

Background

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Defense Spending Fraud, Waste, and Abuse: Hype, Reality, and Real Solutions

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Eliminating misspent defense dollars is frequently cited as a remedy for reducing military spending. Such proposals ignore the fact that eliminating fraud, waste, and abuse has historically proven to be a relatively modest source of savings compared to the overall defense budget. In addition, substantial programs already exist to root out unnecessary spending. While government should, of course, take every responsible measure to ensure it is a good steward of our tax dollars and provide the best support for our men and women in uniform, procedures to guard against waste should not be so restrictive that they undermine efforts to innovate and adapt to national security challenges.

There are no simple solutions to meeting the pressing fiscal demands for defense. Even if it were possible to identify and eliminate all unnecessary spending, total savings would not come close to closing the gap for what is required for maintaining a trained and ready force, funding current operations, and preparing for the future. The next Administration should focus its efforts on ensuring adequate budgets to field a robust military.

Coupled to this effort should be a campaign to secure greater savings in defense spending by initiating prudent acquisition reform and reducing manpower costs and entitlement programs—the real obstacles to getting the “biggest bang for the buck”—stretching defense dollars to get the most at the least cost. Even with these savings, however, the U.S. military must avoid another “peace dividend” and main-

Talking Points

- Government should take every responsible measure to eliminate fraud, waste, and abuse.
- Congress and the Administration should rely on existing tools; further overregulation will undermine innovation, slow the acquisition process, and result in inefficiency and inevitable cost-overruns.
- Historically, when executed well and pursued vigorously, initiatives to target fraud, waste, and abuse have improved defense management and incurred savings, but not allowed the Pentagon to substantially reduce its defense costs.
- Savings that could stretch defense dollars will likely be found in responsible reforms that rebuild the government contract workforce—the people and technologies needed to make government a better customer—and adopt realistic acquisition reforms that address the imbalance between research and procurement and do not hamstring government’s ability to be adaptive and innovative.

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tain a military adequate to meet its national security needs by spending at least 4 percent of its annual gross domestic product (GDP) for the next decade.¹

The Past Is Prologue

Allegations of fraud, waste, and abuse have always plagued defense contracting. Indeed, it has been observed that cost and schedule instability have remained problems in the acquisition process dating back to the American Revolution.² Among the most notable were:

- In the North, during the Civil War, Congress was so enraged over reports of fraud by companies supplying the military that it established a special committee to investigate corruption.
- During World War I, the Senate launched a number of investigations into a \$640 million aviation appropriation (not adjusted) that promised to fill the skies over Europe's trenches with American planes, and which produced almost none.
- In the years between the World Wars, the House Military Affairs Committee believed the Army to be rife with corruption. One complaint resulted in the investigation of an officer in charge of parachute development who tried to steer business to a firm in which he had a financial stake.³
- The Special Committee of the Senate to Investigate the National Defense Program (the Truman Committee) investigated fraud, waste, and abuse during World War II.
- During the Vietnam War, the construction firm Brown & Root had the preponderance of construction projects in the country—and a public relations problem as well. Antiwar demonstrators called the company “burn and loot.” A report by the General Accounting Office (GAO, now the Government Accountability Office) charged Brown & Root with unaccountability of funds. Congressional critics cited the company for fraud and corruption.

The results of investigations in every case proved to be a mixture of poorly defined requirements, mismanagement, and malicious activity, but also problems resulting from the “fog of war,” a plethora of challenges that complicated rushing goods and services into the field. The purchase of combat aircraft during World War I offers a case in point. Had the war not ended abruptly in 1918 (before U.S. industry geared up to produce planes) government contracts might not have appeared so wasteful. On the other hand, even if the entire program had been written off as fraud, waste, and abuse, it would have represented only a fraction of the 5.1 percent of GDP the United States spent annually on the war.

Battling fraud, waste, and abuse is not only a wartime endeavor. Wars, during which there is always pressure to spend money fast, offer perhaps the greatest opportunity for malicious exploitation of government spending. In peacetime, when the normal rules of procurement and oversight can be implemented in a more deliberate manner, there are fewer opportunities for exploitation. Ironically, it is often when the nation is not pressed by conflict that promises are most often made to gain huge savings by driving unnecessary spending out of the defense budget. Such efforts to trim spending, however, offer an equally ambiguous legacy.

