

**ARE FINANCIAL MANAGEMENT PROBLEMS AT THE  
DEPARTMENT OF DEFENSE IMPACTING ARMY  
RESERVE PAY**

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**HEARING**

BEFORE THE  
SUBCOMMITTEE ON GOVERNMENT EFFICIENCY  
AND FINANCIAL MANAGEMENT  
OF THE  
COMMITTEE ON  
GOVERNMENT REFORM  
HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

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**ARE FINANCIAL MANAGEMENT PROBLEMS AT  
THE DEPARTMENT OF DEFENSE IMPACTING  
ARMY RESERVE PAY**

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**TUESDAY, JULY 20, 2004**

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON GOVERNMENT EFFICIENCY AND  
FINANCIAL MANAGEMENT,  
COMMITTEE ON GOVERNMENT REFORM,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 3 p.m., in room 2247, Rayburn House Office Building, Hon. Todd Russell Platts (chairman of the subcommittee) presiding.

Present: Representatives Platts, Blackburn, and Towns.

Also present: Mr. Tom Davis of Virginia and Mr. Schrock.

Staff present: Mike Hettinger, staff director; Larry Brady and Tabetha Mueller, professional staff members; Amy Laudeman, legislative assistant; Adam Bordes, minority professional staff member; and Jean Gosa, minority assistant clerk.

Mr. PLATTS. We are going to go ahead and get started. We have a number of Members who are still en route over from the floor. This hearing of the Subcommittee on Government Efficiency and Financial Management will come to order. We appreciate everyone's patience while we wrapped up floor votes. Our hope is that the next series of votes won't be, hopefully, for about 2 hours, and we can get a good part of the hearing underway and completed before the next series of votes.

We appreciate everyone's participation today on the continuing oversight effort of this subcommittee regarding the financial management of the Department of Defense. And I cannot imagine a more important issue in financial management than how we pay our courageous men and women in uniform. I think that as we ask our fellow citizens to go into harm's way to protect the safety and security of our Nation and the principles for which it stands, as well as our very own personal safety as fellow Americans, that the least we can do is adequately and appropriately compensate those courageous individuals.

Unfortunately, as we learned late last year through a GAO study regarding our Guard units that have been deployed and a more recent study regarding our reservists, we know that we have many challenges to meet when it comes to adequately paying our soldiers.

I would tell you that I was quite dismayed when I learned of the examples last year and further disappointed when I learned of the

regularity of inappropriate, wrongful levels of pay and compensation, and the impact on our soldiers and their families as well as the impact on their missions and their retention rates. We certainly need to do better, and as we will hear from our second panel I believe we are on the right track and the Defense Department is taking these challenges very seriously.

I am going to submit most of my opening statement for the record and, from a time-sensitive standpoint, move forward.

We will be hearing from our military and Defense Department leaders on our second panel. We are delighted that we will have Lieutenant General James Helmly, Chief of the Army Reserve; Mr. Ernest Gregory, Acting Assistant Secretary of the Army for Financial Management; and Mr. Patrick Shine, Director of Military and Civilian Pay Services for the Defense Financing Accounting Services.

Before we hear from that panel, though, we are again delighted to have Greg Kutz from the newly named Government Accountability Office. Greg is the author of both the 2003 report regarding the Guard units as well as the most recent case studies regarding reservists. We appreciate your work and are delighted to have you with us.

And, perhaps most importantly, we are delighted to have with us three courageous Americans who have served our Nation in harm's way and have made a great effort to be here with us today to share their personal experiences. We are delighted to have Lieutenant Colonel Don Campbell come down from Massachusetts; Major George Riggins from Maryland; and Sergeant Melinda DeLain. We appreciate all three of you for your service. As one who is honored and proud to serve our Nation in public office, I know that what I do, and, as I conveyed to you, what I do in a civilian position pales in comparison to what each of you have done in wearing our Nation's uniform and going into harm's way for all of us. So I personally thank you for your service. I also know, Major Riggins, your wife is currently deployed. Your son first was absent his dad as you served overseas, and now his mom. That is a tremendous sacrifice by him. And Sergeant DeLain, your service as well. I was looking for—your 8-year-old daughter Katelyn. She's out seeing the sights of D.C., right? Well, we appreciate your service and your family's service. And, again, thank you for being here.

