

GAO

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

October 1994

AVIATION CONTINUATION PAY

Some Bonuses Are Inappropriate Because of Prior Service Obligations





United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-257335

October 14, 1994

The Honorable Ike Skelton
Chairman, Subcommittee on Military Forces and Personnel
Committee on Armed Services
House of Representatives

Dear Mr. Chairman:

In 1989, when extending the existing authority for the aviation retention bonuses known as Aviation Continuation Pay (ACP), the House Armed Services Committee expressed concern about the large number of pilots who had testified at hearings that they had accepted the bonus because the obligation they incurred ran concurrently with already existing service commitments.¹ As part of a broader review of the Department of Defense's (DOD) special and incentive pays, we assessed how well the services were complying with the House Armed Services Committee's direction that aviator retention bonuses were not to be given to service members for time that they were already committed to serve. Specifically, our objectives were to determine the (1) extent and amount of overlapping commitments and (2) reasons for preexisting commitments.

Results in Brief

DOD is paying ACP bonuses for time that service members already have commitments despite direction from the House Armed Services Committee to avoid such payments. In fiscal years 1992 and 1993, 58 percent and 69 percent, respectively, of the new ACP contracts went to aviators with preexisting commitments. These overlapping commitments stemmed from commitments incurred mainly in connection with receipt of additional training or permanent change of station moves. Overlapping commitments averaged 15 months and cost DOD approximately \$15 million in fiscal year 1992 and \$11 million in fiscal year 1993. Paying bonuses to entice aviators to commit to serve for periods of time for which they are already committed is not only inconsistent with the House Armed Services Committee direction, but is not a prudent use of taxpayer funds.

Background

In the late 1970s, DOD and the Congress found significant problems with aviator retention. In 1980, the Congress initially authorized aviator bonuses under 37 U.S.C. 301b. The bonuses were intended to be used to improve retention and reduce shortages of flight personnel. The bonus

¹H. Rept. 121, 101st Congress, 1st Session 278 (1989).

program, referred to as Aviation Officers Continuation Pay, was reauthorized in some form from fiscal years 1981-82 and again in 1984-88.² For fiscal year 1989, the Congress authorized a new aviation bonus program as a provisional retention program to replace the Aviation Officers Continuation Pay program. The National Defense Authorization Act for fiscal years 1990 and 1991 (P.L. 101-189) authorized the present ACP program.

Under the ACP program, the services are authorized to pay bonuses of up to \$12,000 for each year of additional commitment to aviators who have completed at least 6 years but less than 13 years of active duty service.³ The commitment period cannot extend beyond their 14th year. Each of the services, with the exception of the Army,⁴ is using the ACP program to pay retention bonuses to aviators.

ACP Paid to Aviators With Preexisting Commitments

Using data provided by the services, we determined that ACP was being paid for periods of time for which aviators had preexisting commitments for military service. In fiscal years 1992 and 1993, DOD committed to pay \$94.6 million and \$75.6 million, respectively, in ACP. Of those totals, approximately \$15 million (16 percent) in fiscal year 1992 and \$11 million (15 percent) in fiscal year 1993 were for periods of time that the aviators were already committed to serve. Of the 2,278 new ACP contracts in fiscal year 1992 and the 1,104 contracts in fiscal year 1993, about 58 percent and 69 percent, respectively, went to service members with preexisting commitments. Table 1 provides more detailed information on ACP payments for periods of preexisting commitments during fiscal years 1992 and 1993.

²The program ended on September 30, 1982, in accordance with the sunset provision in the Uniformed Services Pay Act of 1981 (P.L. 97-60, 113, 95 Stat. 989, 995 (1981)). The Senate Armed Services Committee found that the bonus was “an inappropriate solution to long-term retention problems” with military aviators (S. Rept. 97-146 (Committee on Armed Services), p. 10, accompanying S.1181, 97th Congress, 1st Session, 1981). The hiatus in the program ended with the passage of the DOD Authorization Act of 1984 (P.L. No. 98-94, 904(a), 97 Stat. 614, 635-636 (1983)).

³Pilot training commitments were changed to 7 years in 1987 and 8 years in 1988. Aviators are not eligible for ACP until their undergraduate training commitment has been completed.

