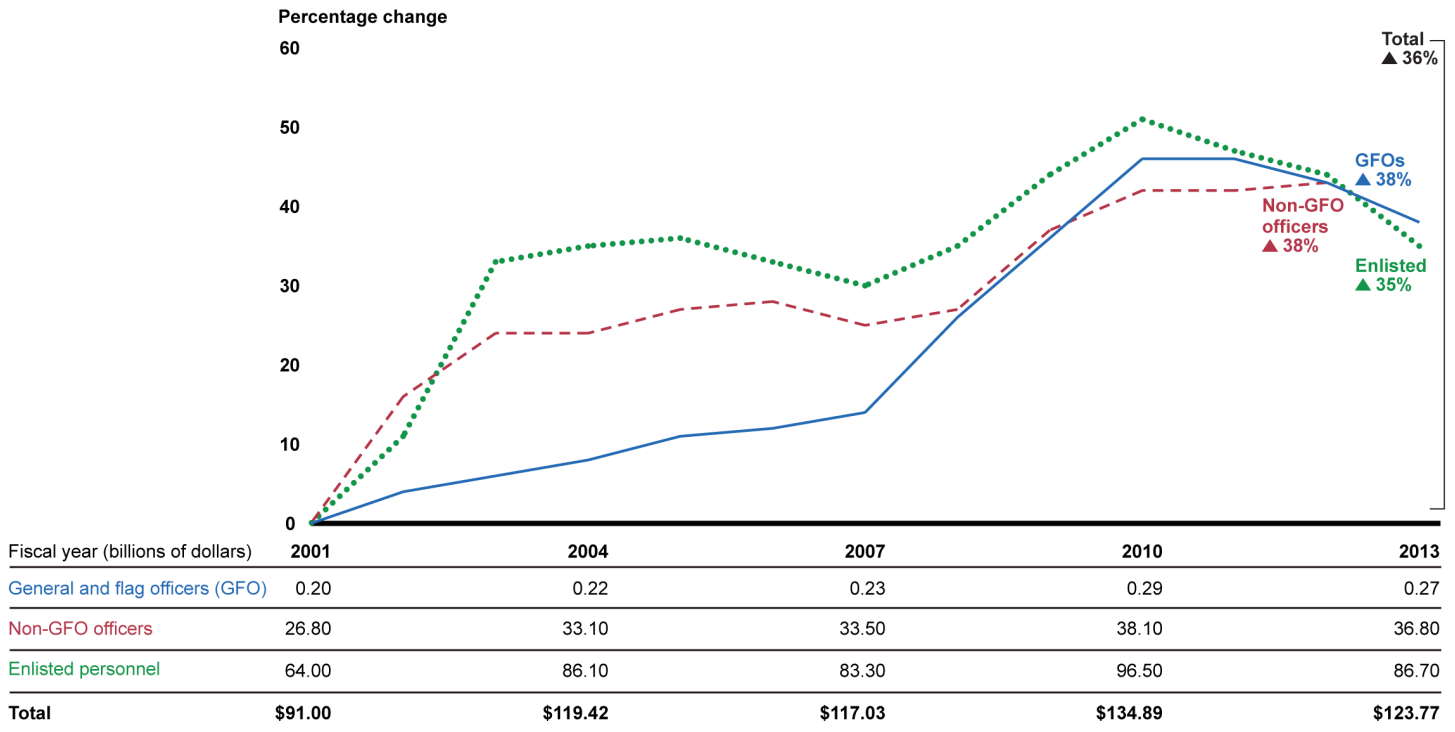
GFO Compensation Growth Was Consistent with That of Other Officers but Was Outpaced by Enlisted Personnel Compensation Growth

From fiscal years 2001 through 2013, GFO and other active duty personnel compensation costs increased, with enlisted personnel experiencing the highest percentage per capita cost growth. The following information summarizes changes in inflation-adjusted costs to DOD to provide compensation for active duty GFOs, non-GFO officers, and enlisted personnel, as shown in figures 4 and 5.

- GFOs. Total compensation costs grew from \$199.4 million in fiscal year 2001 to \$274.4 million in fiscal year 2013 (38 percent). Per capita costs grew from \$228,129 to \$268,187 (18 percent).
- Non-GFO officers. Total compensation costs grew from \$26.8 billion in fiscal year 2001 to \$36.8 billion in fiscal year 2013 (38 percent). Per capita costs grew from \$123,255 to \$146,472 (19 percent).
- Enlisted personnel. Total compensation costs grew from \$64 billion in fiscal year 2001 to \$86.7 billion in fiscal year 2013 (35 percent). Per capita costs grew from \$55,325 to \$73,056 (32 percent).

Figure 4 shows the percentage change in total compensation costs from fiscal years 2001 through 2013, and figure 5 depicts the percentage change in per capita compensation costs.

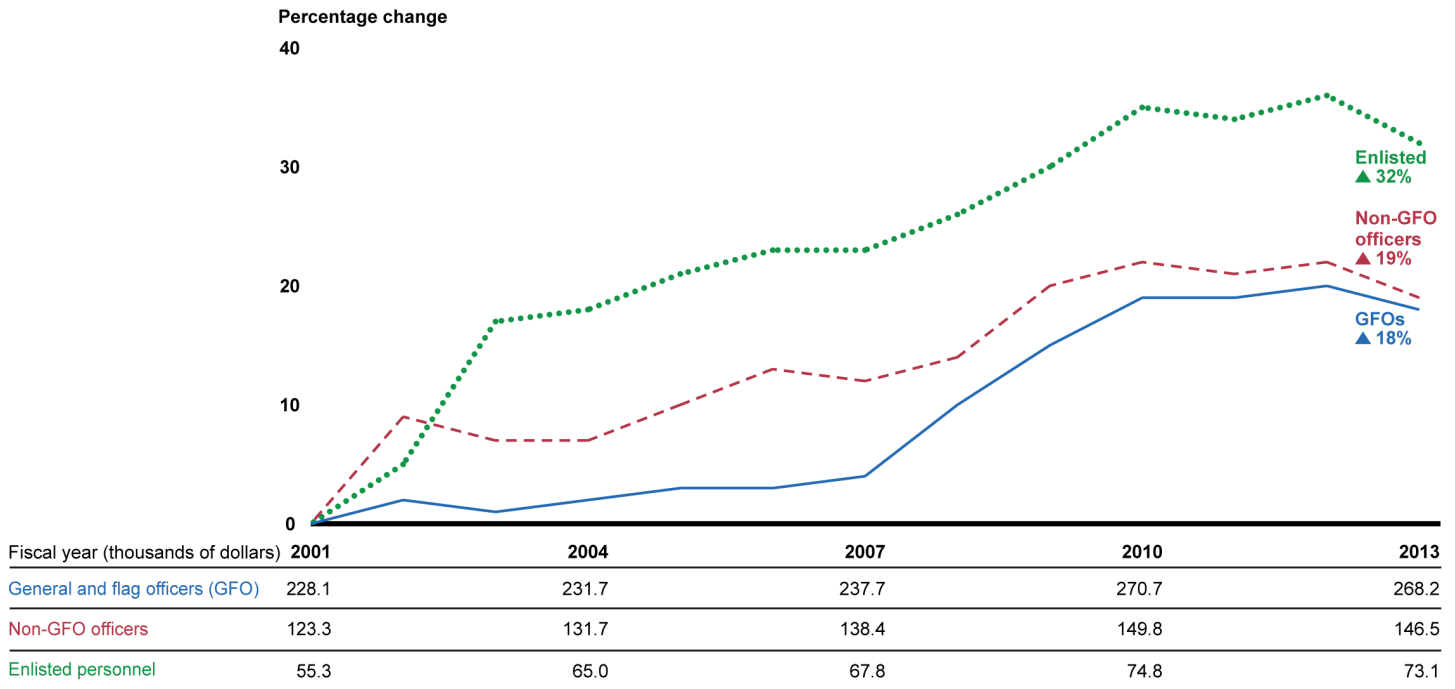
**Figure 4: Percentage Change in Total Compensation Costs from Fiscal Years 2001 through 2013 for Active Duty General and Flag Officers (GFO), Non-GFO Officers, and Enlisted Personnel**



Source: GAO analysis of DOD data. | GAO-14-745

Notes: Values are rounded and expressed in constant fiscal year 2013 dollars. Percentage change calculated based on actual (not rounded) numbers.

