

September 2006

# MILITARY PERSONNEL

## Actions Needed to Strengthen Management of Imminent Danger Pay and Combat Zone Tax Relief Benefits





Highlights of [GAO-06-1011](#), a report to congressional committees

## Why GAO Did This Study

Servicemembers who are assigned, deployed, or travel on temporary duty to certain foreign areas are eligible for special pays and benefits including (1) *imminent danger pay* (IDP) when the Department of Defense (DOD) determines that members are subject to the threat of physical harm or imminent danger and (2) *combat zone tax relief* (CZTR) benefits, which allow members to exclude earned income from federal taxes. If travel to IDP- or CZTR-designated areas begins during one month and concludes during another (known as cross-month travel), members could receive 2 full months of benefits.

GAO conducted this review under the Comptroller General's authority to initiate such reviews. GAO evaluated DOD's (1) process for reviewing IDP areas and (2) internal controls over servicemembers' temporary duty travel to areas designated for IDP and CZTR benefits. GAO is also providing information on the reporting of IDP and CZTR data. GAO analyzed legislation, guidance, travel vouchers, and internal control standards and interviewed appropriate officials.

## What GAO Recommends

GAO recommends that DOD strengthen management of IDP and CZTR benefits, and added a matter for congressional consideration to improve reporting. DOD generally agreed with two recommendations and disagreed with a third one to monitor cross-month travel. [www.gao.gov/cgi-bin/getrpt?GAO-06-1011](http://www.gao.gov/cgi-bin/getrpt?GAO-06-1011).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Sharon Pickup at (202) 512-9619 or [pickups@gao.gov](mailto:pickups@gao.gov).

## MILITARY PERSONNEL

# Actions Needed to Strengthen Management of Imminent Danger Pay and Combat Zone Tax Relief Benefits

## What GAO Found

DOD's processes for reviewing existing IDP areas could be improved. While combatant commanders have taken the initiative periodically to make recommendations to designate or terminate IDP areas, DOD has not conducted annual reviews of existing IDP designations in accordance with its guidance to ensure that conditions in these areas continue to warrant such designation. Also, DOD has not updated its guidance to reflect current responsibilities for initiating annual reviews or to include factors used to determine when conditions in foreign areas pose the threat of physical harm or imminent danger to servicemembers on duty in these locations. DOD conducted 6 annual reviews between 1992 and 2006. When conducting reviews, DOD has queried combatant commanders using a set of factors to determine the nature of threats to servicemembers. However, DOD has not incorporated these factors into its guidance. By conducting annual reviews in accordance with its guidance, DOD could strengthen its oversight of IDP designations to ensure that conditions in designated areas continue to pose the threat of physical harm or imminent danger to servicemembers and that these areas should continue to be designated.

Internal controls over servicemembers' temporary duty travel to areas designated for IDP or CZTR benefits need to be strengthened. While two DOD components have instituted policies to regulate and monitor cross-month travel to these areas, there is no similar departmentwide policy to ensure that travel to areas designated for IDP or CZTR benefits needs to cross calendar months. Data limitations prevented GAO from determining the full extent of temporary duty travel to areas designated for IDP and CZTR benefits, as well as how much of this travel crosses calendar months. The U.S. Central Command and U.S. Army, Europe—which collectively account for 62 percent of IDP areas and 86 percent of CZTR benefit areas—have developed policies and controls to monitor and regulate cross-month travel to areas designated for IDP and CZTR benefits to preclude, in their view, the appearance of abuse of these benefits. By establishing internal controls such as a departmentwide policy and periodic audits to monitor cross-month travel, DOD could ensure all areas are covered and further strengthen its management of IDP and CZTR benefits.

DOD tracks IDP costs and servicemembers' compensation that qualifies for CZTR benefits. While DOD reports the cost of IDP to Congress as part of its budget request, the department does not report servicemembers' compensation that qualifies for CZTR benefits. Combat zone tax relief benefits could allow servicemembers to exclude a significant portion of their income from federal taxes. Reporting data on CZTR benefits to Congress could provide information on the extent of this benefit and aid Congress in its oversight role.

---

# Contents

---

<b>Letter</b>		<b>1</b>
	Results in Brief	5
	Background	9
	DOD's Management of Its Imminent Danger Pay Program Could Benefit from Additional Oversight	13
	DOD Does Not Have a Departmentwide Policy to Monitor Cross-Month Travel to Areas Designated for Imminent Danger Pay or Combat Zone Tax Relief Benefits	19
	DOD Tracks Imminent Danger Pay and Combat Zone Tax Relief Benefits and Reports Some Data to Congress	27
	Conclusions	27
	Recommendations for Executive Action	28
	Matter for Congressional Consideration	29
	Agency Comments and Our Evaluation	29
<b>Appendix I</b>	<b>Areas Currently Designated for Imminent Danger Pay and Combat Zone Tax Relief Benefits</b>	<b>33</b>
<b>Appendix II</b>	<b>Presidentially Designated Combat Zones and Congressionally Legislated Qualified Hazardous Duty Areas</b>	<b>35</b>
<b>Appendix III</b>	<b>Military Service Certified as in Direct Support of Combat Zone Operations</b>	<b>38</b>
<b>Appendix IV</b>	<b>Scope and Methodology</b>	<b>39</b>
<b>Appendix V</b>	<b>Comments from the Department of Defense</b>	<b>44</b>
<b>Appendix VI</b>	<b>GAO Contact and Staff Acknowledgments</b>	<b>48</b>

---

---

## Tables

Table 1: Summary of Imminent Danger Pay and Combat Zone Tax Relief Benefits	11
Table 2: Number and Duration of Cross-Month Trips Eligible for 1 or 2 Months of Imminent Danger Pay or Combat Zone Tax Relief Benefits, October 1, 2002, to September 30, 2005	23
Table 3: Duration of Cross-Month Trips Eligible for 1 or 2 Months of Imminent Danger Pay or Combat Zone Tax Relief Benefits by Combatant Command, October 1, 2002, to September 30, 2005	24
Table 4: Duration of Cross-Month Travel to Areas Not Designated for Imminent Danger Pay or Combat Zone Tax Relief Benefits, October 1, 2002, to September 30, 2005	25
Table 5: Port Visits to Areas within the U.S. European Command That Are Designated for Imminent Danger Pay or Combat Zone Tax Relief Benefits	26
Table 6: Summary of Areas Designated for Imminent Danger Pay and Combat Zone Tax Relief Benefits	33
Table 7: Combat Zones as of July 2006	36
Table 8: Qualified Hazardous Duty Areas as of July 2006	37
Table 9: Areas Certified by DOD Where Military Service Is in Direct Support of Combat Zone Operations as of July 2006	38

---

## Figure

Figure 1: Terrorist Threat Levels and Associated Number of Designated Imminent Danger Pay Areas as of July 2006	18
---	----

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



United States Government Accountability Office  
Washington, DC 20548

September 28, 2006

### Congressional Committees

In recognition of the dangers military servicemembers face and the sacrifices they make on behalf of the United States, Congress has established several special pays and benefits. In particular, servicemembers who are assigned, deployed, or travel on temporary duty to certain foreign areas are eligible for certain special pays and benefits. These include (1) *imminent danger pay* for servicemembers on duty in foreign areas designated by the Secretary of Defense in which a servicemember is subject to the threat of physical harm or imminent danger on the basis of civil insurrection, civil war, terrorism, or wartime conditions<sup>1</sup> and (2) *combat zone tax relief benefits* that permit servicemembers to exclude all or a portion of their compensation from federal taxes while serving in specific areas designated by the President through Executive Order, known as combat zones, or in areas designated by Congress, known as qualified hazardous duty areas (see app. I and II).<sup>2</sup>

Servicemembers may also qualify to receive combat zone tax relief benefits when they are performing military duty outside of a combat zone or in a congressionally established qualified hazardous duty area if (1) duty in this area is in direct support of military operations in a combat zone or qualified hazardous duty area and (2) the duty qualifies a servicemember for hostile fire or imminent danger pay based on the risks

---

<sup>1</sup> See 37 U.S.C. 310; Department of Defense Instruction 1340.9, *Special Pay for Duty Subject to Hostile Fire or Imminent Danger Pay* (Apr. 10, 1992), and the Financial Management Regulation, Volume 7A, Chapter 10 (Feb. 2006). Servicemembers who have been (1) subject to hostile fire or explosion of a hostile mine; (2) on duty in an area in close proximity to a hostile fire incident and the servicemembers are in danger of being exposed to the same dangers; or (3) injured, wounded, or killed by hostile fire, mines, or any kind of hostile action, receive hostile fire pay instead of imminent danger pay. Commanders at the lowest level of command certify that the member has met the requirements for entitlement to hostile fire pay within a given month, except when the member is under orders on official duty in one of the IDP-designated areas listed in appendix I.

<sup>2</sup> In this report, we used the term combat zone tax relief benefits to describe tax exclusions provided to servicemembers under 26 U.S.C. §112. However, there are other kinds of tax benefits for servicemembers serving in combat zones or qualified hazardous duty areas that are not addressed in this report, such as extensions for filing income tax returns and exemptions from telephone excise taxes. Servicemembers may have other tax deductions and exclusions that reduce their taxable income.

---

and dangers related to the combat zone.<sup>3</sup> If a servicemember travels to an area designated for imminent danger pay or combat zone tax relief benefits, and the travel begins during one month and concludes during another month (known as cross-month travel), the servicemember receives 2 full months of the special pay and benefit.<sup>4</sup> Combat zone tax relief benefits can provide significant financial benefits, especially if a servicemember qualifies for this benefit on more than one occasion during a calendar year.

The Department of Defense (DOD) is responsible for designating imminent danger pay areas and certifying locations where military service is in direct support of combat zone operations. Over the past few decades, DOD has designated an increasing number of areas for imminent danger pay. Since imminent danger pay was first authorized on October 1, 1983, the number of areas designated for this pay has increased from a few to 54 areas due primarily to the global security environment, according to DOD.<sup>5</sup> DOD has stated that a goal is to limit imminent danger pay to only those servicemembers who face the threat of physical harm or imminent danger,<sup>6</sup> and DOD's guidance requires at least annual reviews of designated areas to determine whether conditions warrant the continued designation. In addition, since September 2001, DOD has certified military service in several countries as directly supporting combat operations in Afghanistan and Iraq. Currently, these locations include Djibouti, Jordan, Pakistan, the Philippines, and Yemen, among others (see app. III).

We have previously reported that clear policies, procedures, criteria, and management oversight are needed to help agencies use resources effectively and efficiently to meet organizational and program objectives.<sup>7</sup>

---

<sup>3</sup> 26 CFR §1.1121-1(e) and *DOD Financial Management Regulation 7A*, Chapter 44, §440103(c)(6).

<sup>4</sup> Servicemembers receive imminent danger pay and combat zone tax relief benefits for an entire month regardless of the amount of time spent in a designated area. These benefits are not prorated. See 37 U.S.C. §310 and 26 U.S.C. §112.

<sup>5</sup> Department of Defense Authorization Act, 1984, Pub. L. No. 98-94 §905 (1983).

<sup>6</sup> Under Secretary of Defense (Personnel and Readiness) Memorandum for Director, Joint Staff, *Annual Review of Designation of Foreign Locations as Imminent Danger Areas for Imminent Danger Pay (IDP) Purposes* (Jan. 30, 2006).

<sup>7</sup> GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999), and *Internal Control Management and Evaluation Tool*, [GAO-01-1008G](#) (Washington, D.C.: August 2001).

---

We also previously reported that the federal government's total costs to provide military compensation are substantial and rising and that the nation's growing fiscal concerns will require DOD and the federal government to consider difficult trade-offs in the years ahead.<sup>8</sup> According to DOD, since the beginning of the Global War on Terrorism, military basic pay has increased approximately 25 percent. DOD has reported paying more than \$2 billion in hostile fire and imminent danger pay to servicemembers assigned, deployed, or traveling on temporary duty.<sup>9</sup> Furthermore, the Defense Finance and Accounting Service calculated that between tax years 2003 and 2005, active duty servicemembers collectively qualified to exclude more than \$26 billion of their compensation as a result of performing duty that qualified for combat zone tax relief benefits. This amount includes servicemembers who performed duty in areas that DOD has designated as in direct support of military operations in combat zones.