Before I yield to our ranking member, Mr. Towns, the gentleman from New York, I would like to take the chairman's privilege of wishing an early happy birthday. Mr. Towns will be 29 for the umpteenth time tomorrow, right? Happy Birthday. I now turn to the gentleman from New York, Mr. Towns, for the purposes of an opening statement.

[The prepared statement of Hon. Todd Russell Platts follows:]

**COMMITTEE ON GOVERNMENT REFORM**  
SUBCOMMITTEE ON GOVERNMENT EFFICIENCY AND FINANCIAL MANAGEMENT  
TODD R. PLATTS, CHAIRMAN



*Opening Statement*  
*of*  
*Chairman Todd Russell Platts*  
*July 20, 2004*

Reservists and National Guardsmen are the backbone of our military. Currently, more than 156,000 Reserve troops are on active duty with the vast majority – more than 130,000 – from the Army National Guard and Army Reserves. In my home state of Pennsylvania alone, 5,200 of these soldiers have been mobilized to active duty. Guard and Reserve members make up nearly 40% of the American forces committed in Iraq and Afghanistan, and this is likely to increase to nearly 50% in future deployments.

Today we will take a look at problems these soldiers have experienced in receiving their pay. This hearing is an important part of ongoing oversight by the Government Reform Committee that began after a November 2003 GAO report highlighted significant pay problems in National Guard units. As Chairman of the Subcommittee on Efficiency and Financial Management, I was one of several Members of the Government Reform Committee to request a GAO review of pay problems for Army Reserve soldiers. As was the case with the Guardsmen, the Reservists in the case study had serious and widespread problems receiving their pay and allowances – problems that distracted soldiers from their missions, imposed financial hardships on their families, and had a negative impact on retention. Most troubling is the fact that the vast majority of Guardsmen and Reservists studied experienced problems while they were deployed, often in remote, hostile environments. When our soldiers are risking their lives, the last thing they should worry about is the accuracy of their paychecks.

Paying soldiers is just one of many financial management functions performed at the Department of Defense. This Subcommittee has looked at flawed financial management systems at DoD from a broad perspective over the past two years. Often, it is difficult to impart a sense of urgency when discussing business functions. This hearing is important in that it will shed light on the operational impact of poor financial management. In fact, it is precisely this type of issue that the Subcommittee hopes to mitigate – even prevent – when we encourage Federal agencies to improve financial management.

In light of the heavy burden placed on our Reservists and the plan to activate more than 5,000 Individual Ready Reserves, it is imperative that any pay issues be resolved as quickly as possible. The effect these problems have on morale is devastating. I want our soldiers to know that Congress is looking at this. We want it fixed – both in the near term and over the long haul as DoD re-engineers its business processes.

I appreciate the fact that the Army has placed a high priority on fixing these problems, and I applaud the work that has been done so far. Since GAO identified pay problems for Guardsmen back in November, officials from the Defense Finance and Accounting Service and the Army Finance Command have worked closely with the Government Reform Committee to communicate the many actions they have taken. This hearing will provide a public forum to highlight those efforts, and we are honored to have **Lieutenant General James R. Helmly**, Chief of the Army Reserve, **Mr. Ernest Gregory**, Acting Assistant Secretary of the Army for Financial Management, and **Mr. Patrick Shine**, Director of Military and Civilian Pay Services for the Defense Finance and Accounting Service, who will testify.

Before we hear from these witnesses representing the Department of Defense, we have the author of both the Guard and the Reserve case studies, **Mr. Greg Kutz** of the newly renamed Government Accountability Office. Most important, we are honored and grateful to hear from Reserve soldiers who made the time to travel to Washington to testify and share their experience and insight. **Lt. Col. Don Campbell, Major George Riggins, and Sergeant Melinda Delain**, thank you for being here today and for serving in the Reserves. We appreciate the sacrifice you and your families make for our country. Your presence at this hearing today will help make the process better for all soldiers who serve.

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Mr. TOWNS. Thank you, Mr. Chairman. First of all, thanking you for recognizing my birthday, I do appreciate that. And I thank you for holding this hearing on what is quickly becoming a crisis for our Armed Services and reservists. And that is maintaining an adequate financial system in order to honor our commitment to our Nation's troops.