Been There—Tried That

Eliminating fraud, waste, and abuse is an obligation of government, and rightfully so. Washington should do everything possible to spend Americans' tax dollars efficiently and effectively. Many tools already exist to root out such practices, and the new Administration and Congress should start by making aggressive use of the means already at their disposal. Such efforts, however, are not a panacea. They have been made on a recurring basis since the Eisenhower era. Even where they produce real reform and results, historically, going after fraud

1. Parts of this paper are adopted from James Jay Carafano, *Private Sector, Public Wars: Contracting in Combat, Afghanistan, Iraq and Future Conflicts* (Westport, Conn.: Praeger, 2008).
2. U.S. Department of Defense, “Defense Acquisition Performance Assessment Report,” January 2006, at <http://www.acq.osd.mil/dapaproject/documents/DAPA-Report-web/DAPA-Report-web-feb21.pdf> (October 5, 2008).
3. Joseph W. A. Whitehorne, *The Inspectors General of the United States Army* (Washington, D.C.: Center of Military History, 1998), pp. 420–422.

and waste have garnered at best a modicum of savings when compared to the overall defense budget.

Following the Vietnam War, Congress became increasingly concerned with and attentive to instances of fraud, waste, and abuse in the defense sector.⁴ Since that time, 128 studies have been conducted to address perceived problems with the defense acquisition system and to tackle fraud, waste, and abuse. Many of the same problems that exist today are problems that have been the target of reform for the past four decades. Indeed, a 1999 study on cost growth in defense programs analyzing three decades of reform concluded that “despite the implementation of more than two dozen regulatory and administration initiatives, there has been no substantial improvement in the cost performance of defense programs for more than 30 years.”⁵

Following his election as President in 1968, Richard Nixon convened the Fitzhugh Commission to study the problems plaguing the military’s acquisition process. The commission rejected the “total package procurement” model used by Secretary of Defense Robert McNamara and helped to initiate efforts to slow development projects, introduce more testing, and minimize production concurrency. Deputy Secretary of Defense David Packard used the Fitzhugh Commission’s findings along with his own experiences to form the Packard Initiative in 1969. One major result of this process was the creation of the Defense Systems Acquisition Review Committee (DSARC).

Continued problems in the acquisition process, including public reports about the Department of Defense paying for \$600 toilet seats and \$400 hammers, prompted President Ronald Reagan to establish the Packard Commission in 1985 to help reduce inefficiencies in the defense procurement system. Thomas McNaugher, at the time working for the

Brookings Institution, reflected on the irony of the situation: “Indeed, the public has a right to some frustration when the same David Packard who fathered the last significant reforms of the acquisition process, upon being called back to Washington to head his own commission on acquisition reform, starts his first press conference by noting that things are no better now than they were when he first entered the Defense Department nearly two decades ago.”⁶ The commission concluded that the primary problems with the acquisition process were the same ones identified in previous decades: cost growth, schedule delays, and performance shortfalls. Many of its recommendations were included in the Goldwater–Nichols Reorganization Act of 1986.

The 1990s brought much of the same story, including the Performance Review, the Federal Acquisition Streamlining Act, the Federal Acquisition Improvement Act, and the Defense Review Initiative. The information revolution of that period also kicked off efforts by the federal government and the Defense Department to adopt innovative business models to help streamline the acquisition process. The 1996 Quadrennial Defense Review promised cost-savings, concluding that “by implementing modern...business practices” the Defense Department could “be leaner, more efficient, and more cost effective in order to serve the warfighter faster, better, and cheaper.”⁷

By the new millennium and the commencement of global operations to fight Islamist radicals following the attacks of 9/11, the same narrative on acquisition reform continued to persist. In June 2005, Deputy Secretary of Defense Gordon England authorized the Defense Acquisition Performance Assessment Project. Unsurprisingly, the report concluded in 2006 that it saw “many of the same issues as problems today that the Pack-

4. Thomas L. McNaugher, “Weapons Procurement: The Futility of Reform,” *International Security*, Vol. 12. No. 2 (Autumn 1987), p. 64.