Because of broad congressional interest in military pay and compensation, we prepared this report under the authority of the Comptroller General to conduct evaluations at his own initiative.<sup>10</sup> Our objectives were to evaluate DOD's (1) process for reviewing imminent danger pay area designations and (2) internal controls over servicemembers' temporary duty travel to areas designated for imminent danger pay and combat zone tax relief benefits. We are also providing information on DOD's tracking and reporting of imminent danger pay and combat zone tax relief benefits to Congress. We are addressing this report to you because of your jurisdiction over the issues discussed in this report.

To evaluate DOD's process for reviewing imminent danger pay area designations, to understand how servicemembers become eligible for combat zone tax relief benefits, and to understand how DOD reports data associated with this pay and benefit, we analyzed legislation, regulations, and DOD guidance. We compared this guidance to the objectives and

---

<sup>8</sup> GAO, *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), and *Global War on Terrorism: Observations on Funding, Costs, and Future Commitments*, [GAO-06-885T](#) (Washington, D.C.: July 18, 2006).

<sup>9</sup> We have previously reported on the lack of reliability in DOD's reported costs related to the Global War on Terrorism, including military pay. See GAO, *Global War on Terrorism: DOD Needs to Improve the Reliability of Cost Data and Provide Additional Guidance to Control Costs*, [GAO-05-882](#) (Washington, D.C.: Sept. 21, 2005) and [GAO-06-885T](#).

<sup>10</sup> 31 U.S.C. §717(b)(1)(2000).

---

fundamental concepts of internal control defined in *Standards for Internal Control in the Federal Government*.<sup>11</sup> We also held discussions with knowledgeable officials from the Office of the Under Secretary of Defense (Personnel and Readiness), the Joint Chiefs of Staff, each of the services, and the geographic combatant commands.<sup>12</sup> We also reviewed questionnaires completed by commanders at unified combatant commands with geographic responsibility and used by the Office of the Under Secretary of Defense (Personnel and Readiness) to evaluate area designations and the threat of imminent danger. To understand the extent to which DOD has internal controls in place to monitor servicemembers' temporary duty travel to foreign areas designated for imminent danger pay or combat zone tax relief benefits, we reviewed DOD's *Foreign Clearance Guide* that establishes DOD policy for military personnel traveling overseas as well as combatant commands' travel policies. We discussed these with officials responsible for approving travel in accordance with the *Foreign Clearance Guide*. We also obtained and analyzed 28,404 travel vouchers processed by individual servicemembers using the Defense Travel System, from October 1, 2002, through September 30, 2005. To assess the reliability of these data, we interviewed knowledgeable officials, reviewed relevant documentation, and conducted electronic testing. We found these data to be sufficiently reliable for the purposes of our work. However, data limitations prevented us from determining the full extent of temporary duty travel to areas designated for imminent danger pay or combat zone tax relief benefits, the total number of trips taken by individual servicemembers during fiscal years 2003 through 2005, or how much of this travel crossed calendar months. Furthermore, we were unable to extrapolate travel patterns from the Defense Travel System to DOD travel as a whole. Under DOD's Financial Management Regulations, authorizing officials are responsible for determining the necessity of trips and funds availability for temporary duty travel.<sup>13</sup> Further, DOD guidance states that DOD airlift authorizing officials shall

---

<sup>11</sup> [GAO/AIMD-00-21.3.1](#).

<sup>12</sup> The Unified Combatant Commands with geographic responsibility are composed of forces from two or more services and have broad and continuing missions for specific geographic areas. The commands organized on a geographical basis include (1) the U.S. Central Command, (2) the European Command, (3) the U.S. Northern Command, (4) the U.S. Pacific Command, and (5) the U.S. Southern Command. None of the U.S. Northern Command's geographic area of responsibility is eligible for imminent danger pay or combat zone tax relief.

<sup>13</sup> *DOD Financial Management Regulation* 7000.14-R, Volume 9, Chapter 2, Section 020401(C) (April 2006). (Hereinafter cited as DODFMR, Vol. 9, Ch. 2, Section 020401(C) (April 2006)).



---

ensure that an official purpose is served by air travel.<sup>14</sup> Therefore, we did not evaluate whether the purpose of the trips were valid, but we did note that the U.S. Central Command and U.S. Army, Europe, have developed policies and controls to preclude, in their view, the appearance of abuse of imminent danger pay and combat zone tax relief benefits. We conducted our review from October 2005 through July 2006 in accordance with generally accepted government auditing standards. See appendix IV for more information about our scope and methodology.

---

## Results in Brief

DOD's processes for reviewing existing imminent danger pay areas can be improved. While combatant commanders have taken the initiative periodically to make recommendations to designate or terminate imminent danger pay areas, DOD has not conducted annual reviews of existing imminent danger pay areas in accordance with its guidance to ensure that conditions in these areas continue to warrant such designation. Also, DOD has not updated its guidance to reflect current responsibilities for initiating and managing annual reviews or to include factors used to determine when conditions in foreign areas pose the threat of physical harm or imminent danger to servicemembers on duty in these locations. According to the *Standards for Internal Control in the Federal Government*,<sup>15</sup> clear policies, procedures, and criteria are needed to help agencies use resources effectively and efficiently to meet organizational and program objectives. The Standards also emphasize the importance of management oversight and review to ensure that programs continue to meet their intended goals and comply with law and policies. DOD's imminent danger pay guidance requires the unified combatant commanders to continuously appraise conditions within designated areas to ensure that these areas continue to present the threat of physical harm or imminent danger from civil insurrection, civil war, terrorism, or wartime conditions, and to submit their recommendations to continue or terminate area designations, at least annually, to the Chairman, Joint Chiefs of Staff, for review. At any time, unified combatant commanders may recommend that additional areas be designated for imminent danger pay or that existing area designations be terminated. The Chairman, in turn, evaluates designation recommendations and, if the Chairman

---

<sup>14</sup> DOD Directive 4500.56, *DOD Policy on the Use of Government Aircraft and Air Travel*, Enclosure 2, Section E.2.1.2 (April 1999). (Hereinafter cited as DODD 4500.56, Section E.2.1.2 (Apr. 1999)).

<sup>15</sup> [GAO/AIMD-00-21.3.1](#).

---

recommends them for approval, forwards the unified combatant commander's recommendations to the Under Secretary of Defense (Personnel and Readiness).<sup>16</sup> In practice, however, officials in the Office of the Under Secretary of Defense (Personnel and Readiness) have assumed responsibility for initiating and directly managing these reviews. However, the combatant commanders have not forwarded their recommendations to the Chairman, Joint Chiefs of Staff, on existing designations at least annually, and the Under Secretary of Defense (Personnel and Readiness) has not requested the combatant commanders to do so. Rather, the Office of the Under Secretary of Defense (Personnel and Readiness) requested the combatant commanders to conduct these reviews six times between 1992 and 2006, and the 2006 review is ongoing. In the absence of annual reviews, unified combatant commanders continued to recommend the designation of additional areas for imminent danger pay as well as the termination of some designated areas during that time period and the overall number of designated areas increased from 34 to 54. According to DOD, the overall number of designated areas increased during that time due to the changing global security environment and the increase in the number of areas where servicemembers face imminent danger, including areas supporting Operation Enduring Freedom and Operation Iraqi Freedom. When DOD has conducted reviews of areas designated for imminent danger pay, it has queried combatant commanders using a set of factors to determine the nature of threats to servicemembers arising from civil war, civil insurrection, terrorism, or wartime conditions within designated imminent danger pay areas. However, the department has not incorporated these factors into its imminent danger pay guidance. In addition, DOD has not updated its imminent danger pay guidance since 1992 to reflect that the Office of the Under Secretary of Defense (Personnel and Readiness) has assumed responsibility for initiating reviews of imminent danger pay area designations. By conducting annual reviews in accordance with its guidance, DOD could strengthen its oversight of imminent danger pay designations to ensure that conditions in designated areas continue to pose the threat of physical harm or imminent danger to servicemembers and that these areas should continue to be

---

<sup>16</sup> DODI 1340.9 refers to the Assistant Secretary of Defense (Force Management and Personnel) rather than the Under Secretary of Defense (Personnel and Readiness). The Secretary of Defense established the position of the Under Secretary of Defense (Personnel and Readiness) in 1994. At this time, the functions, relationships, and authorities assigned to the Assistant Secretary of Defense (Force Management and Personnel) were assigned to the Under Secretary of Defense (Personnel and Readiness). DOD Directive 5124.2, *Under Secretary of Defense for Personnel and Readiness (P&R)*, (Oct. 31, 1994).

---

designated. Furthermore, updating DOD's guidance to include the current processes and factors used for reviewing and designating imminent danger pay areas would clarify responsibilities and establish standard criteria for use in meeting the program's objectives.

Internal controls over servicemembers' temporary duty travel to areas designated for imminent danger pay or combat zone tax relief benefits need to be strengthened. While two DOD components have instituted policies to regulate and monitor cross-month travel to these areas, there is no similar departmentwide policy to ensure that travel to areas designated for imminent danger pay or combat zone tax relief benefits need to cross calendar months. Data limitations prevented us from determining the full extent of temporary duty travel to areas designated for imminent danger pay and combat zone tax relief benefits, as well as how much of this travel crossed calendar months. The U.S. Central Command and U.S. Army, Europe—which collectively account for 62 percent of imminent danger pay areas and 86 percent of areas designated for combat zone tax relief designation—have developed policies and controls to monitor and regulate cross-month travel to areas designated for imminent danger pay and combat zone tax relief benefits to preclude, in their view, the appearance of abuse of these benefits. It is DOD's policy to minimize the number of visits and visitors to overseas areas as well as demands on equipment, facilities, time, installation services, and personnel visited. In addition, DOD's temporary duty travel policy and its *Foreign Clearance Guide*,<sup>17</sup> which implements this policy, provide mechanisms for the combatant commands to regulate travel to foreign locations. Before any DOD servicemember makes an official visit to a foreign country, including areas where servicemembers qualify for imminent danger pay or combat zone tax relief, the visit must be reviewed and approved by both the U.S. embassy in the host country (country clearance) as well as by the sponsoring unified commander (theater clearance). DOD's *Foreign Clearance Guide* permits a unified combatant command to grant theater clearance or to delegate this authority to component commands, subordinate commands, special agencies, or units to be visited. The *Standards for Internal Control in the Federal Government*<sup>18</sup> recommend that agencies establish internal controls to monitor and review operations and programs to ensure that they meet their goals. Moreover, we consider

---

<sup>17</sup> DOD Directive Number 4500.54, *Official Temporary Duty Travel Abroad*, November 21, 2003 and DOD Directive 4500.54-G, *Foreign Clearance Guide*, June 6, 2006.

<sup>18</sup> [GAO/AIMD-00-21.3.1](#).

---

establishing such controls, including policies and oversight mechanisms, a best practice that can help ensure appropriate application of benefits such as imminent danger pay and combat zone tax relief benefits. Two components, the Central Command and the U.S. Army, Europe, have developed their own policies and internal controls to regulate and monitor cross-month travel to preclude, in their view, the perceived abuse of imminent danger pay and combat zone tax relief benefits. To enforce its policy, the U.S. Central Command has established an electronic database with internal controls that automatically alert officials to any proposed temporary duty travel that crosses calendar months. The U.S. Army, Europe, requires that all cross-month travel be approved by at least a colonel and its Internal Review and Audit Compliance Office periodically reviews travel to specific areas to monitor whether cross-month travel occurs. However, DOD's departmentwide policies do not establish internal controls to monitor or regulate cross-month travel, including to foreign areas designated for certain special pays and benefits, such as imminent danger pay and combat zone tax relief, and, with the exception of U.S. Army, Europe, DOD does not conduct periodic audits of cross-month travel to determine whether servicemembers are scheduling travel in a fiscally responsible manner or attempting to maximize this pay and benefit through cross-month travel. Our analysis of 28,404 vouchers for temporary duty travel that were processed using the Defense Travel System between October 1, 2002, and September 30, 2005, found that cross-month travel does occur in 3 percent of the vouchers, thereby qualifying the servicemember for 2 full months of imminent danger pay and combat zone tax relief. We also obtained data from the U.S. Naval Forces, Europe, for 56 ship port visits between fiscal years 2003 and 2005 to areas designated for imminent danger pay or combat zone tax relief benefits within the European Command's area of responsibility. By establishing internal controls such as a departmentwide policy and periodic audits to monitor cross-month travel, DOD could ensure all areas are covered and further strengthen its management of imminent danger pay and combat zone tax relief benefits.