⁴Army officials stated that they have been able to retain sufficient numbers of aviators without the ACP program and do not want to single out one segment of officers for treatment that is different from that provided its other officers.

Table 1: ACP Costs and Overlaps for Fiscal Years 1992 and 1993

Dollars in millions				
	Navy ^a	Marine Corps ^a	Air Force ^b	DOD total
New fiscal year 1992				
ACP contracts				
Total number	621	680	977	2,278
Total cost	\$11.8	\$8.0	\$74.8	\$94.6
Contracts with overlap	232 (37%)	334 (49%)	755 (77%)	1,321 (58%)
Average overlap (months)	13	16	14	14
Longest overlap (months)	67	24	59	67
Cost of overlap	\$1.9 (16%)	\$2.7 (34%)	\$10.5 (14%)	\$15.1 (16%)
New fiscal year 1993				
ACP contracts				
Total number	137	168	799	1,104
Total cost	\$10.1	\$2.0	\$63.5	\$75.6
Contracts with overlap	75 (55%)	77 (46%)	612 (77%)	764 (69%)
Average overlap (months)	14	16	16	16
Longest overlap (months)	60	24	60	60
Cost of overlap	\$1.0 (10%)	\$0.6 (30%)	\$9.6 (15%)	\$11.2 (15%)

^aFigures on overlapping commitments do not include commitments that are the result of tuition assistance (service payments for voluntary education programs). The Navy and the Marine Corps did not provide this data because it would have required an extensive manual review of records. Consequently, the data shown in the table understates the extent of overlapping commitments for those services. In the Air Force, tuition assistance accounted for 4 percent of overlapping commitments in fiscal year 1992 and 7 percent in fiscal year 1993.

^bFigures on overlapping commitments do not include commitments occurring shortly before the ACP contract dates due to limitations in Air Force data archives. Consequently, the data shown in the table understates the extent of overlapping commitments. A study conducted by a War College student using the same methodology as this one found that 90 percent of the pilots who accepted ACP in fiscal year 1989 already had commitments to extend their service. (See Mestemaker, Michael J., "The Aviation Career Improvement Act and Its Impact on Retention," Carlisle Barracks, Pennsylvania: U.S. Army War College, 1991.)

Reasons for Preexisting and Overlapping Commitments

Aviators contracting for ACP may have preexisting commitments resulting from a variety of circumstances, including flight training and permanent change of station moves. Activities such as these sometimes bring with them requirements for the continued service of the individual for a specified period of time.

The following composite illustrations show some of the main reasons for preexisting commitments and the degree of overlap.

- Case 1: In January 1992, an Air Force strategic airlift pilot completed the advanced flight courses required to become a C-5 crew commander. In return for this training, the pilot incurred a 2-year service obligation. In October 1992, the pilot signed a 6-year ACP contract for \$72,000, which overlapped with the 15 months remaining on the pilot's flight training commitment. Thus, the pilot was paid \$15,000 for a 15-month period of service (from October 1992 through December 1993) already owed to the Air Force.
- Case 2: In January 1992, following a tour of duty aboard an aircraft carrier, a Navy aviator accepted an assignment that involved a permanent change of duty station to a shore-based training squadron. By making this move, the aviator became obligated for 2 additional years in the Navy. In November 1992, 10 months later, the aviator signed a 7-year ACP contract for a bonus of \$84,000. The aviator was therefore paid \$14,000 for the 14-month period for which he was already obligated to serve because of the move.
- Case 3: A Marine Corps aviator had been flying A-6 aircraft for a number of years. However, because that aircraft was being phased out, the aviator volunteered to be retrained as a Harrier (AV-8B) pilot. The retraining obligated the aviator to 3 years of additional service. A year later, the aviator signed a 2-year ACP contract for \$12,000. As a result, he was paid \$12,000 to commit for a 24-month period for which he was already committed.

Data provided by the services shows that the primary reason for preexisting commitments in fiscal years 1992 and 1993 was flight training in the Air Force and permanent change of station moves in the Navy and the Marine Corps. Table 2 shows the reasons for preexisting commitments for each of the services in those fiscal years.