**Figure 5: Percentage Change in Per Capita Compensation Costs from Fiscal Years 2001 through 2013 for Active Duty General and Flag Officers (GFO), Non-GFO Officers, and Enlisted Personnel**



Source: GAO analysis of Department of Defense data. | GAO-14-745

Notes: Values are rounded and expressed in constant fiscal year 2013 dollars. Percentage change calculated based on actual (not rounded) numbers.

As shown in figure 5, enlisted personnel experienced the highest per capita growth of the three populations we compared. Per capita costs represent averages of what it costs DOD to compensate military personnel across different ranks and services.<sup>49</sup> We reported in March 2012 that the costs of military compensation have grown significantly, in part because of increases in basic pay and deferred compensation, such as health care benefits, for which DOD officials anticipate significant continued growth because of expansions in health care coverage.<sup>50</sup> Such increases may explain the growth in per capita costs for GFOs, non-GFO

<sup>49</sup>Individual compensation can vary greatly depending on factors including rank, years of service, and duty station.

<sup>50</sup>GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, GAO-11-318SP (Washington, D.C.: Mar. 1, 2011).

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officers, and enlisted personnel. Cost growth specific to the GFOs and non-GFO officers may also be attributed in part to the growth in each of these populations, which increased at rates of 8 percent and 10 percent, respectively. In contrast, the population of enlisted personnel in fiscal year 2013 was 2 percent below fiscal year 2001 levels, yet compensation costs for these personnel remained 35 percent higher, outpacing growth for both GFO and non-GFO officers.

For the purposes of this report, compensation costs were calculated using DOD's composite standard pay rates,<sup>51</sup> which include the following military personnel appropriation costs: average basic pay plus retired pay accrual, Medicare-eligible retiree health care accrual, basic allowance for housing, basic allowance for subsistence, incentive and special pay, permanent change of station expenses, and miscellaneous pay.<sup>52</sup> These rates do not include the tax expenditure resulting from the federal government not collecting taxes on basic allowances for housing and subsistence. From fiscal years 2001 through 2013, the GFO tax expenditure fluctuated but fell overall by approximately 1 percent, from an average of \$10,689 to an average of \$10,604, based on our calculations. Our total and per capita costs using the composite rates GFOs, non-GFO officers, and enlisted personnel are based on active duty average strengths from fiscal years 2001 through 2013.<sup>53</sup> Appendix I provides additional information regarding our approach to calculating total and per

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<sup>51</sup>The composite rates are used by DOD when budgeting for the military personnel appropriation. However, according to DOD guidance, these rates should not be considered as the full cost of military personnel for the purposes of workforce-mix decisions.

<sup>52</sup>The composite standard pay rates are calculated in accordance with provisions of vol. 11A, ch. 6, app. I of DOD Financial Management Regulation 7000.14R. According to officials from DOD's Comptroller's Office, overseas contingency operations costs, principally comprising danger pay, hardship duty pay, and family separation pay, are not included in these rates. DOD's composite rate uses a standard factor to calculate deferred costs (i.e., pension and retiree health care costs) for all active duty personnel. This approach may significantly undercount the cost of providing retirement benefits to GFOs because the retirement rate of GFOs is higher than that for enlisted and other officers.

<sup>53</sup>Average strength in DOD's military personnel budget justification books is the arithmetic mean strength for a fiscal year, including, according to officials from DOD's Comptroller's Office, reserve component personnel called to active duty in support of contingency operations or other active duty requirements. In accordance with 10 U.S.C. §115, these personnel are paid from the active duty appropriations but do not count against active duty end strength.

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Trends in Other GFO Costs  
Varied

capita compensation costs for both GFOs and other active duty personnel.

Trends in other complete or partially complete GFO costs—such as housing, travel and per diem, and official representation—varied from fiscal years 2001 through 2013. The following sections describe these costs across the fiscal years for which data were available and reliable for the purposes of our review.

**GFO Military Housing Costs from Fiscal Years 2001 through 2013**

Inflation-adjusted GFO housing costs, depicted in figure 6, decreased from \$33.4 million in fiscal year 2001 to approximately \$10.9 million in fiscal year 2013—an overall decline of 67 percent. These costs include operations, maintenance, utility, lease, and repair costs associated with DOD-owned and leased properties, as well as certain costs associated with privatized housing. According to DOD officials, DOD’s housing privatization initiative contributed to the cost decrease beginning in fiscal year 2005.<sup>54</sup> DOD policy establishes private sector housing as the primary source of housing for military personnel within the United States.<sup>55</sup> However, the lack of suitable available housing in the community, along with housing requirements for key personnel—such as GFOs—may require military housing on an installation. The number of GFOs residing in DOD-owned or DOD-leased properties decreased from 790 in fiscal 2001 to 240 in fiscal year 2013.

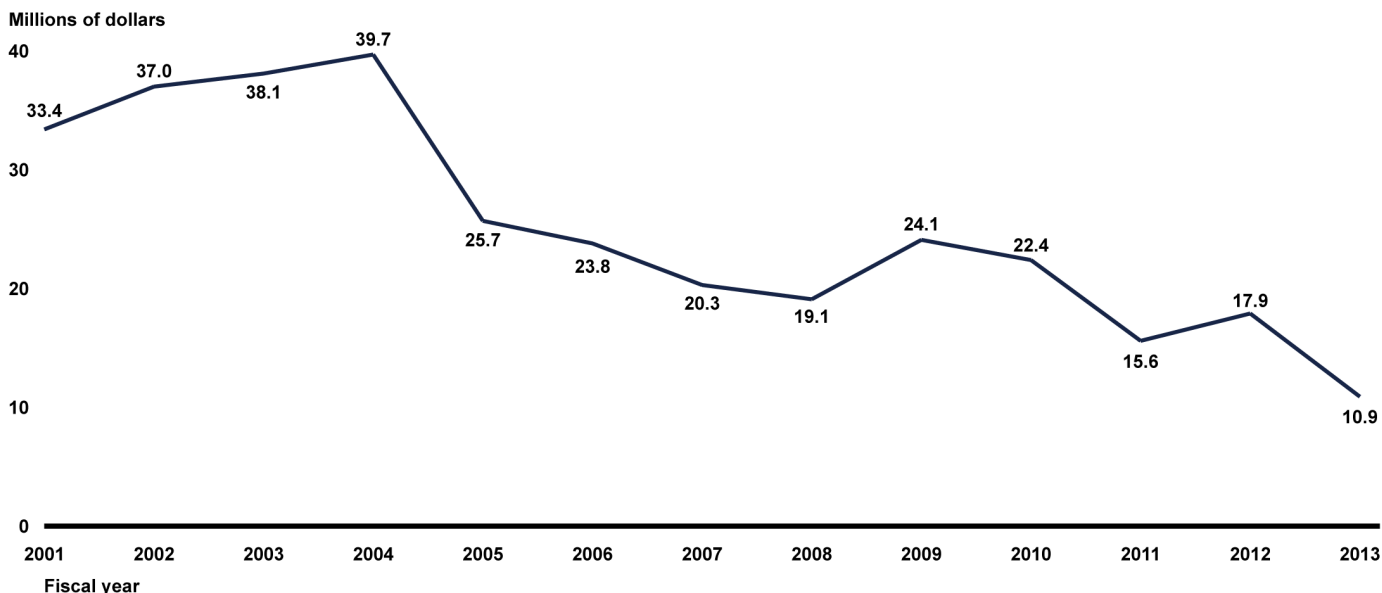
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<sup>54</sup>Congress established the Military Housing Privatization Initiative in 1996 to ensure that adequate military family housing was available when needed by renovating existing inadequate housing and constructing new homes on and around military bases more rapidly than was possible using traditional funding and construction methods. Under the initiative, Congress provided DOD with a variety of authorities that may be used to obtain private sector financing and expertise to repair, renovate, and construct military family housing. DOD policy establishes private sector housing as the primary source of housing for military personnel within the United States.