Let me also thank our witnesses before us today, especially those of you who have ably served our Nation with pride and distinction. As you know, Mr. Chairman, the issue of adequate financial management at the Department of Defense is not foreign to our committee as we have collaborated on improving the internal control structure and chronic accounting problems demonstrated by the agency over the year. Today, however, we are dealing with the pressing issue of maintaining a reliable and efficient payroll system for our reservists, many of whom are now in immediate danger while serving our Nation's interests abroad.

Since 2001 our reservists have been asked to do more for us than at any other time in recent memory. To date, there are more than 150,000 Reserve troops on Active Duty, with 130,000 of those troops coming from the Army National Guard, and Army Reserves. Recent statistics tell us that 40 percent of our troops currently based in Afghanistan and Iraq are reservists, and DOD contends that their contribution to our overseas operation may escalate to 50 percent in future deployments.

In my home State of New York alone, nearly 6,000 Army reservists have been mobilized among 171 separate units. According to the analysis provided to us today by GAO, approximately 95 percent of the Reserve soldiers reviewed experience some type of payroll-related problem. Of these, nearly 300 soldiers received a total of \$50,000 in underpayments, in addition to DOD being delinquent in paying 245 soldiers \$77,000 for Active-Duty pay and allowances. Furthermore, over 300 reservists who were deployed to designated combat zones did not receive their entitled tax preferential treatment in a timely manner.

Simply stated, Mr. Chairman, this is unacceptable.

I am not here to debate the merits of our efforts overseas or our Nation's foreign policy. There will be time enough for us to do that in other venues. I will, however, state that it is disingenuous for us to tell the American people that our armed services are well prepared when we cannot even guarantee our soldiers that they will receive their pay and benefits in a timely fashion. The spouses, the children, and families of those deployed overseas, are often dependent on such resources until their loved ones return.

Hopefully, our efforts today will be productive in finding solutions to such problems. Mr. Chairman, we have heard too many times coming from too many family members the saying: We cannot continue to live, because we do not have resources.

Let me thank you, Mr. Chairman, and let me thank the witnesses for joining us today. And, on that note, I yield back.

Mr. PLATTS. Thank you, Mr. Towns.

[The prepared statement of Hon. Edolphus Towns follows:]

**STATEMENT OF CONGRESSMAN ED TOWNS  
HEARING ON DOD FINANCIAL  
MANAGEMENT AND ARMY RESERVIST PAY  
JULY 20, 2004**

**Mr. Chairman, I thank you for holding this hearing on what is quickly becoming a crisis for our armed services and reservists, which is maintaining adequate financial systems in order to honor our commitments to our nation's troops. Let me also thank our witnesses before us today, especially those of you who have ably served our nation with pride and distinction.**

**As you know, Mr. Chairman, the issue of inadequate financial management at the Department of Defense is not foreign to our committee, as we have collaborated on improving the internal control structure and chronic accounting problems demonstrated by the agency over the year. Today, however, we are dealing with the pressing issue of maintaining a reliable and efficient payroll system for**

**our Reservists, many of whom are now in immediate danger while serving our nation's interests abroad.**

**Since 2001, our Reservists have been asked to do more for us than any other time in recent memory. To date, there are more than 150,000 Reserve troops on active duty, with 130,000 of those troops coming from the Army National Guard and Army Reserves. Recent statistics tell us that 40 percent of our troops currently based in Afghanistan and Iraq are Reservists, and DOD contends that their contribution to our overseas operations may escalate to 50 percent in future deployments. In my home state of New York alone, nearly 6,000 Army Reservists have been mobilized among 171 separate units.**

**According to the analysis provided to us today by GAO, approximately 95 percent of the Reserve soldiers reviewed experienced some type of payroll related problem. Of these, nearly 300 soldiers received a total of \$50,000 in underpayments that they were entitled to,**

**in addition to DOD being delinquent in paying 245 soldiers \$77,000 for active duty pays and allowances. Furthermore, over 300 Reservists who were deployed to designate combat zones did not receive their entitled tax preferential treatment in timely manner. Simply stated, Mr. Chairman, this is unacceptable.**

**I'm not here to debate the merits of our efforts overseas, or our nation's foreign policy--there will be time enough for that in other venues. I will, however, state that it is disingenuous for us to tell the American people that our armed services are well prepared when we cannot even guarantee our soldiers that they will receive their pay and benefits in a timely manner. The spouses, children, and families of those deployed overseas are often dependent on such resources until their loved ones return. Hopefully, our efforts today will be productive in finding solutions to such problems.**

**Again, I thank the witnesses for joining us today  
and look forward to hearing their concerns first hand.  
Mr. Chairman, this concludes my remarks.**

Mr. PLATTS. We will move to our first panel. As is the practice of the committee, we will ask each of our witnesses to stand and be sworn prior to beginning your testimony.