Table 2: Reasons for Preexisting Commitments in Fiscal Years 1992 and 1993

Figures in percentages

Fiscal year	Reason for preexisting obligation	Navy	Marine Corps	Air Force
1992	Flight training	1	18	57
	Permanent change of station	93	62	33
	Other	6	20	10
1993	Flight training	0	31	51
	Permanent change of station	97	64	29
	Other	3	5	20

Recommendation

The payment of ACP bonuses without reductions for periods of service for which aviators have preexisting commitments is inconsistent with congressional committee expectations and is not a prudent use of resources. We recommend that the Secretary of Defense establish internal controls to ensure that the services do not pay aviators for periods of preexisting service obligations.

Agency Comments and Our Evaluation

DOD partially agreed with our findings but did not agree with our recommendation. DOD recognized that offering retention bonuses to aviators who have an existing service obligation may appear, when taken in isolation, imprudent. However, DOD stated that this practice needs to be considered in relation to the underlying objectives of the program. DOD's comments are included in their entirety in appendix I.

DOD stated that permanent changes of station and advanced training primarily benefit the service and the resulting commitments are imposed for different purposes than the ACP commitments. DOD noted that personnel are moved to different duty stations to fulfill validated service needs and the resulting service obligation is imposed as a means of reducing the turbulence and cost that result from moves that occur too frequently. The service commitment attached to advanced training is intended to ensure that the service is able to recoup its additional investment. The intent of the ACP commitment requirement, on the other hand, is to ensure that experienced aviators will remain in the service between the end of their initial training commitments (6 to 8 years) and the point (about 14 years) at which the lure of retirement benefits exerts greater influence on retention.

While we recognize that the various types of service commitments may have been imposed for different reasons, the effects of such commitments are the same—the aviator is obligated to remain in the service for a certain period of time. Paying a retention bonus to an aviator when that aviator was already committed to remain in the service is not a prudent use of scarce resources. For example, we found that some Marine Corps aviators who had a preexisting service commitment requiring them to remain in the service for 24 months were given ACP to remain in the service for those same 24 months. In effect, ACP did nothing to increase the retention of those aviators who were already obligated to stay for the entire period.

DOD also raised a concern that small differences in timing could have large dollar consequences for individual aviators. That is, receipt of permanent change of duty orders immediately before ACP bonus eligibility would cause the aviator to lose a substantial amount of money. This, however, is true of any program that has specific eligibility periods. If perceived inequity resulting from the timing of ACP eligibility becomes a problem, it could be addressed by suspending the unexpired portion of a preexisting service commitment and reimposing it at the end of the ACP commitment period. That is, if an aviator had 16 months of service commitment remaining from either a permanent change of station or some advanced training, the aviator could receive ACP and the 16 months could be reinstated at the expiration of the commitment imposed under the ACP program.

DOD stated that if it required preexisting commitments to be completed before an aviator could accept a retention bonus, resulting attrition would cost more money than enforcing those commitments would save. DOD's rationale was that some aviators would refuse to accept a relocation if it cost them some bonus money and then would have to be separated from the service. DOD said that since the average training cost for an experienced aviator is about \$5 million, the loss of only a couple of aviators would more than offset the projected savings.

We believe this is a spurious argument. If it were valid, it would make sense to pay nearly \$5 million in order to retain each aviator and avoid incurring a \$5-million replacement cost. In reality, the services do not replace such losses by recruiting and training a replacement, but rather they cover retention shortfalls with rated personnel drawn from other year groups or aviators assigned to nonflying positions.

Scope and Methodology

We examined the legislative history of ACP, reviewed DOD's annual reports to the Congress on the program, and reviewed pertinent DOD and service regulations for the program. We also interviewed DOD and service representatives to determine their policies on paying ACP for periods of previously existing commitments and to develop typical examples of such preexisting commitments to illustrate overlaps.

We worked with the services to develop methodologies for analyzing the number, duration, and types of preexisting commitments. Using these analyses, we determined the cost of payment for overlapping periods. We did not perform a full reliability assessment of the service databases. However, we compared the information provided to us to that contained in service reports and discussed the information with service officials to determine whether it provided a reasonable and accurate profile of individuals receiving ACP. In determining the length of overlap, we rounded the number of days to the closest month. Our review was conducted from January 1994 to August 1994 in accordance with generally accepted government auditing standards.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 10 days from its issue date. At that time, we will send copies to other interested congressional committees and Members of Congress; the Secretaries of Defense, the Air Force, and the Navy; and the Commandant of the Marine Corps. We will also make copies available to other interested parties on request.