<sup>55</sup>DOD Manual 4165.63-M, *DOD Housing Management*, (Oct. 28, 2010).



**Figure 6: General and Flag Officer Housing Costs, Fiscal Years 2001 through 2013**



Source: GAO analysis of DOD data. | GAO-14-745

Note: Values are expressed in fiscal year 2013 dollars.

### **GFO Commercial Travel and Per Diem Costs from Fiscal Years 2009 through 2013**

GFO commercial travel and per diem costs, adjusted for inflation, grew from \$25.9 million in fiscal year 2009 to \$34.6 million in fiscal year 2012, before decreasing to \$27.0 million in fiscal year 2013—for an overall increase of approximately 4 percent. DOD uses commercial providers to transport military personnel, including GFOs.<sup>56</sup> Costs for GFO commercial travel, including airfare, meals and incidentals, lodging, rental cars, and mileage, were available from the Defense Travel System for fiscal years 2009 through 2013. According to an official from the Defense Logistics Agency, the recent decline in GFO commercial travel and per diem costs

<sup>56</sup>The Defense Travel Management Office is the single focal point of commercial travel within DOD and serves as the DOD customer and travel industry interface.

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is attributable in part to the effects of sequestration,<sup>57</sup> and in part to DOD's efforts to reduce spending on travel and conferences.<sup>58</sup> As previously discussed, cost data prior to 2009 were not included in our analysis because pre-2009 data in the Defense Travel System were incomplete and not captured in a consistent manner.

### **GFO Health Care Costs from Fiscal Years 2003 through 2013**

GFO health care costs, adjusted for inflation, rose from approximately \$11.7 million in fiscal year 2003 to approximately \$20.6 million in fiscal year 2013, an overall increase of 77 percent. Per capita health care costs increased from \$12,744 in fiscal year 2003 to \$20,179 in fiscal year 2013, an increase of 58 percent. GFOs, like all active duty military personnel, have access to health care provided through TRICARE.<sup>59</sup> GFO health care under TRICARE includes direct care (i.e., medical care provided by the U.S. military health system), purchased care (i.e., medical care provided by private sector providers in the networks outside of the military health system), and pharmacy costs for both GFOs and their dependents.<sup>60</sup> GFOs also have access to health care at the Executive Medicine Clinic at Walter Reed National Military Medical Center and the Executive Services Health and Wellness Clinic at Fort Belvoir Community

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<sup>57</sup>The absence of legislation to reduce the federal budget deficit by at least \$1.2 trillion triggered the sequestration process in section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. Pursuant to this act, the President ordered sequestration of budgetary resources across nonexempt federal government accounts on March 1, 2013—5 months into fiscal year 2013. The Office of Management and Budget identified reductions to DOD's resources of about \$37 billion in discretionary appropriations and about \$37.4 million in direct spending.

<sup>58</sup>The Office of Management and Budget issued in May 2012 a memorandum promoting further efficiency and cost consciousness in the federal government's operations, including in the areas of travel and conferences. Pursuant to this memo, DOD issued in June 2013 a memorandum stating the department's intent to reduce fiscal year 2013 travel expenses by 30 percent from fiscal year 2010 levels, and to design and implement additional policy for conference spending and cost reporting. See Department of Defense, Deputy Secretary of Defense, "Implementation of May 11, 2012, Office of Management and Budget Memorandum, Promoting Efficient Spending to Support Agency Operations" (Washington, D.C.: June 3, 2012).

<sup>59</sup>DOD offers health care services to its eligible beneficiaries through TRICARE. Beneficiaries may obtain care from military hospitals and clinics or from civilian providers.

<sup>60</sup>Health care costs associated with Reserve and National Guard GFOs activated for 30 days or more were included in these data, but not those costs associated with their dependents.

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Hospital. According to these organizations, the clinics ensure availability, security, and confidentiality for military and government executives, including GFOs, select executive branch civilian executives, members of the U.S. Congress, and foreign dignitaries. GFO health care costs tracked by the Military Health System Data Repository, such as those costs associated with executive medicine clinics, are included in this report; however, the data repository is not structured to allow executive medicine clinic costs specifically associated with GFOs to be separately extracted. As mentioned earlier in this report, we determined that costs prior to fiscal year 2003 were not available because Defense Health Agency officials told us that the TRICARE Management Activity transitioned to a new software system at that time and legacy data were not migrated into the new system.

The increase in per capita health care costs is consistent with growth in overall health care costs in the Military Health System. We reported in November 2013 that DOD's Military Health System costs have grown from \$19 billion in fiscal year 2001 to the fiscal year 2014 budget request of \$49.4 billion.<sup>61</sup> An advisory committee to the Secretary of Defense has cited increased utilization of services, increasingly expensive technology and pharmaceuticals, and the aging of the retiree population as reasons for increasing health care costs.<sup>62</sup> We have reported on DOD's military health governance structure and the need for sustained senior leadership to achieve desired cost savings and found that DOD senior leadership has demonstrated a commitment to oversee implementation of its military health system's reform and has taken a number of actions to enhance reform efforts.<sup>63</sup>

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<sup>61</sup>[GAO-14-49](#). GAO recommended that DOD provide decision makers with more complete information on the implementation of the creation of the Defense Health Agency, and that DOD develop and present to Congress performance measures, interim timelines, and staffing baseline assessments and refined cost savings estimates. DOD concurred with each of GAO's recommendations.

<sup>62</sup>Defense Health Board, *Task Force on the Future of Military Health Care* (Washington, D.C.: December 2007).

<sup>63</sup>GAO, *Military Health System: Sustained Senior Leadership Needed to Fully Develop Plans for Achieving Cost Savings*, [GAO-14-396T](#) (Washington, D.C.: Feb. 26, 2014).

### GFO Official Representation Costs from Fiscal Years 2008 through 2013 for the Air Force, Marine Corps, and Navy

Total official representation costs across the Air Force, the Marine Corps, and the Navy dropped 29 percent from fiscal years 2008 through 2013. GFOs, along with members of the Senior Executive Service, have the authority to use official representation funds to host guests of the United States and DOD, such as civilian or military dignitaries and officials of foreign governments.<sup>64</sup> We received complete official representation costs from the Air Force, the Marine Corps, and the Navy for fiscal years 2008 through 2013.<sup>65</sup> The Army provided cost data for fiscal years 2001 through 2013, but these data were determined to be unreliable because of anomalies identified across multiple years. The official representation cost data were reported in aggregate, by service, and were therefore not attributable specifically to GFOs.<sup>66</sup> As shown in table 3, inflation-adjusted official representation costs across the Navy, the Marine Corps, and the Air Force remained relatively constant from fiscal years 2008 through 2012, before dropping in fiscal year 2013. A Navy official attributed the decrease in Navy representation costs to the fiscal year 2013 budget sequester.