DOD tracks the cost of imminent danger pay and servicemembers' compensation that qualifies for combat zone tax relief benefits. While DOD reports the cost of imminent danger pay to Congress as part of its budget request, the department does not report servicemembers' compensation that qualifies for combat zone tax relief benefits. Combat zone tax relief benefits could allow servicemembers to exclude a significant portion of their compensation from federal taxes. For example, enlisted personnel and warrant officers may exclude all military compensation earned during one month. In 2006, the maximum amount of

---

compensation for commissioned officers that is eligible for combat tax zone relief is \$6,724.50 per month. The reporting of combat zone tax relief benefit data to Congress could provide information on the extent of this benefit and aid Congress in its oversight role.

We are making recommendations to strengthen DOD's internal controls and management of imminent danger pay and combat zone tax relief benefits, including monitoring travel to areas designated for these benefits, as well as to assist Congress in its oversight role. In commenting on a draft of this report, DOD generally agreed with two of our recommendations and disagreed with a third recommendation to monitor cross-month travel. DOD believes that it has sufficient travel procedures and reviews over cross-month travel. Our work indicates otherwise, and, thus, we continue to believe that our recommendation has merit. DOD's comments and our evaluation of them can be found at the end of this report. DOD's comments are reprinted in appendix V. In addition, because of the substantial tax benefits that servicemembers receive when performing duty in combat zones, we have added a matter for congressional consideration. Congress should consider requiring DOD to periodically report the amount of servicemembers' total compensation that qualifies for combat zone tax relief benefits.

---

## Background

Congress has given the president the authority to issue executive orders designating and terminating areas as combat zones. Since 1950, U.S. presidents have designated combat zones in Korea, Vietnam, the Persian Gulf area, the Kosovo area, and Afghanistan. U.S. presidents terminated combat zone designations for Korea in 1955 and Vietnam in 1996<sup>19</sup>. See appendix II for information on the current combat zones. In addition, Congress has established qualified hazardous duty areas where servicemembers serving in such areas receive the same tax treatment as members serving in presidentially designated combat zones.<sup>20</sup> Congress has specified in this legislation, however, that a servicemember on duty in a qualified hazardous duty area is only entitled to combat zone tax relief

---

<sup>19</sup> See appendix II, table 7 for a list of the regions that constitute the Persian Gulf Area and the Kosovo area.

<sup>20</sup> In addition, Congress has also stated that it was the sense of Congress that servicemembers receiving hostile fire pay or imminent danger pay should receive the same treatment under federal income tax laws as servicemembers serving in combat zones. See Pub. L. No. 106-65, §677 (1999) and Pub. L. No. 106-398, §1089 (2000).

---

benefits if that member would also be entitled to hostile fire or imminent danger pay. Congress has designated seven qualified hazardous duty areas since 1995 (see app. II).

DOD is responsible for prescribing regulations for imminent danger pay and for certifying locations where military service is in direct support of combat zone operations. Servicemembers who perform duty in certain foreign areas may be eligible for imminent danger pay as well as income tax relief, in the form of combat zone tax relief benefits, as summarized in table 1.<sup>21</sup> See appendixes I, II, and III for information about the locations designated for imminent danger pay or combat zone tax relief benefits.

---

<sup>21</sup> Under Section 5928 of Title 5, U.S. Code and Department of State regulations, federal civilian employees serving in foreign areas may be eligible for a danger pay allowance when the Secretary of State determines that civil war, civil insurrection, terrorism, or wartime conditions threaten physical harm or imminent danger to the health or well-being of a majority of employees officially stationed or detailed to a post in foreign area. To qualify for the danger pay allowance, which is paid for those hours for which employees receive basic compensation and ranges from 15 to 35 percent of base salary each month depending on the level of danger specified for a given area and the presence of nonessential personnel and dependents at the post, a federal civilian employee must be assigned or on detail to a post for at least 4 cumulative hours in 1 day during a given month. Alternatively, federal civilian employees who accompany U.S. military forces designated by the Secretary of Defense as eligible for imminent danger pay receive \$225 a month when authorized by the Secretary of State. Federal civilian employees may not receive both imminent danger pay and danger pay during the same month. Federal civilian employees are not eligible for combat zone tax relief benefits.

**Table 1: Summary of Imminent Danger Pay and Combat Zone Tax Relief Benefits**

<b>Benefit</b>	<b>Description</b>	<b>Dollar amount</b>	<b>Authority</b>
Imminent danger pay	Compensates a servicemember on duty in foreign areas designated by the Secretary of Defense where the servicemember is subject to the threat of physical harm or imminent danger on the basis of (1) civil insurrection, (2) civil war, (3) terrorism, or (4) wartime conditions. Within a designated area, DOD may limit imminent danger pay to servicemembers who perform duty in an area's airspace, land, or waters, or designate the entire area depending on the threat.  The Secretary of Defense has delegated responsibility for designating areas to the Under Secretary of Defense (Personnel and Readiness).	\$225/month  Members receive the entire \$225 if they serve at least part of 1 day in a designated zone during the month.	37 U.S.C. §310(a)(2)(D)  DOD Instruction 1340.9
Combat zone tax relief	Servicemembers may qualify for combat zone tax relief when serving in (1) presidentially designated combat zones, (2) congressionally legislated qualified hazardous duty areas, or (3) areas where the Secretary of Defense has certified military service as directly supporting military operations in combat zones or qualified hazardous duty areas.	Enlisted personnel and warrant officers may exclude all military compensation earned during that month. For commissioned officers, compensation is free of federal income tax up to the maximum amount of enlisted pay plus any imminent danger or hostile fire pay received.	26 U.S.C. §112
Combat zones	A combat zone is any area that the president designates by executive order as an area in which U.S. Armed Forces are or have engaged in combat after June 24, 1950. An area ceases to be a combat zone on the dates the president designates by executive order.		Pub. L. No. 104-117 (1996)
Qualified hazardous duty areas	Congress designates qualified hazardous duty areas by legislation. Servicemembers on duty in these areas are entitled to the same benefits afforded service in a presidentially designated combat zone if the Secretary of Defense also designates the qualified hazardous duty area for hostile fire or imminent danger pay. <sup>a</sup>	In 2006, the maximum amount of compensation for commissioned officers that is eligible for combat tax zone relief is \$6,499.50 plus \$225 imminent danger pay, or \$6,724.50 per month.	Pub. L. No. 106-21 (1999)
In direct support of combat zone operations	The Secretary of Defense has delegated responsibility for certifying that areas meet eligibility criteria to the Under Secretary of Defense (Personnel and Readiness). Certification requires that <ul style="list-style-type: none"> <li>• service is in direct support of military operations in combat zones,</li> <li>• service qualifies the servicemember for hostile fire pay or imminent danger pay, and</li> <li>• hostile fire pay or imminent danger pay is related to activities and circumstances in the combat zone or qualified hazardous duty area.</li> </ul>		26 C.F.R. §1.112-1  IRS Revenue Ruling 70-671 (1970)  DOD FMR 44103(c)

Source: GAO presentation of *DOD Financial Management Regulation* and 37 U.S.C. §310, 26 U.S.C. §112, 26 C.F.R. §112-1, Internal Revenue Service Revenue Ruling 70-671 (1970), Pub. L. No. 104-117 (1996), Pub. L. No. 106-21 (1999) and *DOD Financial Management Regulation* 44103(c).

<sup>a</sup>Servicemembers who have been (1) subject to hostile fire or explosion of a hostile mine; (2) on duty in an area in close proximity to a hostile fire incident and the servicemembers are in danger of being exposed to the same dangers; or (3) injured, wounded, or killed by hostile fire, mines, or any kind of hostile action, receive hostile fire pay as opposed to imminent danger pay, at a rate of \$225 per month. Servicemembers receive the entire \$225 if they serve at least part of 1 day on a designated zone during the month. 37 U.S.C. §310.

---

The Under Secretary of Defense (Comptroller) in coordination with the director of the Defense Finance and Accounting Service is responsible for maintaining and updating the Financial Management Regulation, Volume 7A, that provides financial management policy and procedures for DOD, including imminent danger pay and combat zone tax relief benefits. In DOD's imminent danger pay guidance, the Under Secretary of Defense (Personnel and Readiness) requires unified combatant commanders to continually appraise the conditions within areas designated for imminent danger pay to ensure that the designation is warranted, and to forward written recommendations, at least annually, to the Chairman, Joint Chiefs of Staff, who evaluates these designations to determine whether conditions in these areas continue to present the threat of physical harm or imminent danger from civil war, civil insurrection, terrorism, or wartime conditions. The Chairman forwards area designations that he recommends for approval to the Under Secretary of Defense (Personnel and Readiness) with support for these recommendations.

The Secretary of Defense has delegated the responsibility for designating imminent danger pay areas and certifying military service as in direct support of combat zone operations to the Under Secretary of Defense (Personnel and Readiness) who is responsible for DOD personnel policy, including oversight of military compensation, and as such, serves as the focal point for imminent danger pay. DOD's imminent danger pay guidance requires the unified combatant commanders to continuously appraise conditions within designated areas to ensure that these areas continue to present the threat of physical harm or imminent danger from civil insurrection, civil war, terrorism, or wartime conditions, and to submit their recommendations to continue or terminate area designations, at least annually, to the Chairman, Joint Chiefs of Staff, for review. At any time, unified combatant commanders may recommend that additional areas be designated for imminent danger pay or that existing area designations be terminated. The Chairman, in turn, evaluates designation recommendations and, if the Chairman recommends them for approval, forwards the unified combatant commander's recommendations to the Under Secretary of Defense (Personnel and Readiness). In practice, however, officials in the Office of the Under Secretary of Defense (Personnel and Readiness) have assumed responsibility for initiating and directly managing these reviews.



---

## DOD's Management of Its Imminent Danger Pay Program Could Benefit from Additional Oversight

DOD's processes for reviewing existing imminent danger pay areas and combat zones can be improved. While combatant commanders have taken the initiative periodically to make recommendations to designate or terminate imminent danger pay areas, DOD has not conducted annual reviews of existing imminent danger pay areas in accordance with its guidance to ensure that conditions in these areas continue to warrant such designations. Also, DOD has not updated its guidance to reflect that the Office of the Under Secretary of Defense (Personnel and Readiness) has assumed responsibility for initiating and managing annual reviews. In addition, DOD also has not incorporated factors contained in questionnaires completed by combatant commanders that the Office of the Under Secretary of Defense (Personnel and Readiness) uses to evaluate when conditions in foreign areas pose the threat of physical harm or imminent danger to servicemembers performing duty in designated locations. By conducting annual reviews of existing designations in accordance with its guidance, DOD could strengthen its oversight of imminent danger pay designations to ensure that conditions in designated areas continue to pose the threat of physical harm or imminent danger to servicemembers and that these areas should continue to be designated. Furthermore, updating DOD's guidance to include the current processes and factors used for reviewing and designating imminent danger pay areas would clarify responsibilities and establish standard criteria for use in meeting the program's objectives.

---

## DOD Has Not Conducted Annual Reviews of Imminent Danger Pay Designations in Accordance with Its Guidance

Imminent danger pay was first authorized in October 1983.<sup>22</sup> Between 1992—when DOD revised its guidance to require annual reviews, as opposed to semiannual reviews, of imminent danger pay area designations—and 2006, the number of designated areas increased from 34 to 54 areas. (See appendix I for a list of areas currently designated for imminent danger pay).

While DOD guidance requires the combatant commanders to continuously appraise conditions in designated areas and to forward recommendations to the Chairman, Joint Chiefs of Staff, to continue or terminate these designations at least annually, in practice, the Office of the Under Secretary of Defense has assumed responsibility for initiating and managing these reviews. The combatant commanders have not forwarded their recommendations on existing designations to the Chairman, Joint

---

<sup>22</sup> Pub. L. No. 98-94 §905 (1983).