Please contact me on (202) 512-5140 if you or your staff have any questions concerning this report. Major contributors to this report are listed in appendix II.

Sincerely yours,



Mark E. Gebicke
Director, Military Operations
and Capabilities Issues

Comments From the Department of Defense

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



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PERSONNEL AND
READINESS

AUG 5 1994

Mr. Mark E. Gebicke
Director of Military Operations and Capabilities Issues
National Security and International Affairs Division
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Gebicke:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "AVIATION CONTINUATION PAY: Some Bonuses Are Inappropriate Because of Prior Service Obligations," dated June 13, 1994 (GAO Code 391216/OSD Case 9711). The DOD partially concurs with the report findings and does not concur with the recommendation.

The Department recognizes that, when taken in isolation, it appears--on the surface--imprudent to offer retention bonuses to aviators who have an existing service obligation. Yet, when the personnel management structure of military aviators is looked at holistically, a significantly different picture emerges.

Therefore, the Department does not agree with the recommendation that the Services not pay aviators for periods of preexisting service obligations. Aviators, like all other military members, incur obligations (commitments) for a variety of reasons. The report highlights obligations resulting from permanent change of station moves and advanced training. Individual aviators incur these obligations upon fulfilling validated Service needs. That is to say, aviators do not move or go to advanced training unless the Service has a requirement and the officer is best qualified to fill that need. Thus, the GAO recommendation would penalize the best qualified aviators for doing what the Service requires. Further, small differences in timing--differences of a few days or weeks--could have large dollar consequences in individual situations. For example, an officer who was eligible for and accepted Aviation Continuation Pay (ACP) a day before departing on a permanent change of station and one who became eligible for and accepted the bonus pay a day after completing a Service directed move could have bonuses that differed by \$24,000.

Consequently, if the Services did not pay ACP equitably, the result would be a disincentive for aviators. Thus, the recommended actions could actually have an adverse impact on morale and readiness as well as result in increased costs. This is true for two reasons. First, an aviator who refuses to accept the obligation that would result from relocating would be scheduled for separation. Second, the average training cost for an experienced aviator is five million dollars. If only three experienced aviators--about one-fourth of a percent of those who accepted aviation continuation pay in FY 93--were to separate from the Services as a result of the GAO's proposal, the replacement training costs would exceed the "savings" the GAO envisioned




Appendix I
Comments From the Department of Defense

for that year by four million dollars. For these reasons and others addressed in more detail in the enclosure, the Department does not agree with the analysis or the conclusions of the report. Like the Congress, the Department is always interested in ways to reduce costs. However, the DoD does not believe the recommendations contained in the GAO report would accomplish the intended purpose of increased savings.

The detailed DoD comments on the report findings and recommendation are provided in the enclosure. The Department appreciates the opportunity to comment on the draft report.

Sincerely,


Albert V. Conte
Principal Deputy

Enclosure:
As stated

GAO DRAFT REPORT - DATED JUNE 13, 1994
(GAO CODE 391216) OSD CASE 9711

"AVIATION CONTINUATION PAY: SOME BONUSES ARE INAPPROPRIATE
BECAUSE OF PRIOR SERVICE OBLIGATIONS"

DEPARTMENT OF DEFENSE REPORT COMMENTS

FINDINGS

- **FINDING A: The Aviation Continuation Pay (ACP) Program.** The GAO reported that, in the late 1970s, the DoD and the Congress found significant problems with aviator retention. The GAO noted that the Congress initially authorized aviator bonuses in 1980--under 37 U.S. Code 301b--intending them to be used as a short-term solution to restoring retention to required levels in aviation communities actually experiencing shortages. The GAO further noted that the bonus program--referred to as Aviation Officers Continuation Pay--was reauthorized in some form from fiscal years 1981-1982 and again in 1984-1988. The GAO emphasized that the Congress authorized a new aviation bonus program for FY89 as a provisional retention program to replace the Aviation Officers Continuation Pay program. The GAO pointed out that the National Defense Authorization Act of FY90 and FY91 (Public Law 101-189) permanently authorized the present Aviation Continuation Pay program.