**Table 3: Total Official Entertainment and Representation Expenditures by Service, Fiscal Years 2008 through 2013**

Dollars in millions							
	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	Percentage change
Navy	2.6	2.4	2.6	2.3	2.7	1.9	-26%
Marine Corps	0.5	0.4	0.3	0.2	0.2	0.2	-58%
Air Force	1.9	2.0	1.9	1.8	1.9	1.4	-26%

<sup>64</sup>When the situation warrants, GFOs and members of the Senior Executive Service may delegate the ability to host and attend these events to a General Schedule 15 equivalent or military level O-6. See Department of Defense Instruction 7250.13, *Use of Appropriated Funds for Official Representation Purposes*, (June 30, 2009).

<sup>65</sup>Navy and Marine Corps officials noted that while they believe official representation cost data obtained from the Defense Financial Accounting Service to be complete, they do not always receive the hard copy documentation required for them to reconcile payments in accordance with official representation expenditure guidance.

<sup>66</sup>Although these costs are not attributable specifically to GFOs, we present cost data obtained from the services because these costs were specified by one of the congressional reports that mandated our work, and to provide context for the magnitude of official representation fund expenditures across the services.

Dollars in millions							
	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	Percentage change
<b>Total</b>	<b>4.9</b>	<b>4.7</b>	<b>4.8</b>	<b>4.3</b>	<b>4.9</b>	<b>3.5</b>	<b>-29%</b>

Legend: FY= fiscal year.

Source: GAO analysis of Department of Defense data. | GAO-14-745

Note: Values are expressed in constant fiscal year 2013 dollars.

### GFO Executive Training Costs from Fiscal Years 2001 through 2013

From fiscal years 2001 through 2013, the cost of GFO-specific training courses declined from \$2.4 million to \$1.8 million, a decrease of about 27 percent. Military officers, including GFOs, are encouraged to enroll in courses to further their military education. Two of these courses, CAPSTONE and PINNACLE, are specific to GFOs and are administered by the National Defense University. These courses are designed to prepare senior officers of the U.S. armed forces for high-level joint, interagency, intergovernmental, and multinational responsibilities.<sup>67</sup>

CAPSTONE is a statutorily mandated course for newly selected GFOs administered over 5 weeks involving travel to domestic and international locations.<sup>68</sup> The course objective is to make these individuals more effective in planning and employing U.S. forces in joint and combined operations. PINNACLE is a 1-week classroom course designed to prepare GFOs for senior political and military positions and command of joint and coalition forces at the highest level. On average, according to DOD data, CAPSTONE courses cost \$15,684 per student from fiscal years 2001 through 2013, and PINNACLE courses cost \$4,067 per student from fiscal years 2008 through 2013.<sup>69</sup> Officials from the National Defense University told us that costs declined because the length of the CAPSTONE course was changed from 6 to 5 weeks beginning in 2012.

<sup>67</sup>Chairman of the Joint Chiefs of Staff Instruction 1800.01D, *Officer Professional Military Education Policy*, (Washington, D.C.: July 15, 2009).

<sup>68</sup>10 U.S.C. § 2153.

<sup>69</sup>PINNACLE courses were first introduced in 2005; however, complete cost data were available beginning in 2008 because the National Defense University did not collect cost data specific to this course until that time.

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### **Aide Compensation in the Army and the Air Force from Fiscal Years 2003 through 2013**

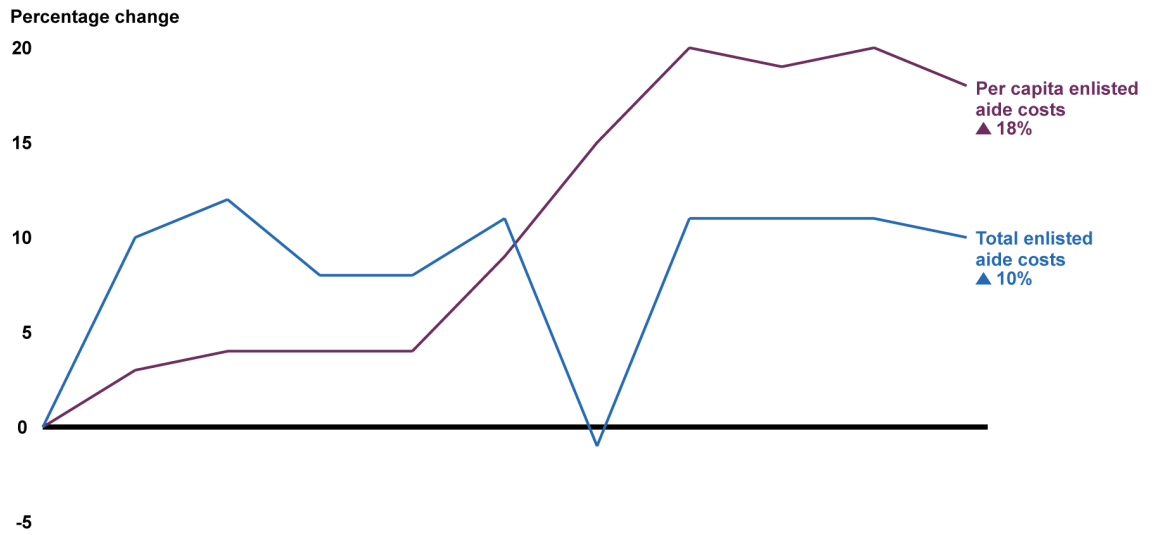
Compensation costs for enlisted aides in the Army and Air Force—the number of which are authorized by Congress—grew 10 percent from fiscal years 2003 through 2013, from approximately \$14.1 million to \$15.5 million. Enlisted aide compensation costs within each of these services fluctuated from year to year but also increased overall during this period. This is due in part to fluctuations in the overall number and rank distribution of enlisted aides within each service. Specifically, during this period the number of enlisted aides in the Army fluctuated from 70 to 97, while the number of Air Force enlisted aides ranged from 73 to 88. From fiscal years 2003 through 2013, on average, the ratio of enlisted aides to GFOs in the Army was 1:4, and the ratio of enlisted aides to GFOs in the Air Force was 1:3.5.<sup>70</sup>

Adjusting for changes in the aide population, we estimate that the average per capita compensation cost for enlisted aides in both the Army and the Air Force increased from \$84,519 to \$100,028, an increase of 18 percent. Figure 7 shows the percentage change in total and per capita enlisted aide costs from fiscal years 2003 through 2013 for the Army and the Air Force. Costs for the Marine Corps and the Navy could not be determined because the Marine Corps could not provide data by fiscal year and the Navy was able to provide only 2 years of enlisted aide personnel data.

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<sup>70</sup>Enlisted aides in the Air Force were ranked from E-4 (senior airman) to E-9 (chief master sergeant); those in the Army were ranked from E-5 (sergeant) to E-9 (sergeant major).

**Figure 7: Percentage Change in Total and Per Capita Enlisted Aide Costs from Fiscal Years 2003 through 2013 for the Army and the Air Force**



Fiscal year	2003	2006	2009	2012	2013
Total costs (dollars in millions)	\$14.1	\$15.3	\$13.9	\$15.7	\$15.5
Per capita costs	\$84,519	\$87,511	\$97,439	\$101,441	\$100,028

Source: GAO analysis of DOD data. | GAO-14-745

Notes: Values are rounded and expressed in constant fiscal year 2013 dollars. Percentage change calculated based on actual (not rounded) numbers.