5. David S. Christensen, David A. Searle, and Caisse Vickery, “The Impact of the Packard Commission’s Recommendation on Reducing Cost Overruns on Defense Acquisition Contracts,” *Acquisition Review Quarterly*, Summer 1999, at <http://www.dau.mil/pubs/arq/99arq/searle.pdf> (October 5, 2008).

6. McNaugher, “Weapons Procurement,” p. 65.

7. U.S. Department of Defense, “Achieving a 21st Century Defense Infrastructure,” *The Report of the Quadrennial Defense Review*, May 1997, at <http://www.fas.org/man/docs/qdr/sec8.html> (October 5, 2008).

ard Commission saw 20 years ago.”⁸ Many of its recommendations were included in the 2006 Quadrennial Defense Review.

Calls for eliminating fraud, waste, and abuse are nothing new, nor an innovation in defense planning. Historically, where they are done well and pursued vigorously, they have improved defense management and incurred some savings. They have not, however, allowed the Pentagon to substantially reduce its defense costs.

Rules of the Road

The result of the efforts of the past four decades to improve the acquisition process is that government contracting is now highly regulated. Regulation begins with the Federal Acquisition Regulation (FAR). The impetus for standardizing and simplifying government acquisition came from President Reagan, who followed through on an election-year pledge to eliminate 2 percent of the federal budget by cutting fraud, waste, and abuse in federal spending. What he wanted was a process that was simpler and that saved taxpayers money.⁹ FAR was one of the first steps the President took. By implementing FAR and by encouraging Congress to enact further legislation, Reagan did far more to institute policies to keep the private sector in its place than has any other modern President. Many of the tools available today trace their lineage to the Reagan era.

Created in 1984 to make government contracting policies uniform, FAR involves virtually every acquisition by every federal agency, governing every step of the process. Every department has added its own supplementary implementing guidelines. The Pentagon, for example, issues the Department of Defense Federal Acquisition Regulation Supplement (DFARS). All government departments must include dozens of “standard terms and conditions” dictated by the regulation—many of them non-negotiable. Mandatory federal conditions also include imposing standards of ethical conduct on

contractors. Contractors are barred from making false claims or statements to the government (such as over-billing or charging for services not provided), are required to establish procedures preventing conflicts of interest in dealings with federal employers, are prohibited from offering or accepting “kickbacks,” and are prevented from using appropriated government money for lobbying.

Only federal contracting officers have the authority to enter into, administer, or terminate federal contracts. The specific scope of a federal contracting officer is described in a written permission to perform contracting duties, called a “warrant.” Unlike in some commercial practices, in Washington, there can be no debate over who has authority to manage or amend a contract.

FAR and the Competition in Contracting Act of 1984 (another Reagan-era initiative to ensure that taxpayers received good value for their dollars) require “full and open competition” for government contracts. There are, however, certain allowable exceptions to this rule. FAR indicates seven circumstances in which the Defense Department may, to certain degrees, waive the requirement for full and open competition. If the Secretary of Defense finds that a process of open solicitations and bids might compromise national security, or if a national emergency exists, other alternatives can be employed.¹⁰

In some cases, the government can simply agree to sole-source contracts, which are not subject to competition at all. Sole-source and limited-competition contracting represented a legitimate effort to speed support to the field—not an end-run around regulations. FAR specifically allows agreements to limit competition under certain circumstances. These contracting methods have been readily used by Democratic and Republican Administrations and funded by Democrat- and Republican-controlled Congresses since FAR was established. Indeed, these kinds of contracts were specifically intended

8. U.S. Department of Defense, “Defense Acquisition Performance Assessment Report,” January 2006, at <http://www.acq.osd.mil/dapaproject/documents/DAPA-Report-web/DAPA-Report-web-feb21.pdf> (November 15, 2008).

9. See, for example, Office of the White House, Executive Order 12352—Federal Procurement Reforms, March 17, 1982.

10. Valarie Bailey Grasso, “Defense Contracting in Iraq: Issues and Options for Congress,” Congressional Research Service, January 26, 2007.

for use in unforeseen contingencies such as in Iraq and Afghanistan.