The GAO observed that, under the Aviator Continuation Pay program, the Services are authorized to pay bonuses of up to \$12,000 for each year of additional commitment to aviators who have completed at least 6 years, but less than 13 years of active duty service. The GAO footnoted the report to clarify that as basic pilot training commitments were extended (to seven years in 1987 and eight years in 1988), initial eligibility for the bonus was extended to coincide. The GAO noted that the commitment period cannot extend beyond their 14th year. The GAO pointed out that each of the Services, with the exception of the Army, is using the program to pay retention bonuses to aviators. (pp. 3-4/GAO Draft Report)

DoD Response: Concur. The Services' ACP program is subject to approval by the Under Secretary of Defense for Personnel and Readiness who exercises oversight through yearly Service program and budget submissions. Although the law allows payments as early as six years, ACP is offered only to those who have completed their initial flying training commitments.

ENCLOSURE

Now on pp. 1-2.

- **FINDING B: ACP Paid To Aviators With Preexisting Commitments.** The GAO determined that Aviator Continuation Pay was being paid for periods of time for which aviators had preexisting commitments for military service. The GAO noted that, in FY92 and FY93, the DoD committed to pay \$94.6 million and \$75.6 million, respectively, in ACP. The GAO determined that, of those totals, approximately \$15 million (16 percent) in FY92 and \$11 million (15 percent) in FY93 were for periods of time that the aviators were already committed to serve. The GAO pointed out that, of the 2,278 new ACP contracts in FY92, and the 1,104 contracts in FY93, about 58 percent and 69 percent, respectively, went to Service members with preexisting commitments. (pp. 4-6/GAO Draft Report)

Now on pp. 2-3.

DoD Response: Partially concur. The DoD agrees that \$15 million in FY92 and \$11 million in FY93 were paid to aviators with existing commitments. However, the Department does not agree that the methodology or analysis used depicts the overall ACP goals and objectives. For example the GAO data does not take into account that an active duty service commitment may have been incurred subsequent to signing an ACP contract. ACP sign-ups were solicited in some cases as much as six months early in 1989 to allow for processing. Nor did the GAO consider the underlying purposes of the Services' commitment programs. The GAO assumes commitments are the product of voluntary actions taken by an aviator. In reality, they represent periods of continued active service agreed to by an aviator because of actions taken to meet Service requirements. Commitments are often served concurrently and exist to ensure stability in manning and experience levels.

Average overlap. The GAO calculated an average overlap of 16 months based only on those who had simultaneous service obligations, not the entire population. In reality the entire population must be considered to accurately portray the extent of overlapping commitments. For instance, the Air Force has the bulk of the ACP accepting population. Sixty percent of that group had less than 12 months overlap. Despite smaller numbers eligible, the Navy and Marine Corps figures were comparable, 56 and 65 percent, respectively.

See comment 1.

Tuition assistance. The GAO noted that tuition assistance accounted for seven percent of Air Force overlapping commitments in FY93. The actual figure for FY93 is 5.5 percent.

See comment 2.

Understatement of commitments: The DoD does not agree with the propriety of a study conducted by an Army War College (AWC) student. The methodologies used by the student in looking at the 1989 data are not the same as those used by the Air Force to produce subsequent in-depth data analysis. The Air Force changed various implementation aspects of the program that required refinement in the analysis frames of reference for the FY92 and FY93 programs. For example, in 1992, the Air Force instituted a short-term decision window policy that required aviators to commit to ACP contracts well before actual pay start date. In addition, the GAO data does not take into account that a service commitment may have been incurred subsequent to signing an ACP contract. Referring to the AWC study, ACP sign-ups in 1989 were solicited as

See comment 3.

much as six months early to allow for processing. Also, the 90 percent existing service commitment overlap in 1989 occurred when the program was initially implemented. The eligible group included aviators from a wide range of cohorts from seven to 12 years of service. This target population was not representative of the first-time eligible population of 1992 and 1993 sign-up windows. Thus, data presented in the GAO report should not be extrapolated based on 1989 methodologies.

- **FINDING C: Reasons for Preexisting and Overlapping Commitments.** The GAO reported that aviators contracting for ACP may have preexisting commitments resulting from a variety of circumstances, including flight training and permanent change of station. The GAO explained that activities such as these sometimes bring with them requirements for the continued service of the individual for a specified period of time.