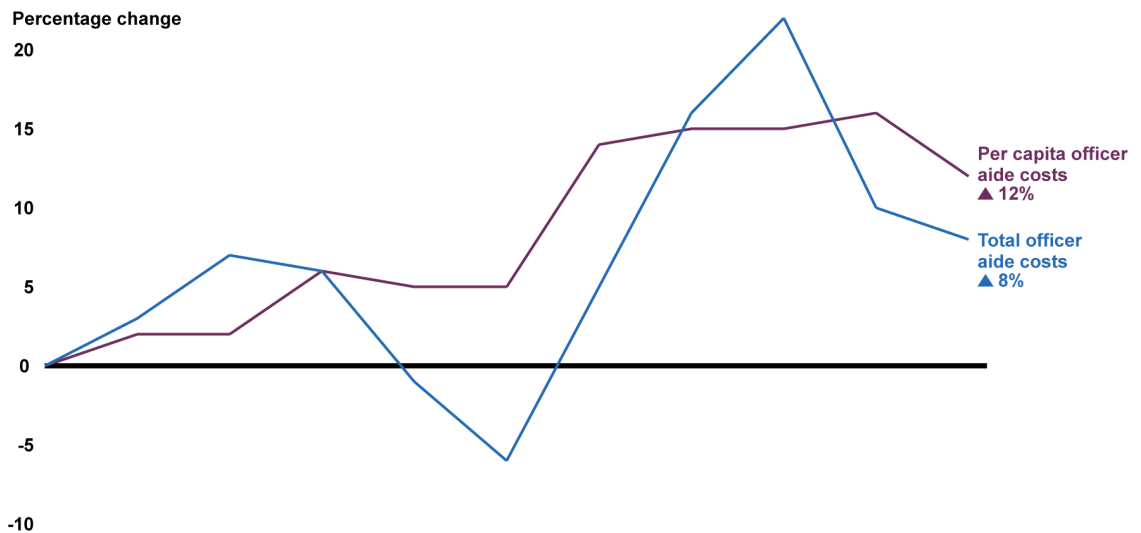
Compensation costs for officer aides in the Army and the Air Force grew 8 percent from fiscal years 2003 through 2013, from approximately \$28.9 million to \$31.1 million. Officer aide compensation costs within each of these services also generally increased during these years but fluctuated depending on the number and distribution of aides across ranks. The number of officer aides in the Air Force ranged from 22 to 47, while the number of officer aides in the Army ranged from 191 to 228.<sup>71</sup>

Adjusting for changes in population, we estimate that the average per capita compensation cost for officer aides in both the Army and the Air Force increased from \$125,759 to \$140,288, an increase of 12 percent. Figure 8 shows the percentage change in total and per capita officer aide

<sup>71</sup>Officer aides in the Air Force were ranked from O-2 (first lieutenant) to O-5 (lieutenant colonel); those in the Army were ranked from O-2 (first lieutenant) to O-6 (colonel).

costs from fiscal years 2003 through 2013 for the Army and the Air Force. As previously mentioned, costs for the Marine Corps and the Navy could not be determined because these services did not track the number of officer aide personnel.

**Figure 8: Percentage Change in Total and Per Capita Officer Aide Costs from Fiscal Years 2003 through 2013 for the Army and the Air Force**



Fiscal year	2003	2006	2009	2012	2013
Total costs (dollars in millions)	\$28.9	\$30.8	\$30.4	\$31.8	\$31.1
Per capita costs	\$125,759	\$133,432	\$143,246	\$145,541	\$140,288

Source: GAO analysis of DOD data. | GAO-14-745

Notes: Values are rounded and expressed in constant fiscal year 2013 dollars. Percentage change calculated based on actual (not rounded) numbers.

### Aide Travel and Per Diem for the Air Force from Fiscal Years 2007 through 2013

The travel and per diem costs for enlisted and officer aides in the Air Force rose from approximately \$862,000 in fiscal year 2007 to approximately \$1.3 million in fiscal year 2010, before decreasing to approximately \$768,000 in fiscal year 2013—an overall decrease of approximately 11 percent. As mentioned previously, the Army, Navy, and Marine Corps did not have enlisted and officer aide population data of sufficient detail to query the Defense Travel System for travel costs associated with those aides.



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## Conclusions

Given the federal government's continuing fiscal challenges, it is more important than ever that Congress, the administration, and managers at DOD have reliable, useful, and timely financial information to help ensure fiscal responsibility and demonstrate accountability, particularly for the elite leaders responsible for planning and implementing military operations across the department. As DOD officials continue to manage implementation of the fiscal year 2013 budget sequester, GFOs and related support costs are one of the areas in which efficiencies and reductions are being considered. However, DOD officials have voiced concern about reductions in this area and the need to retain flexibilities in staffing GFOs because of additional commands, joint responsibilities, and the potential to respond to future contingencies. These competing needs underscore the importance of DOD periodically conducting a comprehensive update of GFO requirements to efficiently manage the elite leaders of the military while also providing validation for existing and emerging needs. Moreover, if DOD had complete information on the costs of people and resources required to support the GFO corps (such as aide compensation and travel costs), the department would have an improved ability to manage these resources. More specific and complete definitions of GFO- and aide-associated costs would better position DOD to have more detailed and readily available information on these costs to help decision makers in DOD and Congress to balance resource priorities in a fiscally challenging environment. As the department realigns itself to address new challenges, full awareness of the GFO requirements and costs would help the department to provide congressional decision makers with the information needed for effective oversight and help ensure the efficient use of resources.

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## Recommendations for Executive Action

We are making five recommendations to help DOD to improve management of GFO requirements and collect more detailed information on associated costs. To determine the number of GFOs required for DOD's mission, we recommend that the Secretary of Defense take the following action:

- Direct the Under Secretary of Defense for Personnel and Readiness, in coordination with the secretaries of the military departments, to conduct a comprehensive update for GFO requirements by identifying, assessing, and validating positions that the department believes should be filled by GFOs, and define the circumstances under which subsequent periodic updates should occur. The update should include an assessment of whether GFO statutory limits are

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sufficient to meet GFO requirements and the impact of any shortfall on the department's mission.

To help improve the definition and availability of costs associated with GFOs and aides, we recommend that the Secretary of Defense take the following four actions:

- Direct the Under Secretary of Defense for Personnel and Readiness to establish guidance to
  - finalize the enlisted aide population data biannual reporting requirement in the revised DOD Instruction 1315.09,
  - define the position of officer aide, and
  - require the military departments to report on officer aide population data.
- Direct the Director, Cost Assessment and Program Evaluation, in coordination with the Under Secretary of Defense for Personnel and Readiness and the secretaries of the military departments, to define the costs that could be associated with GFOs—such as security details—for the purpose of providing a consistent approach to estimating and managing the full costs associated with GFOs.

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## Agency Comments and Our Evaluation

We requested comments on a draft of this product from the Department of Defense. On August 29, 2014, the Deputy Director, Military Compensation Policy in the office of the Under Secretary of Defense for Personnel and Readiness provided DOD's comments in an email. DOD also provided technical comments, which have been included as appropriate. In summary, DOD partially concurred with four of the five recommendations, and did not concur with one.

DOD partially concurred with the first recommendation to conduct a comprehensive update for GFO requirements and define the circumstances under which periodic updates should occur. In its comments DOD stated that the recommendation is prudent given the changing operational environment and requirements. However, DOD also stated that defining the circumstances of a periodic review would impede the department's ability to provide flexibility on future requirements and engagements. The intent of the recommendation was to help ensure that regular updates of GFO requirements are conducted—as the report notes, DOD last completed a comprehensive update of GFO requirements in 2003. We believe that DOD can define the circumstances for updating GFO requirements while retaining the ability to provide flexibility on future requirements and engagements, for example, by

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specifying conditions that may require a change to the frequency or scope of requirements updates. We continue to believe that fully addressing this recommendation by defining the circumstances under which periodic updates should occur would allow the department to efficiently manage the GFO population while also providing validation for existing and emerging needs.