The federal government also audits federal contracts. By law, Washington has the authority to audit the costs incurred by contractors as well as their profits, progress, and performance during the period covered by the agreement and for up to three years after the conclusion of the contract. The government has many tools with which to take to task contractors that go wild. In Iraq, audits and investigations can be conducted by a contracting agency's Inspector General, by the Special Inspector General for Iraq Reconstruction (SIGIR), by the Army Audit Agency, by the Defense Contract Audit Agency, and by the GAO. Senate and House committees have also launched their own investigations and held uncounted hearings on government contracting during the war. All of these institutions have in fact been very busy. In the first four years after the U.S. invasion of Iraq, the GAO alone issued 68 reports and testimonies.

The government can also avail itself of a wide range of criminal investigation tools. Virtually all federal agencies have an internal law enforcement component; the defense services, for example, have criminal investigation divisions. The Department of Justice can also support efforts to uncover criminal activity on the part of contractors and government employees. Contractors failing to abide by ethical standards or other requirements in their contracts can face civil litigation or criminal prosecution, as can civilian employees of the U.S. government. Military personnel are subject to the Uniform Code of Military Justice and can in some cases also be tried in civilian courts.

Although many agencies have undertaken enforcement activities, SIGIR has the largest criminal fraud investigation in Iraq. On any given day, the Inspector General has 30 investigators, auditors, and

inspectors on the ground in Iraq. By March 2008, SIGIR had issued 108 audit reports that were responsible for \$58 million in savings and \$40 million that has been put to better use; issued project assessment reports that covered reconstruction projects worth \$1.265 billion; produced 14 indictments, 14 arrests, 5 convictions, 9 individuals pending trial, and over \$17 million in fines, forfeitures, and restitution; and was currently conducting 50 ongoing investigations into fraud, waste, and abuse involving contracts in Iraq.¹¹ Accusations involved fraud, money laundering, and bribery, and individuals convicted included both civilians and U.S. military personnel. The Army barred 14 contractors and companies from operating in Iraq, and by 2007, SIGIR had referred another 12 for debarment.

As a result of the volume of alleged criminal activity in the Iraqi theater, various government agencies worked together to formalize the International Contracts Corruption Task Force (ICCTF) to investigate and prosecute cases of contract fraud and public corruption. The participating agencies in the task force include the Defense Criminal Investigation Service, Office of the Inspector General, Department of State, FBI, Special Inspector General for Iraq Reconstruction, Office of the Inspector General, and the Agency for International Development. As a result of the investigations initiated by the Task Force, nine Americans and one non-American have been convicted and a total of \$9.84 million has been paid to the U.S. in restitution.¹²

Even individual citizens can tackle fraud. The False Claims Act, a law passed in 1863 to help fight corruption during the Civil War, is intended to punish anyone who makes a "false claim" against the government in the act of fulfilling a government contract. In 1986, the act was amended to make it easier to bring an action to court as part of President Reagan's effort to fight wasteful government spend-

11. Stuart W. Bowen, Jr., Special Inspector General for Iraq Reconstruction, "The Effectiveness of U.S. Efforts to Combat Corruption Waste, Fraud, and Abuse in Iraq," testimony before the U.S. Senate Committee on Appropriations, March 11, 2008, at www.sigir.mil/reports/pdf/testimony/SIGIR_Testimony_08-002T.pdf (November 15, 2008).
12. Thomas F. Gimble, Principal Deputy Inspector General Department of Defense, "Accountability During Contingency Operations: Preventing and Fighting Corruption in Contracting and Establishing and Maintaining Appropriate Controls and Materiel," testimony before the House Armed Services Committee, September 20, 2007, at <http://www.dodig.osd.mil/fo/DoDIG%20HASC%209-20-2007%20FINAL.pdf> (November 15, 2008).

ing. Under the law, individual citizens are permitted to sue on behalf of the government alleging fraud on the part of contractors. If the lawsuit is successful, the private parties bringing the suit are awarded a portion of the proceeds of the action or settlement. The defendant can be liable for up to three times the damages sustained by the government, as well as \$5,500 to \$11,000 in fines for each false claim made. From 1987 to 2005, the Justice Department received almost 8,869 cases, most involving either defense-contract or health-care fraud.¹³ Since 1986, the government has recovered over \$17 billion under the law.