The GAO asserted that data provided by the Services shows that the primary reason for preexisting commitments in fiscal years 1992 and 1993 was flight training in the Air Force and permanent change of station in the Navy and the Marine Corps. The GAO made up the following hypothetical composite illustrations which show some of the common reasons for preexisting commitments and the degree of overlap.

- **Case 1:** The GAO reported that, in January 1992, an Air Force strategic airlift pilot completed the advanced flight courses required to become a C-5 crew commander. The GAO noted that, in return for that training, the pilot incurred a 2-year service obligation. According to the GAO, in October 1992, the pilot signed a 6-year ACP contract worth a total of \$72,000 which overlapped with the 15 months remaining on the flight training commitment of the pilot. Thus, the GAO concluded that the pilot was paid \$15,000 for a 15-month period of service (from October 1992 through December 1993) already owed to the Air Force.
- **Case 2:** The GAO reported that, in January 1992--following a tour of duty aboard an aircraft carrier--a Navy aviator accepted an assignment that involved a permanent change of duty station to a shore-based training squadron. The GAO explained that, by making that move, the aviator became obligated for 2 additional years in the Navy. The GAO noted that, in November 1992--10 months later--the aviator signed a 7-year ACP contract for a bonus of \$84,000. The GAO concluded that the aviator was paid \$14,000 for the 14-month period for which he was already obligated to serve because of the move.
- **Case 3** The GAO reported that a Marine Corps aviator had been flying A-6 aircraft for a number of years; however, because that aircraft was being phased out, the aviator volunteered to be retrained as a Harrier (AV-8B) pilot. The GAO pointed out that the retraining obligated the aviator to 3 years of additional service. The GAO emphasized that, a year later, the aviator signed a 2-year ACP contract for \$12,000. The GAO concluded that, as a result, he was paid \$12,000 to commit to a 24-month period for which he was already committed. (pp. 7-9/GAO Draft Report)

Now on pp. 3-5.

DoD Response: **Partially concur.** The hypothetical cases cited involve personnel actions that were driven by the needs of the Service, not the desires of the individual. They accurately reflect the reality that Service requirements drive relocations and advanced training assignments. When Service needs can be matched to personal desires an optimal management effect results. However, in every case cited it was the requirements of the Service, not the member, which drove the training or change of station. In Case 3, for example, the terminology "volunteered to be retrained" is a distortion of the true circumstances facing the Services in the management of their pilot resources. The Department of the Navy determined the A-6 would no longer be maintained in the inventory. The aviator, in fact, was "*involuntarily*" chosen to retrain. Because the Marine Corps was experiencing a shortage of Harrier pilots, they offered him a retention incentive to retrain--he accepted.

The term "volunteer" must be judiciously regarded as an acceptance of the duties and location that the Service has chosen based on its valid requirements, readiness equation and the individual's qualifications, grade, and experience. Said another way, the Services do not move or retrain people because the individual "volunteers." Rather, the Services move or retrain people to satisfy Service requirements. If in satisfying requirements, the Services can do so with people who are motivated to retrain or move, they generally will, provided the individual possesses the prerequisite qualifications. That's just smart management, enhances morale and is part of treating people right. The resultant commitments for the individual based on this permanent change of duty or training is a long held practice of managing the personnel turbulence associated with filling units with the proper mission-ready Service members--not the longer term goal of aviation specialty retention.

RECOMMENDATION

- RECOMMENDATION: The GAO recommended that the Secretary of Defense establish internal controls to ensure that the Services do not pay aviators for periods of preexisting service obligations. (p. 9/GAO Draft Report)

DoD Response: **Nonconcur.** The Department agrees with the facts but not with the analysis or conclusions presented. The principal reason for offering ACP is to retain experienced, combat capable aviators--personnel in whom the Services have invested substantial training and development moneys. Requiring them to remain on active duty in return for individual financial incentives serves the best interest of the Department. Further incentivizing their continued military service via ACP similarly ensures critical, trained resources are available in the long-term to meet Service needs.

Officers move or go to training programs based on the requirements of the Service. Voluntary (personal) considerations are secondary. However Quality of Life

considerations make it a sound personnel management practice to facilitate personal desires when the needs of the Department can simultaneously be met.