DOD partially concurred with the second, third, and fourth recommendations to establish guidance to finalize the enlisted aide population data biannual reporting requirement in the revised DOD Instruction 1315.09, define the position of officer aide, and require the military departments to report on officer aide population data. In its comments, DOD stated that the department concurred with providing biannual reports on enlisted aides and is taking steps to incorporate a new requirement for reports in the updated instruction governing the use of enlisted aides. As noted in the report, DOD has not established a time frame for completing the revision. DOD also stated that officer aide assignments are more along the lines of professional development and staff officer experience, allowing the services flexibility to ensure a broad scope of professional development in an operational or training environment. Further, DOD stated that the department will continue to allow the services to manage officer aides at the local level. However, as noted in the report, due to the lack of a department-wide definition for officer aides, the military services were not able to provide consistent data for these personnel, including cost data. Moreover, the report notes that the lack of a definition for officer aides is preventing DOD from having visibility over the costs associated with those personnel, and from including such costs when calculating the full costs of the GFO population. We continue to believe that defining the position of officer aide and requiring the military departments to report on the number of personnel assigned to these positions would improve the availability of cost information associated with the GFO population.

Finally, DOD did not concur with the fifth recommendation to define the costs associated with GFOs—such as security details—for the purpose of providing a consistent approach to estimating the full costs associated with GFOs. We modified the recommendation first provided to DOD in our draft report in response to technical comments from the Cost Assessment and Program Evaluation office. Specifically, the original recommendation was for the Director, Cost Assessment and Program Evaluation, in coordination with the Under Secretary of Defense for Personnel and Readiness and the secretaries of the military departments, to define the costs associated with GFOs—such as security details and other relevant

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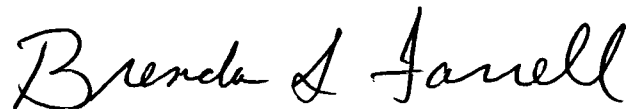
costs. We modified this recommendation to include the clause “...costs *that could be* associated with GFOs...” (emphasis added) and to delete the phrase “and other relevant costs.” We made this change because officials from the Cost Assessment and Program Evaluation office told us that the original recommendation did not provide them with needed flexibility to decide which GFO associated costs to define. However, DOD did not concur with the modified recommendation.

In its comments, DOD stated that the department did not agree with the recommendation for two reasons. First, DOD stated it already defines the full manpower costs associated with GFOs in DOD Instruction 7041.04 (*Estimating and Comparing the Full Costs of Civilian and Active Duty Military Manpower and Contract Support*). Second, DOD stated that security details and aides assigned to GFOs are managed by the services and are included in their personnel costs, and that those billets should not be included with the costs associated with GFOs. As stated in the report, certain costs associated with GFOs—such as security details and officer aides—were unavailable because the cost elements were not defined. For example, we reported that, according to DOD officials, the military services do not report security detail costs consistently because without a department-wide definition such costs could include compensation, travel, equipment, weapons, and vehicles. Moreover, the Federal Accounting Standards Advisory Board has noted that a cost methodology should include any resources directly or indirectly used to perform work, and GFO’s often rely upon security details and officer aides to carry out their responsibilities. The report also stated that DOD Instruction 7041.04, and the accompanying tool developed by CAPE, are intended to collect cost elements required to estimate the full cost of military and civilian personnel. In commenting on the draft report, DOD did not address the issue of using these full costs to estimate and compare personnel costs and to support workforce allocation decisions, for example, when deciding whether a function should be performed by civilian or military personnel. Without a department-wide definition of the costs associated with GFOs—such as security details, and other relevant costs—the department is unable to include the full costs of GFOs as specified by DOD Instruction 7041.04 when making workforce allocation decisions. As a result, we continue to believe that formulating a consistent definition of the costs associated with GFOs—such as security details, and other relevant costs—for purposes of making specific comparisons of individual functions would enhance the department’s ability to consistently estimate the full costs associated with GFOs.

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We are sending copies of this report to the appropriate congressional committees, the Secretary of Defense, the Under Secretary of Defense for Personnel and Readiness, the Secretaries of the Air Force, the Army, and the Navy, and the Director, Cost Assessment and Program Evaluation. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-3604 or [farrellb@gao.gov](mailto:farrellb@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix II.

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

Brenda S. Farrell  
Director  
Defense Capabilities and Management

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*List of Committees*

The Honorable Carl Levin  
Chairman  
The Honorable James M. Inhofe  
Ranking Member  
Committee on Armed Services  
United States Senate

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

The Honorable Howard P. "Buck" McKeon  
Chairman  
The Honorable Adam Smith  
Ranking Member  
Committee on Armed Services  
House of Representatives

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

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# Appendix I: Scope and Methodology

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To identify any changes in the population and statutory limits for active duty general and flag officers (GFO) relative to other active duty personnel for fiscal years 2001 through 2013, we reviewed the relevant U.S. Code provisions (10 U.S.C. §§ 525 and 526) as applicable and amended for each of these years, and obtained, analyzed, and assessed the reliability of end strength population data from the Defense Manpower Data Center.<sup>1</sup> We included population data from fiscal years 2001 through 2013 in our review to be consistent with the time frame included in our review of trends in GFO costs. The scope of our analysis included only those personnel on active duty; we did not include reserve component personnel in our review. We also obtained more detailed GFO population data from the Department of Defense (DOD) for fiscal years 2011 through 2013 and analyzed these data for contextual information, such as the exemptions the services applied to GFO positions that were above statutory limits. To determine the extent to which DOD updated GFO requirements since 2003, we met with officials at the Office of the Secretary of Defense and the military services responsible for GFO management, reviewed relevant GAO and DOD studies, conducted trend analyses and discussed reasons for population changes, and reviewed relevant DOD policies and guidance. We assessed the information we collected against DOD guidance that requires military and civilian personnel resources to be programmed in accordance with validated requirements that are periodically reevaluated,<sup>2</sup> and a best practices model for strategic human capital management.<sup>3</sup>

To assess what is known about the costs associated with the active duty GFO population and their aides and any trends in such costs from fiscal years 2001 through 2013, including trends in GFO compensation relative

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<sup>1</sup>End strengths are a measure of the number of personnel on military payrolls on the last day of each fiscal year (September 30). These data include GFOs who are on terminal leave immediately prior to retirement and who are no longer serving in a command position.

<sup>2</sup>Department of Defense, *Guidance for Manpower Management*, Directive 1100.4, (Feb. 12, 2005).

<sup>3</sup>GAO, *A Model of Strategic Human Capital Management*, [GAO-02-373SP](#) (Washington, D.C.: Mar. 15, 2002). To develop this model, we reviewed multiple sources, including lessons learned from public and private organizations that are viewed as leaders in strategic human capital management and managing for results, in addition to findings from academia, the Office of Personnel Management, the Merit Systems Protection Board, and the National Academy of Public Administration.

to that of other active duty personnel, we identified the relevant DOD, component, and service offices responsible for managing active duty GFOs and enlisted and officer aides, along with related military personnel and operations and maintenance costs, such as compensation, housing, and travel; met with officials at these offices to determine the extent to which data were available; obtained and assessed the reliability of available data; and analyzed available data, when possible. We identified criteria in DOD guidance, federal internal control standards, and federal accounting standards that specify the need for full and reliable manpower and other cost data for the purpose of making operating decisions and allocating resources, and assessed the availability of GFO cost data against those criteria.<sup>4</sup> We defined the GFO-related costs included in our scope as those costs that were (1) specified in the congressional reports that mandated our work, (2) consistent with prior GAO work on military compensation,<sup>5</sup> or (3) determined as GFO-related costs based on discussions with knowledgeable officials. To determine the extent to which data on GFO-related costs were available, we categorized each cost element as “complete,” “partially complete,” or “unavailable” based on the availability, completeness, and reliability of data provided for fiscal years 2001 through 2013. Cost data that were determined to be “complete” were readily available for all of the years included in our review. Cost data that were determined to be “partially complete” were either not available or not reliable for all years. “Unavailable” cost data were either not readily available or were determined to be unreliable across all of the years included in our review. Specifically, we took the following steps to obtain, analyze, and assess the reliability of GFO and aide cost data:

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<sup>4</sup>See Department of Defense, *Estimating and Comparing the Full Costs of Civilian and Active Duty Military Manpower and Contract Support*, Instruction 7041.04 (July 3, 2013); GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999); and Federal Accounting Standards Advisory Board, *Statement of Federal Financial Accounting Standards No. 4: Managerial Cost Accounting Concepts and Standards for the Federal Government* (Washington, D.C.: July 31, 1995).