---

Chiefs of Staff, at least annually, nor has the Under Secretary of Defense (Personnel and Readiness) requested the combatant commanders to do so. Between 1992 and 2006, the Under Secretary of Defense (Personnel and Readiness) requested the unified combatant commanders to conduct six reviews of designated imminent danger pay areas. Reviews were conducted in 1992, 1993, 1995, 1997, and 2002; the 2006 review is ongoing, and officials in the Office of the Under Secretary of Defense (Personnel and Readiness) expect to complete it by October. In the absence of annual reviews, the combatant commanders have taken the initiative to periodically recommend the designation or termination of imminent danger pay areas.

According to DOD officials, the Under Secretary of Defense (Personnel and Readiness) deferred several reviews because of anticipated policy revisions and concerns about creating additional work for combatant commanders while they are engaged in ongoing operations. For instance, DOD deferred the 1998 review pending the anticipated revision of its imminent danger pay guidance to incorporate criteria for determining whether conditions in designated areas continue to pose the threat of physical harm or imminent danger from civil war, civil insurrection, terrorism, or wartime conditions to servicemembers. However, this revision did not occur. The department initiated the ongoing 2006 review shortly after we began our review. According to officials from the Office of the Under Secretary of Defense (Personnel and Readiness), the department deferred reviews between 2002 and 2006 because it did not want to create additional work for combatant commanders during ongoing operations, and department officials also believe that conditions in most designated areas had not changed sufficiently since the terrorist attacks of September 11, 2001, and the start of the Global War on Terrorism to result in termination of designated areas. Although DOD guidance calls for the combatant commanders to forward recommendations to continue or to terminate imminent danger pay areas at least annually, this has occurred at longer intervals ranging from 2 to 5 years.

As a result of combatant commander's recommendations as well as annual reviews of imminent danger pay areas conducted by the combatant commanders at the request of the Under Secretary of Defense (Personnel and Readiness), the department has terminated area designations where conditions no longer pose the threat of physical harm or imminent danger from civil war, civil insurrection, terrorism, or wartime conditions. For instance, as a result of the 1993 review, DOD terminated imminent danger pay designation for areas including Oman, the United Arab Emirates, Bahrain, Qatar, and the Gulfs of Oman and Aden as well as the Arabian

---

Sea because the department determined that conditions no longer posed the threat of physical harm or imminent danger toward servicemembers. The department has also denied requests from unified combatant commanders to designate new areas for imminent danger pay when there is not sufficient information to demonstrate that conditions pose a threat of physical harm or imminent danger to servicemembers on duty in the location, based on criteria used in a questionnaire and accompanying threat assessments.

By conducting annual reviews of existing designations in accordance with its guidance, DOD could strengthen its oversight of imminent danger pay designations to ensure that conditions in designated areas continue to pose the threat of physical harm or imminent danger to servicemembers and that these areas should continue to be designated.

---

### DOD Has Not Updated Guidance to Reflect Current Responsibilities or Incorporated Factors to Define Criteria

DOD has not updated its imminent danger pay guidance to (1) reflect the responsibility of the Office of the Under Secretary of Defense (Personnel and Readiness) for initiating and managing annual reviews of imminent danger pay areas or (2) to incorporate factors that DOD uses to evaluate and define when servicemembers face imminent danger. Updating guidance to include the current processes and factors used for reviewing and designating imminent danger pay areas would clarify responsibilities and establish standard criteria for use in meeting the objectives of the imminent danger pay program.

First, while DOD's imminent danger pay area guidance requires the unified combatant commanders and Joint Chiefs of Staff to conduct reviews of areas designated for imminent danger pay at least annually, in practice, the Under Secretary of Defense (Personnel and Readiness) has directly managed these reviews since the mid-1990s. However, as previously discussed, the combatant commanders have not forwarded recommendations on existing designations to the Chairman, Joint Chiefs of Staff, on an annual basis in accordance with DOD's guidance and the Under Secretary of Defense (Personnel and Readiness) has not requested them to do so on an annual basis. In addition, DOD has not updated its imminent danger pay guidance to show that the Under Secretary of Defense (Personnel and Readiness) has been assigned the functions, relationships, and authorities previously assigned to the position of the Assistant Secretary of Defense (Force Management and Personnel).

Second, the Federal Managers' Financial Integrity Act of 1982 states that agencies must establish internal administrative controls in accordance

---

with the standards prescribed by the Comptroller General.<sup>23</sup> The Comptroller General published these standards in *Standards for Internal Control in the Federal Government*, which sets out management control standards for all aspects of an agency's operations. These standards are intended to provide reasonable assurance of meeting agency objectives. Two of the standards of internal control—risk assessment and control activities—state that an agency should establish clear objectives as well as appropriate policies, procedures, and plans with respect to its activities to ensure effective and efficient use of resources to meet organizational objectives.<sup>24</sup>

Neither the statute that authorizes imminent danger pay nor DOD guidance define what constitutes the threat of physical harm or imminent danger or contain criteria to determine this. However, in 1997, DOD developed a questionnaire that contains specific factors that it continues to use to evaluate requests from combatant commands to designate new imminent danger pay areas as well as to review existing imminent danger pay designations. These factors help DOD to gather consistent information that supports its goal to limit imminent danger pay to those members placed in direct or imminent danger. The factors consider

- *acts of violence against U.S. personnel*, such as assassinations, homicides, sabotage, kidnapping, aggravated battery, property damage, terrorizing, extortion, rioting, and commandeering vessels or hijacking aircraft;
- *insurrection, war, or wartime conditions*, including fighting that occurs sufficiently close to servicemembers that creates a substantial probability of death or bodily injury to servicemembers, causes servicemembers to fear for their safety, or creates danger to human life or property;
- *terrorism conditions*, including the existence of terrorist organizations that have the intent or ability to harm servicemembers or terrorist threat levels indicative of an imminent threat;
- *security environment*, that places U.S. forces at risk. DOD also considers existing security measures including threat condition levels

---

<sup>23</sup> Federal Managers' Financial Integrity Act of 1982, Pub. L. No. 97-255, §2 (1982).

<sup>24</sup> [GAO/AIMD-00-21.3.1](#).

---

and operating tempo levels, as well as restrictions on leave and off-duty travel and measures taken by the host government to protect servicemembers;

- *travel restrictions*, including restriction of servicemembers to duty stations, installations, or defined sections of the area; and
- *presence of dependents in the area*, including school-age dependents, whether dependents are targets, and the security measures in place to protect them.

We reviewed 54 completed questionnaires for imminent danger pay—some for the same countries over a period of time—that were submitted by combatant commands to the Office of the Under Secretary of Defense (Personnel and Readiness) between 1998 and 2005. We found that DOD is using information supplied on these questionnaires, in conjunction with threat assessments, to inform decisions to designate new imminent danger pay areas and to review existing designations to ensure that they continue to be appropriately designated. For instance, DOD denied requests from the U.S. Central Command to designate Turkmenistan and Kazakhstan for imminent danger pay in 2001 because the support provided in the questionnaires did not demonstrate an imminent threat of physical harm or danger to servicemembers based on civil war, civil insurrection, terrorism, or wartime conditions in those areas. DOD also denied a request from the U.S. European Command in 2003 to designate a number of areas, including Bulgaria, Romania, Hungary, and Cyprus, for imminent danger pay based on the probability of increased danger to military personnel due to their involvement in combat operations related to Iraq as well as general terrorist threats to DOD personnel. The Office of the Under Secretary of Defense (Personnel and Readiness) determined that there was not sufficient support of an imminent threat of personal harm to servicemembers on official duty in these areas. In contrast, DOD has designated areas, such as Ethiopia, for imminent danger pay based on facts and circumstances that indicate the likelihood that U.S. personnel might be harmed as a result of civil unrest. Beginning in 2006, Congress authorized the Secretary of Defense to retroactively designate an area for imminent danger pay, subject to the availability of appropriated funds.<sup>25</sup>

---

<sup>25</sup> National Defense Authorization Act for Fiscal Year 2006, Pub. L. No. 109-163, §636 (2006) (codified at 37 U.S.C. §310(c)).

Despite the demonstrated usefulness of these questionnaires to decision makers, DOD has not incorporated factors contained in the questionnaire into its imminent danger pay guidance. For example, DOD does not include minimum terrorist threat levels, one such potential factor identified in the questionnaire, in its imminent danger pay guidance. While terrorist threat levels for a country may change over time and are raised and lowered on the basis of new information and analysis, in the past DOD officials responsible for overseeing imminent danger pay have considered establishing minimum terrorist threat levels of “high” or “significant” to help assess the imminence of threats and dangers from terrorism. Although DOD has yet to do so, we believe that establishing a minimum terrorist threat level threshold needed for an area to be designated for imminent danger pay could help to limit imminent danger pay to those servicemembers who truly face an imminent threat or danger to their lives and would likely reduce the number of imminent danger pay area designations. Currently, DOD identifies terrorist threat levels using the Defense Intelligence Agency’s four step scale (see fig. 1) that describes the severity of a threat.<sup>26</sup>

**Figure 1: Terrorist Threat Levels and Associated Number of Designated Imminent Danger Pay Areas as of July 2006**

Threat level	Threat analysis factors				Number of currently designated imminent danger pay areas
	Existence of terrorist group	Capability	History	Intentions	
High	●	●	●	●	21
Significant	●	●	●	○	8
Moderate	●	●	○		11
Low	○	○			8

● Factor must be present  
○ Factor may or may not be present

Source: Defense Intelligence Agency, *Air Force Installation Force Protection Guide*, Department of the Army, *Physical Security Field Manual*, and GAO analysis.

<sup>26</sup> These steps, from highest to lowest, are high, significant, moderate, and low. The categories reflect the existence of terrorist groups as well as their history, capability, and intent to harm servicemembers.

---

For example, using Defense Intelligence Agency terrorism threat levels, if current threat levels for designated areas remain constant and DOD was to establish a minimum terrorist threat level of “significant” for areas to be designated for imminent danger pay, then designations for 19 currently designated areas with threat levels below “significant” would be terminated. These areas include Angola, Burundi, Croatia, and Haiti. However, 29 areas with “high” or “significant” terrorist threat levels, such as Indonesia, the Philippines, Columbia, Iraq, Kuwait, Malaysia, Qatar, and Syria, would continue to qualify for imminent danger pay. Due to changing world circumstances since July 2006, the terrorist threat levels may have changed.

---

## **DOD Does Not Have a Departmentwide Policy to Monitor Cross-Month Travel to Areas Designated for Imminent Danger Pay or Combat Zone Tax Relief Benefits**

Internal controls over servicemembers’ temporary duty travel to areas designated for imminent danger pay or combat zone tax relief benefits need to be strengthened. While two DOD components have instituted policies to regulate and monitor cross-month travel to these areas, there is no similar departmentwide policy to ensure that travel to areas designated for imminent danger pay or combat zone tax relief benefits needs to cross calendar months. Data limitations prevented us from determining the full extent of temporary duty travel to areas designated for imminent danger pay and combat zone tax relief benefits, as well as how much of this travel crossed calendar months. However, the U.S. Central Command and U.S. Army, Europe—which collectively account for 62 percent of imminent danger pay areas and 86 percent of areas designated for combat zone tax relief benefits—have developed policies and controls to monitor and regulate cross-month travel to areas designated for imminent danger pay and combat zone tax relief benefits to preclude, in their view, the appearance of abuse of these benefits. Our review of data from DOD’s Defense Travel System as well as data for ship port visits to the U.S. European Command’s area of responsibility show that cross-month travel does occur. By establishing internal controls such as a departmentwide policy and periodic audits to monitor cross-month travel, DOD could ensure that all areas are covered and further strengthen its management of imminent danger pay and combat zone tax relief benefits.

---

## No Departmentwide Monitoring of Cross-Month Travel Occurs, but Two Commands Have Taken Steps to Regulate Cross-Month Travel

Internal controls over servicemembers' temporary duty travel to areas designated for imminent danger pay or combat zone tax relief benefits need to be strengthened. It is DOD's policy to minimize the number of visits and visitors to overseas areas as well as demands on equipment, facilities, time, installation services, and personnel.<sup>27</sup> In addition, DOD's temporary duty travel policy and its *Foreign Clearance Guide*,<sup>28</sup> which implements this policy, provide mechanisms for the unified combatant commands to regulate travel to foreign locations. Before any servicemember makes an official visit to a foreign country, including areas where servicemembers qualify for imminent danger pay or combat zone tax relief benefits, the visit must be reviewed and approved by both the U.S. embassy in the host country (country clearance) as well as by the sponsoring unified commander (theater clearance). DOD's *Foreign Clearance Guide* permits the unified combatant command to grant theater clearance or to delegate this authority to component commands, subordinate commands, special agencies, or units to be visited. The *Standards for Internal Control in the Federal Government*<sup>29</sup> recommend that agencies establish internal controls to monitor and review operations and programs to provide reasonable assurance that these meet their goals. Moreover, we consider establishing such controls, including policies and oversight mechanisms, a best practice that can ensure that cross-month travel needs to cross calendar months, especially to areas designated for imminent danger pay or combat zone tax relief benefits. With the exception of U.S. Army, Europe, DOD does not conduct periodic audits of cross-month travel.