Flexibility and Innovation: When Fraud, Waste, and Abuse Are Fake

There are no universally accepted means of determining levels of fraud, waste, and abuse, making efforts to quantify claims difficult. Promises of savings by cutting programs are usually based on broad assumptions and generalizations. As a result, the process of identifying and targeting misspending is often overlaid with political judgments and conflicting expert opinion.

It is not uncommon for cases of fraud, waste, and abuse to be improperly identified. For example, cost overruns, shifting requirements, and a volatile security environment often combine to force decision makers to reassess ongoing programs.¹⁴ What is often considered waste is in many instances the result not of inefficiencies in a system that can be overcome by proper oversight, but the by-product of an atmosphere that constantly forces planners to remain adaptive. Programs that are scaled back or terminated, while technically considered waste, are more appropriately recognized as unavoidable costs resulting from the need to remain flexible.

One of the best examples of the challenges of defense acquisition was illustrated in a 1999 case by the National Defense University (NDU) that com-

pared the procurements of the civil aviation Boeing 777 and the military C-17. While the two aircraft represented similar technical and developmental challenges, their acquisition histories differed markedly. It took 15 years to field the initial operating capability for the Pentagon's C-17. It took five years to develop the commercial Boeing 777. According to the NDU study, the most significant differences between the two programs resulted from the complex challenges of defense acquisition. The government had much more difficulty determining and meeting requirements. Political squabbling and shifting defense priorities delayed approval. As the study's author A. Lee Battershell concluded, "[p]olitical influence, the annual funding process, and out-of-date design tools all limited DOD flexibility."¹⁵ As a result, the Defense Department, lacking the commitment and focus of the private-sector project, took three times as long to field a comparable aircraft. This project characterizes the nature of defense procurement.

The acquisition process is riddled with these types of examples, According to Thomas McNaugher, "[t]he uncertainties of technology development give rise to an odd notion of 'efficiency' in development. Waste in development is almost unavoidable somewhere along the path of developing a new system, wrong turns will be taken, to be exposed only by testing and further development."¹⁶ "Efficiency in development means 'wasting' money early, when the cost of resolving uncertainties is low, and when financial and production commitments have not crowded out the chances for flexibility."¹⁷ Attempts to identify this "productive waste" as waste that can in fact be prevented will help foster a risk-averse culture that impedes the research and development process and may only drive up costs further.

Additionally, cost overruns to ongoing programs, while difficult to determine, are likely to occur in volatile security environments. Not only might con-

13. U.S. Government Accountability Office, *Information on False Claims Act Litigation*, GAO-06-302R, January 31, 2006, p. 2.

14. Bowen, "The Effectiveness of U.S. Efforts to Combat Corruption Waste, Fraud, and Abuse in Iraq."

15. A. Lee Battershell, *The DOD C-17 Versus the Boeing 777: A Comparison of Acquisition and Development* (Washington, DC: National Defense University, 1999), p. 97.

16. McNaugher, "Weapons Procurement," p. 66.

17. *Ibid.*

tractors have to be paid more than originally envisioned, but delivery of materials and completion of the project may also be affected by unpredictable violence. The fog of war is often the greatest “cost-driver” of them all. A program to manage the Iraq Basrah Children’s Hospital in 2004 offers one example. While originally projected to cost \$50 million, costs reached between \$149.5 and \$169.5 million. Even though a number of factors were determined to have caused the overruns, the issue of security in a city known for its instability cannot be underappreciated for the impact it may or may not have had on the waste accrued by the program.¹⁸ Such cases are more typical than not.

Achievable Reforms

While a modicum of fraud, waste, and abuse have always plagued defense spending, every effort should be made to identify and eliminate wasteful spending. A proper oversight of contracting begins with funding an acquisition workforce that is properly sized and trained to manage the number and complexity of contracts that exist today. Further savings can be achieved by initiating reform in both the defense acquisition process and manpower compensation system.