<sup>5</sup>See GAO, *Military Personnel: Military and Civilian Pay Comparisons Present Challenges and Are One of Many Tools in Assessing Compensation*, [GAO-10-561R](#) (Washington, D.C.: Apr. 1, 2010); *Military Personnel: DOD Needs to Establish a Strategy and Improve Transparency over Reserve and National Guard Compensation to Manage Significant Growth in Cost*, [GAO-07-828](#) (Washington, D.C.: June 20, 2007); and *Military Personnel: DOD Needs to Improve the Transparency and Reassess the Reasonableness, Appropriateness, Affordability, and Sustainability of Its Military Compensation System*, [GAO-05-798](#) (Washington, D.C.: July 19, 2005).



### **Compensation costs (GFOs, aides, non-GFO officers, and enlisted personnel)<sup>6</sup>**

We used DOD's composite standard pay rates to calculate the cost of compensation provided to active duty GFOs and enlisted and officer aides from fiscal years 2001 through 2013. The composite rates are used by DOD when determining the military personnel appropriations cost for budget and management studies. The rates include average basic pay plus retired pay accrual; Medicare-eligible retiree health care accrual; basic allowances for housing and subsistence; incentive, miscellaneous, and special pays; and permanent change of station expenses. The composite rates pool these cost elements together, as such trends for discrete compensation cost elements could not be determined from these data. Our previous work has recognized that there are multiple ways of estimating the compensation costs of military personnel depending on the mix of cash, such as basic pay; noncash benefits, like health care; and deferred compensation, such as retirement pension.<sup>7</sup> Although past studies have used varying approaches to study military compensation, certain elements of compensation are commonly incorporated into these assessments—for example, cash compensation beyond basic pay to include housing and subsistence allowances, the federal income tax advantage, and special and incentive pays. We used DOD's composite rates to calculate compensation in part because they allowed us to obtain data specific to the GFO population over the timeframe covered by our review.

We multiplied the composite rates by the GFO average strengths contained in the military personnel budget justification books and actual numbers of aides provided to us by the services to obtain total compensation costs by rank and service. We then divided aggregate rank totals by these numbers of GFOs and aides to compute per capita costs for each rank. For comparison purposes, we performed a similar analysis of non-GFO officer and enlisted active duty military personnel compensation costs. We were not able to calculate compensation costs

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<sup>6</sup>GFOs are senior officers at the rank of brigadier general and above (for the Navy, rear admiral and above). Non-GFO officers are those officers at or below the rank of colonel/captain, including warrant officers. Enlisted personnel are those individuals at or below the rank of sergeant major (Army and Marine Corps), master chief petty officer (Navy), or chief master sergeant (Air Force).

<sup>7</sup>[GAO-10-561R](#).

for officer and enlisted aides across all the services because of the limited availability of aide population data. We normalized all compensation costs that we were able to calculate to fiscal year 2013 dollars by using the employment cost index published by the U.S. Bureau of Labor Statistics.

DOD's composite rate uses a standard factor to calculate deferred costs (i.e., pension and retiree health care costs) for all active duty personnel, which does not account for the significant differences in retirement rates across ranks that we have previously reported. For example, we reported in 2005 that an estimated 15 percent of new enlisted personnel and 47 percent of new officers become eligible to receive pensions and retiree health care.<sup>8</sup> Also, GFOs generally have already completed 20 years of service at the time of their promotion to the GFO ranks, and as such the retirement rate of GFOs is closer to 100 percent. Therefore, DOD's approach to calculating the composite rate may significantly undercount the cost of providing retirement benefits to GFOs.

We also used data supplied by the Office of the Under Secretary of Defense (Personnel and Readiness) to estimate the tax expenditure resulting from a portion of GFO compensation being tax exempt.<sup>9</sup> The value of tax-exempt allowances (basic allowance for subsistence, basic allowance for housing) depends on a servicemember's pay grade, years of service, and number of dependents. To estimate the tax expenditure for each combination of pay grade (within the range of GFO pay grades), years of service, and number of dependents, we estimated the amount paid in taxes if the allowances are taxed and if they are not taxed, using estimates of applicable marginal tax rates supplied by the National Bureau of Economic Research. A weighted average of the differences in tax liability was then created based on the proportion of GFOs in each pay grade, years of service, and number of dependents category.

**Commercial travel costs (GFOs and aides).** We obtained data on costs for GFO and select enlisted and officer aide commercial travel for fiscal years 2007 through 2013 from the Defense Travel System. These costs include airfare, per diem, lodging, car rental, and mileage

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<sup>8</sup>GAO-05-798.

<sup>9</sup>The tax expenditure is the tax revenue forgone by the federal government by the policy of not taxing the basic allowance for housing and the basic allowance for subsistence.

reimbursement.<sup>10</sup> GFO cost data from 2009 through 2013 were reported in aggregate, by fiscal year, so we were not able to assess trends across the military services. GFO travel costs prior to fiscal year 2009 were not available because not all military services transitioned to the Defense Travel System at the same time and not all legacy data were migrated to the new system. Aide travel and per diem cost data reported by the Air Force covered both enlisted and officer aides from fiscal years 2007 through 2013. The Marine Corps reported incomplete aide travel costs for personnel who were still on active duty that we excluded from our analysis, while the Army and the Navy did not report aide travel costs. The travel costs we analyzed were normalized to fiscal year 2013 dollars using the gross domestic product price index published by the U.S. Department of Commerce, Bureau of Economic Analysis.

**GFO military/government air travel costs.** We requested but did not obtain costs for GFO travel on military aircraft for fiscal years 2001 through 2013 from the military services, U.S. Transportation Command, the Defense Logistics Agency, and the U.S. Army Corps of Engineers. It is DOD policy that these data be retained for a period of 2 years, but cost data were not readily available. Ancillary costs associated with these flights, such as lodging, were included in our analysis of commercial travel data.

**GFO housing.** We obtained data on the costs of housing units used as quarters for GFOs from fiscal years 2001 through 2013 from the annual GFOs' quarters expenditure reports produced by the Office of the Under Secretary of Defense (Comptroller)<sup>11</sup> and a supplementary data set covering fiscal year 2001 Defense Logistics Agency costs, also provided by the Comptroller's office. These costs include operations, maintenance, utility, lease, and repair costs associated with DOD-owned and leased properties, as well as certain costs associated with privatized housing. The housing costs we analyzed were normalized to fiscal year 2013

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<sup>10</sup>Per diem, lodging, and other costs associated with military travel are also included in these data.

<sup>11</sup>Per title 10, U.S.C. §2831 (e), the Secretary of Defense is required to submit to the congressional defense committees no later than 120 days after the end of each fiscal year a report specifying, for each family housing unit used as quarters for a GFO at any time during that fiscal year, the total expenditures for operation and maintenance, utilities, lease, and repairs of the unit during that fiscal year.

dollars using the gross domestic product price index published by the U.S. Department of Commerce, Bureau of Economic Analysis.