Although there is no requirement to do so, the U.S. Central Command and U.S. Army, Europe—which collectively account for 62 percent of imminent danger pay areas and 86 percent of areas designated for combat zone tax relief designation—have developed policies and internal controls to monitor and regulate cross-month travel to areas for which they provide theater clearance. According to U.S. Central Command officials, they instituted this policy to preclude, in their view, the appearance of abuse of imminent danger pay and combat zone tax relief benefits. Specifically, the U.S. Central Command—which consists of 29 (approximately 55 percent)

---

<sup>27</sup> DOD Directive Number 4500.54, *Official Temporary Duty Travel Abroad*, November 21, 2003.

<sup>28</sup> DOD 4500.54-G, *DOD Foreign Clearance Guide*.

<sup>29</sup> [GAO/AIMD-00-21.3.1](#).



---

of the areas currently designated for imminent danger pay and 20 (approximately 71 percent) of the areas currently designated for combat zone tax relief benefits—precludes travel that crosses months to its area of responsibility. According to U.S. Central Command officials, the command instituted this policy in 2003 as a result of the high pace of operations and to preclude, in their view, the abuse of imminent danger pay and combat zone tax relief benefits. All five sea areas and all but 3 of the 27 countries in the U.S. Central Command's area of responsibility are designated for imminent danger pay, and 16 of these countries as well as all sea areas are designated for combat zone tax relief benefits (see app. I).

To enforce its policy, the U.S. Central Command has established an electronic database with internal controls that automatically alert officials to any proposed temporary duty travel that crosses calendar months. Officials in the U.S. Central Command's Travel Clearance Office, which is responsible for granting theater clearance, review all requests from servicemembers not assigned to the U.S. Central Command to travel to countries in the command's area of responsibility. If the proposed travel dates cross calendar months, the Travel Clearance Office requests that the traveler change the dates of the trip or provide justification for why the trip needs to occur at that time. According to a command official, appropriate justification may include mission requirements or the limited availability of flights. However, according to an official, most travelers choose to change the dates of travel to avoid crossing months.

In 2005, U.S. Army, Europe, which was delegated authority by the U.S. European Command to approve travel to locations in the former Federal Republic of Yugoslavia, instituted a policy precluding cross-month travel—although this was minimal—to Bosnia-Herzegovina; Croatia; Serbia and Montenegro, including Kosovo; Macedonia; and Slovenia in order to prevent, in their view, the perceived abuse of combat zone tax relief benefits. These areas, excluding Slovenia, are designated for imminent danger pay and combat zone tax relief benefits and constitute approximately 8 percent of the areas currently designated for imminent danger pay and approximately 14 percent of the areas currently designated for combat zone tax relief benefits. In addition, U.S. Army, Europe, requires that a colonel or general officer approve all cross-month travel, and its Internal Review and Audit Compliance Office periodically reviews travel to specific areas to monitor whether cross-month travel occurs. According to an official in the U.S. Army, Europe, Internal Review and Audit Compliance Office, cross-month travel accounted for 1.6 percent of all travel to countries for which U.S. Army, Europe, approves theater clearance requests. Although no similar policy precludes cross-month

---

travel to Georgia, a country for which the U.S. Marine Corps Forces, Europe, has been delegated authority by the U.S. European Command to approve travel, an official who is responsible for approving travel to this location told us that since January 2005 the U.S. Marine Corps Forces, Europe, has monitored travel requests for potential cross-month travel. Neither U.S. Naval Forces, Europe, nor U.S. Air Forces in Europe has policies to monitor temporary duty travel that crosses calendar months. We did not determine the amount of cross-month travel conducted by servicemembers under these commands.

In contrast, neither U.S. European Command (excluding U.S. Army, Europe), U.S. Pacific Command, or U.S. Southern Command—which collectively account for 20 (about 38 percent) imminent danger pay areas and 4 (about 14 percent) combat zone tax relief benefits—have policies that address temporary duty travel that crosses calendar months.

Although two commands have instituted policies and internal controls to preclude the perceived abuse of imminent danger pay and combat zone tax relief by regulating and monitoring cross-month travel, no requirement exists for DOD to monitor cross-month travel to 38 percent of areas currently designated for imminent danger pay and 14 percent of areas currently designated for combat zone tax relief benefits. By establishing internal controls, such as a departmentwide policy and periodic audits to monitor cross-month travel, DOD could ensure that all areas are covered and further strengthen its management of imminent danger pay or combat zone tax relief benefits.

---

### Analysis of Defense Travel System Vouchers Indicates That Cross-Month Travel Occurs

Our analysis of data from the Defense Travel System indicates that cross-month travel does occur during temporary duty travel. We reviewed 28,404 vouchers for temporary duty travel that were processed using the Defense Travel System for travel that occurred between fiscal years 2003 and 2005. During about 18 percent (5,152) of these trips, a servicemember traveled to an area that is designated for imminent danger pay or combat zone tax relief benefits at some point during the trip regardless of whether the trip crossed months. About 93 percent (1,469) of the 1,576 trips that crossed calendar months were to countries within the Central Command's and European Command's areas of responsibility.

We found that 1,576 (about 6 percent) of the 28,404 trips processed using the Defense Travel System from fiscal year 2003 through fiscal year 2005 involved cross-month travel to an area designated for imminent danger pay or combat zone tax relief benefits, including trips during which

servicemembers were eligible for imminent danger pay or combat zone tax relief benefits during 1 or 2 months. For instance, servicemembers traveling in areas designated for imminent danger pay or combat zone tax relief benefits qualified for 2 full months of imminent danger pay and combat zone tax relief benefits for 745 (about 3 percent) of the 28,404 trips. Also, during 831 (about 3 percent) of the 28,404 trips, individual servicemembers traveled to areas designated for imminent danger pay or combat zone tax relief benefits at some point during a single month, although their travel crossed calendar months. As a result, these servicemembers qualified for 1 month of imminent danger pay or combat zone tax relief benefits. As depicted in table 2, we also found that the 1,576 cross-month trips ranged in duration from 2 days to more than 15 days.

**Table 2: Number and Duration of Cross-Month Trips Eligible for 1 or 2 Months of Imminent Danger Pay or Combat Zone Tax Relief Benefits, October 1, 2002, to September 30, 2005**

<b>Fiscal year</b>	<b>2 days or less</b>	<b>3 to 4 days</b>	<b>5 to 6 days</b>	<b>7 to 14 days</b>	<b>15 or more days</b>	<b>Total number of trips</b>
2003	0	0	1	0	2	<b>3</b>
2004	0	2	7	82	45	<b>136</b>
2005	6	115	154	674	488	<b>1,437</b>
<b>Total number of trips</b>	<b>6</b>	<b>117</b>	<b>162</b>	<b>756</b>	<b>535</b>	<b>1,576</b>

Source: GAO analysis of Defense Travel System data.

Note: The majority of our data reflect travel that occurred during fiscal year 2005. Defense Travel System data for fiscal years 2003 and 2004 were minimal because DOD locations were just beginning to transition from using approximately 43 legacy systems for processing travel vouchers during this time frame.

The six trips that involved cross-month travel lasting 2 days or less were to Afghanistan, Haiti, Iraq, and the Philippines for training, meetings, special missions, and site visits.

Most of these 1,576 cross-month trips were to the U.S. Central Command's area of responsibility and the majority was longer than 7 days in duration, as shown in table 3.

**Table 3: Duration of Cross-Month Trips Eligible for 1 or 2 Months of Imminent Danger Pay or Combat Zone Tax Relief Benefits by Combatant Command, October 1, 2002, to September 30, 2005**

Trip duration	Combatant command				Total trips
	Central Command	European Command	Pacific Command	Southern Command	
2 days or less	3	0	1	2	6
3 to 4 days	100	9	3	5	117
5 to 6 days	117	41	4	0	162
7 to 14 days	628	71	37	20	756
15 or more days	405	95	32	3	535
<b>Total</b>	<b>1,253</b>	<b>216</b>	<b>77</b>	<b>30</b>	<b>1,576</b>

Source: GAO analysis of temporary duty travel vouchers processed using the Defense Travel System.

The Air Force and the Army account for the majority of cross-month travel. In addition, we found that officers at the O-3 and O-4 pay grades accounted for the greatest number of cross-month trips by active duty officers to areas designated for imminent danger pay and combat zone tax relief benefits during fiscal years 2003 through 2005. In contrast, officers at the O-7, O-8, O-9, and O-10 pay grades made the least number of cross-month trips to areas designated for imminent danger pay or combat zone tax relief benefits. Enlisted servicemembers at the E-3, E-5, and E-6 pay grades made the majority of cross-month trips by active duty enlisted servicemembers to areas designated for this special pay or benefit during fiscal years 2003 through 2005.

In comparison, we found that 23,083 (about 81 percent) of the 28,404 trips processed using the Defense Travel System from fiscal year 2003 through fiscal year 2005 involved travel to areas that were not designated for either imminent danger pay or combat zone tax relief during fiscal years 2003 to 2005.<sup>30</sup> Further, we found that 4,414 trips (about 16 percent) of the 28,404 trips crossed calendar months, but did not include travel to areas designated for imminent danger pay or combat zone tax relief benefits. Of

<sup>30</sup> Between fiscal years 2003 and 2005, individual servicemembers processed 23,253 vouchers for temporary duty travel to areas not designated for either imminent danger pay or combat zone tax relief benefits using the Defense Travel System. However, 170 of these trips that involved cross-month travel were dropped from our analysis due to incomplete data. As a result, in our analysis we used 23,083 vouchers for temporary duty travel to areas that were not designated for imminent danger pay or combat zone tax relief benefits.

these 4,414 trips, 3,058 (about 69 percent) were 7 or more days in duration and 1,356 (about 31 percent) were less than a week in duration, as shown in table 4.

**Table 4: Duration of Cross-Month Travel to Areas Not Designated for Imminent Danger Pay or Combat Zone Tax Relief Benefits, October 1, 2002, to September 30, 2005**

Fiscal Year	2 days or less	3 to 4 days	5 to 6 days	7 to 14 days	15 or more days	Total number of trips
2003	0	2	2	5	67	76
2004	32	47	88	181	178	526
2005	223	426	536	1,479	1,148	3,812
<b>Total number of trips</b>	<b>255</b>	<b>475</b>	<b>626</b>	<b>1,665</b>	<b>1,393</b>	<b>4,414</b>

Source: GAO analysis of Defense Travel System data.

Note: The majority of our data reflect travel that occurred during fiscal year 2005. Defense Travel System data for fiscal years 2003 and 2004 were minimal because DOD locations were just beginning to transition from using 43 legacy systems for processing travel vouchers during this time frame.

However, due to data limitations, we were unable to determine whether this travel was representative of temporary duty travel departmentwide.

### U.S. Navy Ships Make Port Visits to Designated Areas and These Visits May Cross Calendar Months

Data provided by U.S. Naval Forces, Europe, indicate that some ships make port visits to areas designated for imminent danger pay or combat zone tax relief benefits, and that some of these port visits cross calendar months thus qualifying servicemembers for 2 months of imminent danger pay, and more significantly, combat zone tax relief benefits. Although ship commanders determine ship movements within an operating area, U.S. Naval Forces, Europe, determines the location of port visits based on security concerns and joint exercises and operations, among other considerations. The U.S. Naval Forces, Europe, provided data on port visits made by Navy ships for fiscal years 2003 through 2005 to areas designated for imminent danger pay or combat zone tax relief benefits within the U.S. European Command's area of responsibility. According to these data, for which we did not validate the accuracy, 56 ships made port visits to areas designated for imminent danger pay or combat zone tax relief benefits within the U.S. European Command's area of responsibility during this time. Seven of these ships made port calls to areas designated

for imminent danger pay or combat zone tax relief that crossed calendar months (see table 5).