The first line of defense in ensuring that government contracting serves the government well is formed by contracting officers, part of the federal acquisition workforce. While the number, size, and complexity of government contracts has exploded, the workforce to manage them has remained at inadequate levels, reduced in the 1990s by Congress to realize greater savings. Like other components of the military, the defense acquisition workforce was downsized at the end

of the Cold War. From 1994 to 2005, the Defense Department acquisition workforce was reduced by 50 percent. Further adding to this problem, by 2010 half of the acquisition workforce will be eligible to retire.

The reduction in the Defense Department’s acquisition workforce, coupled with the increase in private-sector service contracts (72 percent increase from 1996 to 2005), has ensured that adequate oversight is unavailable to guarantee taxpayer dollars are being used appropriately.¹⁹ Adding to this problem is the fact that only 38 percent of total Army acquisition or contracting personnel in-theater are certified for the positions they hold.²⁰ This problem was foreseen more than a year before the war in Iraq began, when the Secretary of the Army, Thomas E. White, wrote to the Undersecretary of Defense in charge of acquisition to point out that a third of the service’s budget went to pay contractors. With a much smaller military workforce, White asserted, “Army planners and programmers lack visibility at the Departmental level into the labor and costs associated with the contract workforce and of the organizations and missions supported by them.”²¹ This, it seems, was clearly evident before the Pentagon went on its contracting binge. A GAO official confirmed this view in testimony before Congress, reporting that the Army could have benefited from greater savings in the Army’s Logistics Civilian Augmentation Program (LOGCAP) contracts in Iraq had adequate staffing been available. Because of staffing shortages, acquisition officials were unable to visit all contracting sites in Iraq to ensure requirements were being upheld.²²

18. Bowen, “The Effectiveness of U.S. Efforts to Combat Corruption Waste, Fraud, and Abuse in Iraq.”

19. “Urgent Reform Required: Army Expeditionary Contracting,” Report of the Commission on Army Acquisition and Program Management in Expeditionary Operations, October 31, 2007, p. 26, at http://www.army.mil/docs/Gansler_Commission_Report_Final_071031.pdf (November 15, 2008).

20. *Ibid.*, p. 28.

21. Thomas E. White, Secretary of the Army, memorandum to Undersecretary for Acquisition, Technology, and Logistics, *et al.*, March 8, 2002.

22. Katherine V. Schinasi, Managing Director, Acquisition and Sourcing Management, “Defense Acquisitions: DOD Needs to Exert Management and Oversight to Better Control Acquisition of Services,” testimony before the Subcommittee on Readiness and Management Support, Committee on Armed Services, U.S. Senate, January 17, 2007, at <http://www.gao.gov/new.items/d07359t.pdf> (November 15, 2008).

To improve acquisition oversight, the Commission on Army Acquisition and Program Management in Expeditionary Operations recommended that the Army increase the stature, quantity, and career development of its contracting personnel. As part of this effort, the Committee suggested, among other things, expanding the number of civilian and military personnel in the contracting workforce by 1,000 and 400, respectively, and ensuring that Army contracting personnel start their careers much earlier than is normally the case.²³ According to Dr. Jacques Gansler, the committee chairman, the acquisition workforce “has not been properly sized, trained, structured, or empowered to meet the needs of our warfighters, in major expeditionary operations.” For its part, the Army accepted the Gansler commission’s recommendations.²⁴ To ensure proper oversight in contracting, the Army and Congress should work together to implement these recommendations in a timely manner, and commit to maintaining the size and quality of acquisition personnel in the future.