**GFO health care.** We obtained data on the costs of health care provided to active duty GFOs and their dependents from fiscal years 2003 through 2013 from the Defense Health Agency. These costs include direct care (i.e., medical care provided by the U.S. military health care system), purchased care (i.e., medical care provided by private sector providers in the networks outside of the military health care system), and pharmacy costs for both GFOs and their dependents. These data include GFO health care costs incurred at the Executive Medicine Clinic at Walter Reed National Military Medical Center and the Executive Services Health and Wellness Clinic at Fort Belvoir Community Hospital. However, while costs associated with executive medicine are included in the health care cost data we obtained, executive medicine costs associated with GFOs could not be separated from costs associated with other individuals eligible for executive medicine care and are therefore not separately reported. Cost data were normalized to fiscal year 2013 dollars using the gross domestic product price index published by the U.S. Department of Commerce, Bureau of Economic Analysis. We determined that costs prior to fiscal year 2003 were not reliable because legacy data were not migrated into the new system when data formats in the Defense Enrollment Eligibility Reporting System were changed in fiscal year 2003.

**GFO security details.** We obtained data on the costs of security details provided to GFOs from fiscal years 2001 through 2013 from 27 different DOD organizations, including combatant commands, services, and other DOD organizations. These data included costs such as pay, travel, and equipment associated with personnel assigned to protective security details. Some of the DOD organizations provided fiscal year expenditures to us, while others reported a total sum of costs over a period covering several fiscal or calendar years. DOD officials told us that the costs were likely underreported. As a result, these data were excluded from our analysis.

**GFO official representation.** We obtained complete official representation costs from the Air Force, Navy, and Marine Corps for fiscal years 2008 through 2013. The Army provided cost data from fiscal years 2001 through 2013, but data for certain years were inaccurate and the data set was therefore deemed unreliable for our purposes. The Navy also provided cost data from fiscal years 2001 through 2007, but these data were excluded from our department-wide analysis in order to present a consistent range of data. Official entertainment and representation cost

data were reported in aggregate by service. As a result, costs attributable to GFOs could not be separated from those attributable to senior civilian officials. The cost data were normalized to fiscal year 2013 dollars using the gross domestic product price index published by the U.S. Department of Commerce, Bureau of Economic Analysis.

**GFO executive training.** We obtained costs for the CAPSTONE and PINNACLE training courses, which are specific to GFOs and are administered by the National Defense University. The National Defense University provided complete cost data for CAPSTONE from fiscal years 2001 through 2013. Cost data for PINNACLE were provided for fiscal years 2005 through 2013, but data for fiscal years 2005 through 2007 were excluded from our analysis because during this time the National Defense University combined costs for PINNACLE with another course (KEYSTONE). As such, we determined that PINNACLE data from fiscal years 2005 through 2007 were unreliable for our purposes. The cost data were normalized to fiscal year 2013 dollars using the gross domestic product price index published by the U.S. Department of Commerce, Bureau of Economic Analysis.

To assess the reliability of population and cost data obtained for GFOs and other active duty personnel—including non-GFO officers, enlisted personnel, and officer and enlisted aides—we interviewed, corresponded with, or administered questionnaire(s) to ascertain the process by which data were compiled and to identify data aggregation, storage, reporting, and quality control processes. We also independently assessed the completeness of the data and coordinated with the appropriate officials to resolve any data anomalies, and reviewed available documentation describing the processes or system(s) used to house relevant data and to identify issues material to data reliability. We did not assess all of the processes used to create or assemble certain data, such as data sets assembled by DOD officials from multiple sources. We determined that certain data were not sufficiently reliable for the purpose of our review based on the presence of significant errors or incompleteness in some or all of the key data elements, or because using the data might lead to an incorrect or unintentional message. As discussed above, those data were excluded from our analyses. We believe the cost and population data that we did include in this report are sufficiently reliable for the purposes of assessing GFO and other active duty population trends and for determining the costs associated with GFOs and other active duty personnel from fiscal years 2001 through 2013.

In addressing both of our audit objectives, we contacted officials from the following DOD organizations:

- Office of the Secretary of Defense, Cost Assessment and Program Evaluation
- Office of the Under Secretary of Defense for Personnel and Readiness
- Office of the Assistant Secretary of Defense for Homeland Defense and Americas' Security Affairs
- The Joint Chiefs of Staff, Directorate for Logistics (J-4)
- National Defense University
- Defense Manpower Data Center
- Defense Health Agency
- Office of the Under Secretary of Defense (Comptroller)
- Defense Logistics Agency
- Defense Travel Management Office
- U.S. Army
- U.S. Navy
- U.S. Marine Corps
- U.S. Air Force

We conducted this performance audit from November 2013 to September 2014 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.

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# Appendix II: GAO Contact and Staff Acknowledgments

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## GAO Contact

Brenda S. Farrell, (202) 512-3604 or [farrellb@gao.gov](mailto:farrellb@gao.gov).

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## Staff Acknowledgments

In addition to the contact named above, Margaret A. Best (Assistant Director), Timothy J. Carr, Grace Coleman, Ryan D'Amore, Foster Kerrison, Michael Silver, Amie Steele, and Sabrina Streagle made key contributions to this report.

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# Related GAO Products

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*Defense Headquarters: DOD Needs to Reevaluate Its Approach for Managing Resources Devoted to the Functional Combatant Commands.* [GAO-14-439](#). Washington, D.C.: June 26, 2014.

*Defense Headquarters: Guidance Needed to Transition U.S. Central Command's Costs to the Base Budget.* [GAO-14-440](#). Washington, D.C.: June 9, 2014.

*Human Capital: Opportunities Exist to Further Improve DOD's Methodology for Estimating the Costs of Its Workforces.* [GAO-13-792](#). Washington, D.C.: September 25, 2013.

*Financial and Performance Management: More Reliable and Complete Information Needed to Address Federal Management and Fiscal Challenges.* [GAO-13-752T](#). Washington, D.C.: July 10, 2013.

*Defense Headquarters: DOD Needs to Periodically Review and Improve Visibility Of Combatant Commands' Resources.* [GAO-13-293](#). Washington, D.C.: May 15, 2013.

*Defense Headquarters: Further Efforts to Examine Resource Needs and Improve Data Could Provide Additional Opportunities for Cost Savings.* [GAO-12-345](#). Washington, D.C.: March 21, 2012.

*Military Cash Incentives: DOD Should Coordinate and Monitor Its Efforts to Achieve Cost-Effective Bonuses and Special Pays.* [GAO-11-631](#). Washington, D.C.: June 21, 2011.

*Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue.* [GAO-11-318SP](#). Washington, D.C.: March 1, 2011.

*Questions for the Record Related to Military Compensation.* [GAO-10-803R](#). Washington, D.C.: June 3, 2010.

*Military Personnel: Military and Civilian Pay Comparisons Present Challenges and Are One of Many Tools in Assessing Compensation.* [GAO-10-561R](#). Washington, D.C.: April 1, 2010.

*Military Personnel: Military Departments Need to Ensure That Full Costs of Converting Military Health Care Positions to Civilian Positions Are Reported to Congress.* [GAO-06-642](#). Washington, D.C.: May 1, 2006.



*Military Personnel: DOD Needs to Improve the Transparency and Reassess the Reasonableness, Appropriateness, Affordability, and Sustainability of Its Military Compensation System.* [GAO-05-798](#). Washington, D.C.: July 19, 2005.

*Military Personnel: DOD Could Make Greater Use of Existing Legislative Authority to Manage General and Flag Officer Careers.* [GAO-04-1003](#). Washington, D.C.: September 23, 2004.

*Military Personnel: General and Flag Officer Requirements Are Unclear Based on DOD's 2003 Report to Congress.* [GAO-04-488](#). Washington, D.C.: April 21, 2004.

*A Model of Strategic Human Capital Management.* [GAO-02-373SP](#). Washington, D.C.: March 15, 2002.

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