**Table 5: Port Visits to Areas within the U.S. European Command That Are Designated for Imminent Danger Pay or Combat Zone Tax Relief Benefits**

Country/sea area of port visit	Designated for imminent danger pay	Designated for combat zone tax relief benefits	Number of ships making port calls			Number of port calls that crossed calendar months			Purpose of port visits
			Fiscal year 2003	Fiscal year 2004	Fiscal year 2005	Fiscal year 2003	Fiscal year 2004	Fiscal year 2005	
Croatia	June 22, 1992-present	November 1995-present	4	9	8	2	0	2	Quality of life port visit Refueling Training exercise
Israel	January 31, 2002-present	January 1, 2003-July 31, 2003	4	5	5	1	1	0	Quality of life port visit Training exercise
Mediterranean Sea (east of 30° east)	March 19 2003-July 31, 2003	March 19, 2003-July 31, 2003	1	1	0	0	0	0	Quality of life port visit
Turkey	March 1, 1998-present	September 21, 2001-December 31, 2005	10	9	0	0	1	0	Quality of life port visit

Source: U.S. Navy, Europe.

Note: Data provided by the U.S. Naval Forces, Europe, are from fiscal year 2003 through fiscal year 2005. Areas may have been designated for imminent danger pay or combat zone tax relief benefits prior to the time of our review, such as was the case with Croatia and Israel. These designations may still be in effect.

According to U.S. Naval Forces, Europe, the purpose of these port visits was generally for quality of life reasons or part of training or exercises.

DOD paid approximately \$7.5 million to the 26,849 servicemembers who qualified for imminent danger pay for 1 month and the 3,284 servicemembers who qualified for 2 months of imminent danger pay because the port visit crossed calendar months. We did not determine how much compensation servicemembers qualified to exclude from federal taxes as a result of these port visits.

We focused on port visits made by ships and did not obtain individual ships' logs to determine whether ships crossed into sea areas designated for imminent danger pay or combat zone tax relief benefits while en route to other destinations or while performing operations. We also did not

---

obtain similar data for the U.S. Central Command because most ports and all sea areas in its area of responsibility are designated for imminent danger pay or combat zone tax relief benefits. We also did not obtain this information from the U.S. Southern Command or U.S. Pacific Command because few countries and no sea areas in their areas of responsibility are designated for imminent danger pay or combat zone tax relief benefits.

---

## DOD Tracks Imminent Danger Pay and Combat Zone Tax Relief Benefits and Reports Some Data to Congress

DOD tracks the cost of imminent danger pay and servicemembers' compensation that qualify for combat zone tax relief benefits. While DOD tracks and reports the cost of imminent danger pay to Congress as part of its budget request, the department does not report the amount of servicemembers' compensation that qualifies for combat zone tax relief benefits. Combat zone tax relief benefits could allow servicemembers to exclude a significant portion of their compensation from federal taxes. For example, enlisted personnel and warrant officers may exclude all military compensation earned during one month. For commissioned officers, compensation is free of federal income tax up to the maximum amount of enlisted pay plus any imminent danger or hostile fire pay received. In 2006, the maximum amount of compensation for commissioned officers that is eligible for combat tax zone relief is \$6,499.50 plus \$225 imminent danger pay, or \$6,724.50 per month.<sup>31</sup> The Defense Finance and Accounting Service reports servicemembers' compensation that qualifies for combat zone tax relief benefits to the services' financial management offices. However, there is no requirement for DOD to report this information to Congress. The reporting of combat zone tax relief benefit data to Congress could provide information on the extent of this benefit and aid Congress in its oversight role.

---

## Conclusions

With concerns about the long-term sustainability of rising costs associated with military compensation, it is important that DOD effectively manage its imminent danger pay program to ensure that only those servicemembers who are subject to the threat of physical harm or imminent danger on the basis of civil war, civil insurrection, terrorism, or wartime conditions while on duty in a designated foreign area receive imminent danger pay. While DOD has significantly increased the number of areas designated for imminent danger pay over the past 14 years, it has

---

<sup>31</sup> Servicemembers may have other tax deductions and exclusions that reduce their taxable income.

---

conducted reviews of these areas only six times between 1992 and 2006, and the current review is ongoing. In addition, we believe that updating guidance to reflect the responsibility of the Office of the Under Secretary of Defense (Personnel and Readiness) for reviewing area designations and incorporating factors into its guidance to determine what specifically constitutes imminent danger, would clarify responsibilities and establish standard criteria for use in meeting the objectives of the imminent danger pay program.

Clearly, it is important that servicemembers are appropriately compensated for the duties they perform, particularly when there are risks associated with those duties. It is also important that DOD ensure the need for cross-month travel as both the U.S. Central Command and U.S. Army, Europe, are doing. Although these two commands have instituted policies and internal controls to preclude the perceived abuse of imminent danger pay and combat zone tax relief by regulating and monitoring cross-month travel, no requirement exists for DOD to monitor cross-month travel to 38 percent of areas currently designated for imminent danger pay and 14 percent of areas currently designated for combat zone tax relief benefits. Managing these programs effectively is important, as the nation's growing fiscal concerns will require DOD and the federal government to consider difficult trade-offs in the years ahead. In addition, internal controls to monitor cross-month travel could ensure all designated areas are covered and further strengthen DOD's management of imminent danger pay and combat zone tax relief benefits.

Finally, combat zone tax relief benefits can be substantial. Congress may benefit from obtaining information on servicemembers' total compensation that qualifies for combat zone tax relief benefits as a means to assist in providing oversight of this benefit.

---

## Recommendations for Executive Action

To strengthen DOD's internal controls and management of imminent danger pay and to monitor cross-month travel, we recommend that the Secretary of Defense direct the Under Secretary of Defense (Personnel and Readiness) to take the following three actions:

- Update DOD's imminent danger pay guidance to (1) reflect the office responsible for reviewing and designating imminent danger pay areas and (2) incorporate factors that clearly define what constitutes the presence of imminent threat or dangers to servicemembers on duty in foreign areas.



- 
- Request the designated organizations to conduct reviews of areas designated for imminent danger pay in accordance with DOD's guidance, and, if necessary, update its guidance to reflect the appropriate time period for conducting these reviews.
  - Establish departmentwide policies and internal controls that include periodic audits to monitor cross-month travel to ensure that the travel needs to cross calendar months.

---

## Matter for Congressional Consideration

In light of the substantial tax benefits that servicemembers receive when performing duty in combat zones, Congress should consider the following action:

- Require DOD to periodically report the amount of servicemembers' total compensation that qualifies for combat zone tax relief benefits to Congress.

---

## Agency Comments and Our Evaluation

In written comments on a draft of this report, DOD generally concurred with two of our three recommendations, but did not concur with our recommendation to establish a departmentwide policy and internal controls to monitor cross-month travel to ensure that the travel needs to cross calendar months. DOD also provided separate technical comments which we have incorporated in the report, as appropriate.

DOD concurred with our recommendation to update DOD's imminent danger pay guidance. DOD acknowledged that there are informal processes and additional guidance and concurs that its informal policy should be updated to reflect the office currently responsible for the review and to provide additional clarification and guidance as to what factors are considered in determining whether imminent danger pay is warranted.

DOD partially concurred with our recommendation to conduct comprehensive reviews of imminent danger pay area designations, noting it had conducted reviews six times since 1992 and expects to complete its ongoing review by October 31, 2006. DOD stated that the department believes that comprehensive reviews of imminent danger pay should be conducted at least biennially. DOD's current imminent danger pay guidance requires at least annual reviews of areas designated for imminent danger pay. We continue to believe that DOD should conduct reviews of areas designated for imminent danger pay in accordance with its guidance, which is reflected in our recommendation. If DOD believes that the appropriate time period for conducting these reviews is biennially, as

---

reflected in its comments, then DOD should update its imminent danger pay guidance accordingly.

DOD did not concur with our recommendation to establish departmentwide policies and internal controls that include periodic audits to monitor cross-month travel to ensure that the travel needs to cross calendar months. DOD stated in written comments that doing so would add unnecessary bureaucracy and cost to its travel system and believes that our recommended action is already implemented in existing travel procedures that require thorough review and management of the necessity and cost-effectiveness of travel by DOD personnel. Further, DOD commented that our review found no apparent abuse of cross-month travel and the two commands that collectively account for the majority of imminent danger pay and combat zone tax relief benefits have developed theater-specific policies and controls to monitor and regulate cross-month travel. As stated in our scope and methodology and the report, data limitations prevented us from determining the full extent of temporary duty travel to areas designated for imminent danger pay and combat zone tax relief benefits, as well as how much of this travel crossed calendar months. Further, we reviewed only temporary duty travel vouchers processed using DOD's Defense Travel System. We did not review travel that was processed in DOD's numerous legacy travel systems, and therefore did not reach any conclusions as to whether servicemembers have scheduled travel in a fiscally responsible manner or have attempted to maximize this pay and benefit by scheduling cross-month travel. We recognize DOD has procedures in place to review and authorize travel. Our recommendation addresses the need to have greater monitoring of travel trends. Moreover, although two commands have instituted policies and internal controls to preclude the perceived abuse of imminent danger pay and combat zone tax relief by regulating and monitoring cross-month travel, no requirement exists for DOD to monitor cross-month travel to the 38 percent of areas currently designated for imminent danger pay and the 14 percent of areas currently designated for combat zone tax relief benefits not covered by these two commands. Also, while we recognize that these commands currently reflect the majority of areas designated for imminent danger pay and combat zone tax relief benefits, security conditions are subject to change over time. Therefore, we continue to believe our recommendation has merit and that internal controls to monitor cross-month travel departmentwide are needed to ensure all designated areas are covered and further strengthen DOD's management of imminent danger pay and combat zone tax relief benefits.

---

In response to the other written comments provided by DOD, we modified the report to acknowledge that the global security environment has played a role in the increased number of areas designated for imminent danger pay since 1992. In addition, we modified the report to reflect that danger pay was first authorized on October 1, 1983, by Public Law 98-94, section 905.

---

We are sending copies of this report to congressional committees, the Secretary of Defense, the secretaries of the Army, the Navy, the Air Force; and the Commandant of the Marine Corps. We will also make copies available to other interested parties upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have any questions about this report, please call me at (202) 512-9619 or [pickups@gao.gov](mailto:pickups@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. The GAO contact and key contributors are listed in appendix VI.



Sharon Pickup  
Director, Defense Capabilities and Management

---

*List of Congressional Committees*

The Honorable John Warner  
Chairman  
The Honorable Carl Levin  
Ranking Minority Member  
Committee on Armed Services  
United States Senate

The Honorable Ted Stevens  
Chairman  
The Honorable Daniel K. Inouye  
Ranking Minority Member  
Subcommittee on Defense  
Committee on Appropriations  
United States Senate

The Honorable Duncan L. Hunter  
Chairman  
The Honorable Ike Skelton  
Ranking Minority Member  
Committee on Armed Services  
House of Representatives

The Honorable C.W. Bill Young  
Chairman  
The Honorable John P. Murtha  
Ranking Minority Member  
Subcommittee on Defense  
Committee on Appropriations  
House of Representatives

# Appendix I: Areas Currently Designated for Imminent Danger Pay and Combat Zone Tax Relief Benefits

Table 6 identifies the areas designated for imminent danger pay or combat zone tax relief benefits as of July 2006.