Reasonable Acquisition Reform

The Defense Department must be allowed to break free from the risk-averse behavior patterns that undermine innovation, slow the acquisition process, and result in inefficiency and inevitable cost-overruns. Congress, with its propensity to second-guess the Department of Defense on procurement management and intervene in the acquisition process with funding restrictions and earmarks, is a major contributor to this problem.²⁵ Congress must also resist the temptation to conduct show-

hearings unless a hearing can reveal shortcomings in the acquisition process that will help initiate legislative change.²⁶

Overregulation is another problem that has created entry barrier to the defense market. An effort to deregulate would make it easier to enter the market, increasing competition and improving overall efficiency and cost savings.²⁷

Finally, restoring a balance between R&D and procurement, with procurement accounting for no less than 60 percent of the modernization budget, would provide incentives for contractors to push programs out of development and into the hands of the military.²⁸

Rethinking Manpower Compensation

The current trajectory of the military’s compensation system is both unsustainable and unaffordable. This out-of-date system is wholly unresponsive to the recruiting and retention needs of the military. For instance, unlike in the private sector, the military places an emphasis on in-kind and deferred benefits, as opposed to cash benefits. As research has clearly shown, military personnel value cash compensation more than its alternatives, and are likely to undervalue their true earnings because of the Pentagon’s skewed emphasis on non-cash compensation. Moving toward a system that values cash is the first step toward building a compensation system that is able to meet the needs of today’s highly mobile workforce.²⁹

More important, the military should seek to build a “continuum of service” that would elimi-

23. “Urgent Reform Required: Army Expeditionary Contracting,” Report of the Commission on Army Acquisition and Program Management in Expeditionary Operations, October 31, 2007, p. 49.

24. “Army Accepts Gansler Commission Report on Contracting; Commits To Action,” U.S. Army News Release, November 1, 2007, at <http://www.army.mil/-newsreleases/2007/11/01/5901-army-accepts-gansler-commission-report-on-contracting-commits-to-action> (September 28, 2008).

25. Baker Spring, “Congress Should Not Permit Negative GAO Report to Curtail Weapons Programs,” Heritage Foundation *Background* No. 2160, July 11, 2008, at <http://www.heritage.org/Research/NationalSecurity/bg2160.cfm>.

26. Baker Spring, “Congressional Restraint is Key to Successful Defense Acquisition Reform,” Heritage Foundation *Background* No. 1885, October 19, 2005, at <http://www.heritage.org/research/nationalsecurity/bg1885.cfm>.

27. Spring, “Congress Should Not Permit Negative GAO Report to Curtail Weapons Programs.”

28. *Ibid.*

29. Mackenzie Eaglen, “Paying for America’s All-Volunteer Military: Reform is Not a Dirty Word,” Heritage Foundation *Background* No. 2144, June 17, 2008, at <http://www.heritage.org/Research/nationalSecurity/bg2144.cfm>.

nate barriers to transition between active and reserve status while retaining flexible health care and retirement packages. A new health care system could offer a defined-contribution plan in place of the current, rigid, defined-benefits plan. This system would improve the freedom of soldiers to make choices concerning their health care, while introducing greater responsibility into the system and creating greater cost savings overall. Similarly, a new retirement system should be constructed as a portable system that absorbs contributions from the military, private sector, and portions of a soldier's Social Security taxes.³⁰

More Than a “Bumper Sticker”

The modern era of defense acquisition reform and other efforts to tackle fraud, waste, and abuse is riddled with numerous commissions, studies, and “blue ribbon” reports that offer models for reform and promise large cost-savings. However, both historical and recent examples of fraud, waste, and abuse during wartime remain limited in scope and relatively small compared to total spending. The fact remains that various governing mechanisms and regulations are in place to limit fraud, waste, and abuse. While the Administration should make every reasonable effort to reduce unnecessary defense spending, these efforts alone will not free up sufficient resources to adequately fund defense.

Indeed, a much larger potential for savings that could stretch defense dollars will more likely be found in responsible reforms that:

- Rebuild the government contract workforce—the people and technologies needed to make government a better customer;
- Adopt realistic acquisition reforms that address the imbalance between research and procurement and do not hamstring government's ability to be adaptive and innovative; and
- Undertake the challenge of restructuring manpower compensation to preserve the affordability and the utility of the all-volunteer force.

In short, the new Administration and Congress should take further steps to address this problem by improving acquisition contracting services, initiating a defense acquisition process that aims to break free from risk-averse behavior patterns and restores a proper balance between procurement and R&D, and adopting a manpower compensation reform package that brings greater freedom to the warfighter while simultaneously improving recruiting and retention.

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30. *Ibid.*