When officers accept and execute permanent change of duty station orders, they are normally obligated to serve for two years on active duty. If eligibility for ACP were restricted due to this or other Service personnel management commitments, it is likely that officers would decline permanent changes of duty station or training in order to remain eligible for ACP--or else attempt to manipulate the timing to facilitate ACP eligibility. This would lead to assignment problems for the Services and would put them in the untenable position of trying to accommodate not only Service assignment requirements, but also the valid financial concerns of the officer. In addition, receipt of permanent change of duty station orders immediately before bonus eligibility would cause the aviator to reconsider accepting the orders, forcing the aviator to make the decision between accepting the reassignment or resigning. Thus, this action would become a resignation tool instead of a retention tool. It must be repeated that permanent change of duty station orders and training requirements are not always voluntary and the loss of the bonus would constitute an arbitrary penalty on those forced to move/train before they attained eligibility for ACP.

The entire audit report focused on the existence of Service commitments during intervals when aviators received bonuses. The report ignored the reality that overlapping periods of commitment are inherent in the personnel management structure of the military departments. Obligations are incurred in exchange for relocation and advanced training. These obligations exist to ensure stability for the Service. Frequently the interval between training and changes of station cause commitments to overlap. Such situations are termed concurrent commitments. Administrative procedures could be developed to set one obligation aside in favor of another, but the Department believes it more prudent to track all commitments simultaneously. This is a long-standing practice that gives the Department the maximum latitude in personnel management while not overwhelming the individual. In practice, the acceptance of an aviator bonus dominates other existing commitments. Other obligations can, and are, occasionally waived, if the needs of the Service are fulfilled (i.e. during periods of drawdown). However, the commitment for an ACP bonus is rarely waived and even then outstanding bonus dollars are recouped. The program is clearly structured to fit into existing personnel management methodologies, yet ensure the absolute return on investment.

Fiscal years 1992 and 1993 were some of the most turbulent years the Department has faced due to Congressionally directed drawdown actions and resultant unit reconfigurations. The subsequent reassignments of aviators and the resulting service commitments further complicated management of the aviator cohort year groups.

If implemented, the recommendation would have both serious long and short term implications for the Department. The Services must transfer and train aviators to meet mission requirements as well as to balance manning and experience levels. Thus, it would appear the recommendation may be an attempt to identify immediate funding without

Appendix I
Comments From the Department of Defense

See comment 4.

regard to the cost tradeoffs associated with the management or future health of the aviator force. Short-term dollar savings will be obviated because the loss of trained aviator resources cannot be replaced in an equally short-term. Obviously, every aviator lost with seven years experience will require seven years to replace, therefore, negatively affecting the quality of the aviator force, readiness and retention. DoD has held that the ACP program is a cost effective program. In fact, based on an average training costs of \$4 to \$6 million, the loss of a few pilots as a result of the reduced incentive value of ACP would--over the Future Year Defense Plan--more than counterbalance the amount saved by the recommended action. The recommendation, in effect, defeats the very purpose of the Aviation Continuation Pay program.

The following are GAO's comments on the Department of Defense's (DOD) letter dated August 5, 1994.

GAO Comments

1. We calculated the average overlap by averaging the number of months of overlap for only those aviators who had overlapping commitments. DOD is suggesting that the approximately 30 percent of the aviators who had no overlap also be included in the average. Calculating the average overlap in that way would yield a misleadingly lower figure.
2. This argument is similar to the one previously mentioned. According to data provided by the Air Force on the new ACP contracts for fiscal year 1993, there were 612 instances of preexisting commitments, 43 (7 percent) of which were the result of tuition assistance. The 5.5-percent figure suggested by DOD would be based on all Aviation Continuation Pay (ACP) contracts rather than only those ACP contracts with overlaps.
3. The study conducted by the Army War College student shows that the problem of overlapping commitments is not new and provides reasonable assurance that the time periods we used for our review (fiscal years 1992 and 1993) were not periods of abnormally high overlaps. We did not extrapolate any data from that study. Rather, we used data provided by the services.
4. The statement that "every aviator lost with seven years experience will require seven years to replace" is not an accurate portrayal. Retention shortfalls are not filled by recruiting and training a replacement. Rather, aviator shortfalls are filled by drawing from the already-trained aviator pool in other year groups and from those in nonflying positions.

Major Contributors to This Report

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