**Table 6: Summary of Areas Designated for Imminent Danger Pay and Combat Zone Tax Relief Benefits**

Area	Designated for imminent danger pay	Designated for combat zone tax relief	Combatant command responsible for area
Adriatic Sea		X	European Command
Afghanistan	X	X	Central Command
Albania		X	European Command
Algeria	X		European Command
Angola	X		European Command
Arabian Sea North of 10 degrees North latitude and West of 68 degrees East longitude	X	X	Central Command
Azerbaijan	X		European Command
Bahrain	X	X	Central Command
Bosnia-Herzegovina	X	X	European Command
Burundi	X		European Command
Colombia	X		Southern Command
Cote d'Ivoire	X		European Command
Croatia	X	X	European Command
Democratic Republic of Congo (formerly Zaire)	X		European Command
Djibouti	X	X	Central Command
East Timor	X		Pacific Command
Egypt	X		Central Command
Eritrea	X		Central Command
Ethiopia	X		Central Command
Georgia	X		European Command
Greece (Athens)	X		European Command
Gulf of Aden	X	X	Central Command
Gulf of Oman	X	X	Central Command
Haiti	X		Southern Command
Indonesia	X		Pacific Command
Ionian Sea north of the 39 <sup>th</sup> parallel		X	European Command
Iran	X		Central Command
Iraq	X	X	Central Command
Israel	X		European Command
Jordan	X	X	Central Command

**Appendix I: Areas Currently Designated for  
Imminent Danger Pay and Combat Zone Tax  
Relief Benefits**

<b>Area</b>	<b>Designated for imminent danger pay</b>	<b>Designated for combat zone tax relief</b>	<b>Combatant command responsible for area</b>
Kenya	X		Central Command
Kuwait	X	X	Central Command
Kyrgyzstan	X	X	Central Command
Lebanon	X		Central Command
Liberia	X		European Command
Macedonia	X	X	European Command
Malaysia	X		Pacific Command
Oman	X	X	Central Command
Pakistan	X	X	Central Command
Persian Gulf	X	X	Central Command
Philippines	X	X	Pacific Command
Qatar	X	X	Central Command
Red Sea	X	X	Central Command
Rwanda	X		European Command
Saudi Arabia	X	X	Central Command
Serbia and Montenegro, including Kosovo <sup>a</sup>	X	X	European Command
Sierra Leone	X		European Command
Somalia	X		Central Command
Sudan	X		Central Command
Syria	X	X	Central Command
Tajikistan	X	X	Central Command
Turkey	X		European Command
Uganda	X		European Command
United Arab Emirates	X	X	Central Command
Uzbekistan	X	X	Central Command
Yemen	X	X	Central Command

Source: DOD data; GAO presentation.

Note: Although a geographic command, the Northern Command's area of responsibility—the continental United States, Alaska, and the surrounding waters as well as the Gulf of Mexico, Puerto Rico, and the U.S. Virgin Islands—are not eligible for imminent danger pay because they are not foreign areas.

<sup>a</sup>For purposes of this chart, Serbia and Montenegro are presented as one area. However, when calculating the number of areas designated for imminent danger pay, Serbia and Montenegro are considered separate areas.

---

# Appendix II: Presidentially Designated Combat Zones and Congressionally Legislated Qualified Hazardous Duty Areas

---

## Combat Zones

A combat zone is any area that the president designates by executive order as an area in which U.S. Armed Forces are or have engaged in combat after June 24, 1950. An area ceases to be a combat zone on the dates the president designates by executive order. Since 1950, U.S. presidents have designated combat zones in Korea, Vietnam, the Persian Gulf, the Kosovo area, and Afghanistan. U.S. presidents terminated combat zone designations for Korea in 1955 and Vietnam in 1996.

Enlisted personnel and warrant officers may exclude from taxes all military compensation earned during the month that they serve in a combat zone. For commissioned officers, compensation is free of federal income tax up to the maximum amount of enlisted pay plus any imminent danger or hostile fire pay received. In 2006, the maximum amount of compensation for commissioned officers that is eligible for combat tax zone relief is \$6,499.50 plus \$225 imminent danger pay, or \$6,724.50 per month.<sup>1</sup> Table 7 depicts the current combat zones.

---

<sup>1</sup> Servicemembers may have other tax deductions and exclusions that reduce their otherwise taxable income.

**Appendix II: Presidentially Designated  
Combat Zones and Congressionally Legislated  
Qualified Hazardous Duty Areas**

**Table 7: Combat Zones as of July 2006**

<b>Combat zones</b>	<b>Designated by</b>	<b>Date designated</b>
Afghanistan, including airspace above	Executive Order 13239	September 19, 2001
The Kosovo area including airspace above: Federal Republic of Yugoslavia (Serbia/Montenegro) Albania Adriatic Sea Ionian Sea north of the 39 <sup>th</sup> parallel	Executive Order 13119	March 24, 1999
Persian Gulf area, including airspace above: <ul style="list-style-type: none"> <li>• Arabian Sea north of 10 degrees north latitude and west of 68 degrees east longitude</li> <li>• Bahrain</li> <li>• Gulf of Aden</li> <li>• Gulf of Oman</li> <li>• Iraq</li> <li>• Kuwait</li> <li>• Oman</li> <li>• Persian Gulf</li> <li>• Qatar</li> <li>• Red Sea</li> <li>• Saudi Arabia</li> <li>• United Arab Emirates</li> </ul>	Executive Order 12744	January 17, 1991

Source: Executive Orders 12744, 13119, and 13239.

## Qualified Hazardous Duty Areas

Servicemembers on duty in qualified hazardous duty areas designated by Congress are entitled to the same benefits afforded those who serve in a presidentially designated combat zone if the Secretary of Defense also designates that qualified hazardous duty area for imminent danger pay.<sup>2</sup> If Congress designates a qualified hazardous duty area, but the Secretary of Defense has not designated the area for imminent danger pay, servicemembers deployed to the area are not eligible to receive combat zone tax relief unless the qualified hazardous duty area becomes eligible for imminent danger pay. If the Secretary of Defense terminates imminent danger pay for a qualified hazardous duty area, members no longer receive combat zone tax relief benefits. Table 8 depicts the current qualified hazardous duty areas.

<sup>2</sup> 37 U.S.C. §310.



---

**Appendix II: Presidentially Designated  
Combat Zones and Congressionally Legislated  
Qualified Hazardous Duty Areas**

---

---

**Table 8: Qualified Hazardous Duty Areas as of July 2006**

<b>Qualified hazardous duty area</b>	<b>Authority</b>	<b>Date designated</b>
<ul style="list-style-type: none"><li>• Bosnia-Herzegovina</li><li>• Croatia</li><li>• Macedonia</li></ul>	Public Law 104-117	November 21, 1995
<ul style="list-style-type: none"><li>• Federal Republic of Yugoslavia (Serbia/Montenegro)</li><li>• Albania</li><li>• Adriatic Sea</li><li>• Ionian Sea north of the 39th parallel</li></ul>	Public Law 106-21	March 24, 1999

Source: Public Laws 104-117 and 106-21.

# Appendix III: Military Service Certified as in Direct Support of Combat Zone Operations

DOD has certified military service as in direct support of military operations in combat zones, thus qualifying servicemembers for combat zone tax relief benefits (see table 9). Unlike the other areas identified in the table, Jordan is the only area where DOD has certified military service as in direct support of combat zone operations as part of both Operation Enduring Freedom and Operation Iraqi Freedom.

**Table 9: Areas Certified by DOD Where Military Service Is in Direct Support of Combat Zone Operations as of July 2006**

Area	Date of designation	Combat zone	Military operation
<ul style="list-style-type: none"> <li>• Pakistan</li> <li>• Tajikistan</li> <li>• Jordan</li> </ul>	September 19, 2001	Afghanistan	Operation Enduring Freedom
<ul style="list-style-type: none"> <li>• Uzbekistan</li> <li>• Kyrgyzstan</li> </ul>	October 1, 2001		
<ul style="list-style-type: none"> <li>• Philippines</li> <li>• Yemen</li> <li>• Djibouti</li> </ul>	January 9, 2002 April 10, 2002 July 1, 2002		
<ul style="list-style-type: none"> <li>• Jordan</li> <li>• Syria</li> </ul>	March 19, 2003 January 1, 2004	Iraq	Operation Iraqi Freedom

Sources: DOD Financial Management Regulation and Internal Revenue Service.

---

# Appendix IV: Scope and Methodology

---

To evaluate DOD's processes for reviewing imminent danger pay areas and to understand how servicemembers become eligible for combat zone tax relief, we analyzed legislation and DOD regulations and guidance. We compared these to the objectives and fundamental concepts of internal control defined in *Standards for Internal Control in the Federal Government* and *Internal Control Management and Evaluation Tool*. We also held discussions with knowledgeable officials from the following offices, geographic commands, and services:

- Commander, Navy Installations, Personnel Support Activity, Washington, D.C.
- Defense Finance and Accounting Service, Indianapolis, Indiana
- Defense Manpower and Data Center, Monterey, California and Arlington, Virginia
- Defense Travel System Office, Arlington, Virginia
- Department of Defense Inspector General, Inspector General/Hotline Cases and Senior Officials Investigation Offices, Arlington, Virginia
- Joint Chiefs of Staff, Personnel and Policy, Arlington, Virginia
- Office of Management and Budget, Washington, D.C.
- Under Secretary of Defense (Personnel and Readiness), Arlington, Virginia
- United States Air Forces in Europe, Ramstein Air Force Base, Germany
- United States Army, Europe, Heidelberg, Germany
- United States Central Command, MacDill Air Force Base, Tampa, Florida
- United States Department of State, Office of Allowances, Washington, D.C.
- United States European Command, Patch Barracks, Stuttgart, Germany
- United States Marine Corps Forces, Europe, Boeblingen, Germany
- United States Naval Forces, Europe, Commander, U.S. Sixth Fleet, Naples, Italy
- United States Pacific Command, Camp H.M. Smith, Honolulu, Hawaii
- United States Southern Command, Miami, Florida

To gain an understanding of DOD's rationale for designating certain areas and to determine whether DOD followed its policy for designating and reviewing imminent danger pay areas and areas certified as in direct support of combat zones, we reviewed 54 imminent danger pay area questionnaires completed by combatant commanders and used by DOD to evaluate area designations and the threat of imminent danger. This nonprobability sample of areas was selected to ensure that each geographic combatant command was represented. In addition, we sought to include imminent danger pay areas where designation was limited to either land, or airspace, or water areas, or the designation was for the

entire area including land, air, or water areas. For purposes of our analysis, we considered an area to be designated for imminent danger pay if DOD had designated any portion of the area (land, airspace, or water) for imminent danger pay. We also reviewed other relevant DOD documents related to DOD's review of imminent danger pay and combat zone tax relief benefits from 1992 through 2006. We compared these against the standards for oversight envisioned in *Standards for Internal Control in the Federal Government* and the *Internal Control Management and Evaluation Tool*.

To understand how DOD regulates and monitors temporary duty travel, and cross-month travel in particular, we reviewed DOD's temporary duty travel policy and its *Foreign Clearance Guide* that establishes DOD policy for military personnel traveling overseas. We also reviewed travel policies from the U.S. Central Command and U.S. Army, Europe. We discussed these policies with officials responsible for approving travel in accordance with the *Foreign Clearance Guide*, and compared these with the standards for internal control activities contained in the *Standards for Internal Control in the Federal Government*. In addition, we interviewed personnel in the U.S. Pacific Command and U.S. Southern Command who are knowledgeable about these command's travel policies and requirements. Because the U.S. European Command does not have a travel clearance office, we spoke with service officials at the U.S. European Command who are responsible for authorizing travel to certain locations.

To determine the extent to which servicemembers were making cross-month trips to areas that would make them eligible to receive imminent danger pay and combat zone tax relief benefits, we also analyzed 28,404 travel vouchers obtained from the Defense Travel System for servicemembers traveling on temporary duty between October 1, 2002, and September 31, 2005. In addition, we obtained data from the U.S. Naval Forces, Europe, on ship port visits to areas within the U.S. European Command's area of responsibility that are designated for imminent danger pay or for combat zone tax relief benefits. We did not obtain similar data for the U.S. Central Command because most ports and all sea areas in its area of responsibility are designated for imminent danger pay or combat zone tax relief benefits. We also did not obtain this information from the U.S. Southern Command or U.S. Pacific Command because few countries and no sea areas in their areas of responsibility are designated for imminent danger pay or combat zone tax relief benefits. Under DOD's

*Financial Management Regulations*, authorizing officials are responsible for determining the necessity of trips and funds availability for temporary duty travel.<sup>1</sup> Further, DOD guidance states that DOD airlift authorizing officials shall ensure that an official purpose is served by air travel.<sup>2</sup> Therefore, we did not evaluate whether the purposes of the trips were valid. We analyzed travel vouchers from the Defense Travel System because it is the only system that captures temporary duty travel from all four services.

We also reviewed data from the Defense Finance and Accounting Service's Operational Data System that captures the balance of travel data for the Army that is not processed using the Defense Travel System. Data from the Operational Data System frequently were missing information about trip destinations. As a result, we were unable to use these data to analyze cross-month travel to areas designated for imminent danger pay or combat zone tax relief benefits. We also did not review data processed in the 43 legacy systems used by the services to process travel vouchers because of data reliability concerns.

Due to the large number of countries and sea areas within the U.S. Central Command's area of responsibility that are designated for imminent danger pay or combat zone tax relief and because most travel vouchers for servicemembers assigned to the U.S. Central Command's headquarters during the time period of our review were not processed using the Defense Travel System, we sought to obtain travel data directly from several combatant commands. We tested this approach with the U.S. Central Command. First, we attempted to obtain data from the U.S. Central Command's finance office that processes travel vouchers. Due to data limitations and concerns about the accuracy of data in the automated business service system, a document processing system used to approve travel orders, we were unable to use this approach. Second, we sought to use theater clearance requests and approvals to determine the extent of cross-month travel to the U.S. Central Command's area of responsibility. However, database limitations prevented us from using this approach. For instance, if more than one servicemember was listed on a travel clearance request submitted to the U.S. Central Command's travel clearance office, only the name of the most senior official was listed in the database and information on the pay grades of junior servicemembers would not be

---

<sup>1</sup> DODFMR, Vol. 9, Ch. 2, Section 020401(C) (April 2006).

<sup>2</sup> DODD 4500.56, Section E.2.1.2 (Apr. 1999).

available for analysis. In addition, we could not determine the accuracy of travel dates contained in the Travel Clearance Office's database because itinerary changes are not always captured in the database.

The scope of this review excluded servicemembers deployed or assigned to foreign areas. The scope also excluded servicemembers who served as part of crews on aircraft and, with the exception of data provide by the U.S. Naval Forces, Europe, ships because aircraft and ship movements are dictated by operational needs and mission requirements, and generally, do not have the same degree of flexibility associated with scheduling temporary duty travel. To assess the reliability of data obtained from the Defense Travel System, we (1) reviewed existing documentation related to the data sources, (2) electronically tested the data to identify problems with completeness or accuracy, and (3) interviewed knowledgeable officials about the data. We found these data to be sufficiently reliable for the purposes of this report.

For purposes of our analysis, we defined cross-month travel as any temporary duty travel of 30 days or fewer that begins during one month and concludes during the following month. This cross-month travel may encompass travel to a single location or multiple locations during a 30-day period. During this time, a servicemember may travel to areas designated for imminent danger pay or combat zone tax relief, areas not designated for these special pays and benefits, or to both areas designated and not designated for such benefits.

However, we do not know the portion of overall travel that these trips represent because some DOD locations were not using the Defense Travel System to process travel vouchers during the time of our review. As a result, we cannot extrapolate travel patterns based on the data we obtained and analyzed from the Defense Travel System. We also requested and received information on GAO's FraudNet hotline as well as the DOD Inspector General hotline on inquiries related to servicemembers scheduling cross-month travel to potentially maximize combat zone tax relief benefits. GAO's FraudNet did not receive any calls concerning servicemembers scheduling travel to maximize imminent danger pay or combat zone tax relief benefits. Two calls received by the DOD Inspector General's hotline were not substantiated. Additionally, we obtained data from the Defense Finance and Accounting Service to determine the compensation excluded from federal taxable wages for servicemembers for calendar years 2003 through 2005 as a result of performing military service that the Office of the Under Secretary of Defense (Personnel and Readiness) certified as in direct support of combat zone operations and

---

for combat zone tax exclusion overall. We also obtained data from the Defense Manpower and Data Center to estimate the total dollar amount of imminent danger pay for service members for fiscal years 2003 through 2005. However, we did not use these data because sufficient information was not available from the Defense Manpower and Data Center to validate the accuracy of these data for this report. As stated earlier in this report, we previously reported on the lack of reliability on DOD's reported costs related to the Global War on Terrorism, including military pay.

We conducted our review from October 2005 through July 2006 in accordance with generally accepted government auditing standards.

# Appendix V: Comments from the Department of Defense



PERSONNEL AND  
READINESS

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

SEP 15 2006

Ms. Sharon L. Pickup  
Director, Defense Capabilities and Management  
U.S. Government Accountability Office  
441 G Street, N.W.  
Washington, DC 20548

Dear Ms. Pickup:

This is the Department of Defense (DoD) response to the GAO draft report, GAO-06-1011, "MILITARY PERSONNEL: Actions Needed to Strengthen Management of Imminent Danger Pay and Combat Zone Tax Relief Benefits," dated August 22, 2006 (GAO Code 350758). The Department generally concurs with comment on the findings and recommendations.

The Department notes the GAO draft report appears to infer that imminent danger pay areas have increased since 1992 due to an absence of sufficient oversight or review of country designations (see draft report page 6 beginning with line 8) rather than a recognition that the security environment has changed. The Department believes the inference is incorrect because areas around the world designated for the receipt of imminent danger pay have increased since 1992 due to the global security environment and the increase in the number of areas where Service members serve in imminent danger. Those areas include countries in the former Republic of Yugoslavia (Bosnia, Herzegovina, Croatia, Macedonia, etc), East Timor, the numerous dangerous areas our troops have served in support of Operation ENDURING FREEDOM and Operation IRAQI FREEDOM, and many other areas of the world. The Department agrees program management can be strengthened; however, we believe the Department has appropriately designated and reviewed the designation of imminent danger areas as well as travel through areas of imminent danger and/or subject to combat zone tax relief benefits.

Additionally, the GAO's statement that "In 1971, only one location was designated for imminent danger pay" (page 2 of the GAO draft report) is incorrect since imminent danger pay was first authorized on October 1, 1983, by Public Law 98-94, section 905. However, hostile fire pay has been authorized since 1963. In 1971, four locations were authorized hostile fire pay: 1. Vietnam; 2. Cambodia; 3. Laos; and 4. A 45 square mile area along the Korea demilitarized zone. This error is repeated on page 12 of the report and again in Figure 1 on page 13. The error is important because it results in the incorrect assertion that imminent danger pay areas have increased from 1 to 54 between 1971 and today (see page 2 and Figure 1, page 13). This leaves the impression that the



---

**Appendix V: Comments from the Department  
of Defense**

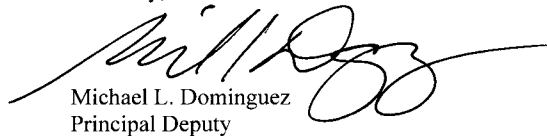
---

Department has failed to properly review and appropriately remove imminent danger pay area designations. In fact, the number of imminent danger pay areas were low (actually non-existent) in 1971 because they were not authorized, not because the Department has failed to properly review their designations.

Regarding recommendation 3, the Department believes adequate travel safeguards are in place to monitor temporary duty cross-month travel in countries designated for imminent danger pay or combat zone tax exclusion. Detailed comments to the draft recommendations are enclosed. Technical comments were provided directly to GAO staff for consideration.

If you have any questions, please contact Major John Johnson at (703) 693-1066, or [m.john.johnson@osd.mil](mailto:m.john.johnson@osd.mil).

Sincerely,



Michael L. Dominguez  
Principal Deputy

Enclosure:  
As stated

GAO DRAFT REPORT – DATED August 22, 2006  
GAO CODE 350758/GAO-06-1011

"MILITARY PERSONNEL: Actions Needed to Strengthen Management of Imminent  
Danger Pay and Combat Zone Tax Relief Benefits"

DEPARTMENT OF DEFENSE COMMENTS  
TO THE RECOMMENDATIONS

**RECOMMENDATION 1:** The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense (Personnel and Readiness) to update DoD's imminent danger pay guidance to: (1) reflect the office responsible for reviewing and designating imminent danger pay areas; and (2) incorporate factors that clearly define what constitutes the presence of imminent threat or dangers to Service members on duty in foreign areas.

**DOD RESPONSE:** DoD concurs with this recommendation. As noted in the GAO draft report (draft report page 5), DoD already has an informal process for designating and reviewing imminent danger pay areas. This informal process is contained in draft DoD Instruction 1340.9, "Special Pay for Duty Subject to Hostile Fire or Imminent Danger," and provides guidance as to what factors are considered in designating and reviewing imminent danger pay area designations. However, DoD concurs that the informal policy should be updated to reflect the office currently responsible for the review and to provide additional clarification and guidance as to what factors are considered in determining whether imminent danger pay is warranted.

**RECOMMENDATION 2:** The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense (Personnel and Readiness) to request the designated organizations to conduct reviews of areas designated for imminent danger pay in accordance with DoD's guidance.

**DOD RESPONSE:** DoD partially concurs with this recommendation. As noted in the GAO draft report (draft report page 28), DoD has conducted comprehensive reviews of imminent danger pay area designations six times since 1992. In fact, a review is currently on-going and should be completed by October 31, 2006. DoD believes the review of imminent danger pay areas should be conducted at least biennially.

**RECOMMENDATION 3:** The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense (Personnel and Readiness) to establish Department-wide policies and internal controls that include periodic audits to monitor cross-month travel to ensure that the travel needs to cross calendar months.

**DOD RESPONSE:** DoD nonconcurs with this recommendation because it would add unnecessary bureaucracy and cost to DoD's travel system. GAO's recommended action is already implemented in existing DoD travel procedures that require thorough review and

---

**Appendix V: Comments from the Department  
of Defense**

---

management of the necessity and cost-effectiveness of travel by DoD personnel. The Joint Travel Regulations and the Joint Federal Travel Regulations already include requirements to authorize only travel that is necessary to accomplish the mission and when the mission cannot be met by other means. DoD Directive 4500.54, "Official Temporary Duty Travel Abroad," adds additional requirements to ensure that foreign travel is even more closely scrutinized by adding country and/or theater clearance requirements. These existing requirements already adequately control and monitor cross-month travel. For this reason, we disagree with GAO's finding that "DoD does not have a Department-wide policy to monitor cross-month travel to areas designated for imminent danger pay or combat zone tax relief benefits" (draft report page 19). This is supported by GAO's draft report which found no apparent abuse of cross-month travel (draft report pages 19-27). GAO also noted that the two commands that collectively account for the majority of imminent danger pay and combat zone tax relief benefits (U.S. Central Command and U.S. Army, Europe) have developed theater-specific policies and controls to monitor and regulate cross-month travel (draft report page 19).

---

# Appendix VI: GAO Contact and Staff Acknowledgments

---

## GAO Contact

Sharon L. Pickup, (202) 512-9619 or [pickups@gao.gov](mailto:pickups@gao.gov)

---

## Acknowledgments

In addition to the person named above, Ann Borseth, Assistant Director; Krislin Bolling; Alissa Czyz; James Driggins; Ron La Due Lake; Katherine Lenane; Grant Mallie; Oscar Mardis; David Mayfield; Ken Patton; Vanessa Taylor; and John Van Schaik also made major contributions to this report.

---

## GAO's Mission

The Government Accountability Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

---

## Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site ([www.gao.gov](http://www.gao.gov)). Each weekday, GAO posts newly released reports, testimony, and correspondence on its Web site. To have GAO e-mail you a list of newly posted products every afternoon, go to [www.gao.gov](http://www.gao.gov) and select "Subscribe to Updates."

---

## Order by Mail or Phone

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. Government Accountability Office  
441 G Street NW, Room LM  
Washington, D.C. 20548

To order by Phone: Voice: (202) 512-6000  
TDD: (202) 512-2537  
Fax: (202) 512-6061

---

## To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: [www.gao.gov/fraudnet/fraudnet.htm](http://www.gao.gov/fraudnet/fraudnet.htm)

E-mail: [fraudnet@gao.gov](mailto:fraudnet@gao.gov)

Automated answering system: (800) 424-5454 or (202) 512-7470

---

## Congressional Relations

Gloria Jarmon, Managing Director, [JarmonG@gao.gov](mailto:JarmonG@gao.gov) (202) 512-4400  
U.S. Government Accountability Office, 441 G Street NW, Room 7125  
Washington, D.C. 20548

---

## Public Affairs

Paul Anderson, Managing Director, [AndersonP1@gao.gov](mailto:AndersonP1@gao.gov) (202) 512-4800  
U.S. Government Accountability Office, 441 G Street NW, Room 7149  
Washington, D.C. 20548