We will then recognize each of you for a general timeframe of 5 minutes, if you can try to summarize as best possible—but we are not going to be a stickler if you need to go over some. And then we will get into questions. So if you would raise your right hands.

[Witnesses sworn.]

Mr. PLATTS. Thank you. The clerk will reflect that all witnesses affirmed the oath.

We will begin to my left, Mr. Kutz, with your testimony and then we will work our way across the panel.

**STATEMENTS OF GREGORY D. KUTZ, DIRECTOR OF FINANCIAL MANAGEMENT AND ASSURANCE, GOVERNMENT ACCOUNTABILITY OFFICE; LIEUTENANT COLONEL DONALD J. CAMPBELL, USAR, (RET.), FORMER UNIT COMMANDER, 3423RD MILITARY INTELLIGENCE UNIT, CONNECTICUT; MAJOR GEORGE W. RIGGINS, USA, (RET.), FORSCOM SUPPORT UNIT, MARYLAND; AND SERGEANT MELINDA SUE DeLAIN, USAR, 948TH FORWARD SURGICAL TEAM, MICHIGAN**

Mr. KUTZ. Mr. Chairman and Representative Towns, thank you for the opportunity to discuss Army Reserve pay problems. Army Reserve soldiers serve a critical role in fighting the global war on terrorism. The bottom line of my testimony today is that Army Reserve soldiers must fight another enemy, our Nation's broken military pay system.

My testimony has two parts. first, examples of the problems that we identified; and, second, the causes of those problems.

First, as shown on the poster board, 95 percent, or 332 of the soldiers that we investigated, had pay problems. Although these soldiers are counted once, many had numerous errors. These errors included overpayments, underpayments, and late payments. Problems that we identified often lingered through the entire Active-Duty tour and sometimes for a year or more after demobilization. Examples of the pay problems include erroneous withholding and late repayment of Federal taxes for all 303 soldiers deployed to Kuwait, Afghanistan, Iraq and Qatar; a 3-month delay receiving thousands of dollars of hardship duty pay for 49 soldiers from the North Carolina Quartermaster unit; a sergeant from the Maryland Military Police, armed with pay support documentation, traveling every 2 weeks from Baghdad to Kuwait to deal with pay problems; and a soldier from the Connecticut Intelligence Unit who was not paid \$3,000 for the entitled family separation allowance.

Our audit and investigations also identified a significant problem with improper payments. For example, \$47,000 was improperly paid to 76 soldiers from the Texas Dental Unit for hardship duty pay after the soldiers had already left the hardship duty location. Soldiers that receive overpayments must contact DOD to repay the money. Unfortunately, as Major Riggins will tell you, trying to repay DOD can be a significant challenge.

Further, several soldiers received and oftentimes spent tens of thousands of dollars of overpayments without reporting them. One soldier acknowledged being overpaid, but stated she thought that

the payments were a gift from God. We referred all the potential fraud cases to the Army Criminal Investigation Division for further followup.

These cases are just a few of the potentially thousands of errors that we identified for only 332 soldiers. Since September 11, 2001, about 100,000 Army Reserve and 176,000 Army National Guard soldiers have been mobilized and paid from this system. Given these substantial numbers and current and future mobilizations, the need to fix this problem is clear.

I am sure you are asking yourselves how, with today's technology, we could be having so many problems paying our soldiers.

Which leads to my second point: the causes of these problems. We found that the pay problems were caused by a combination of breakdowns in people, processes, and systems. For example, the complex processes make it difficult to maintain accountability over soldiers as they moved from location to location. One soldier contacted us in March 2004 to try to find out why he was still being paid Active-Duty pay. We found that this soldier, at least on paper, had been transferred from a Maryland MP unit to a Pennsylvania MP unit that was mobilized in February 2003; however, this soldier was actually at home, not mobilized, and was improperly paid \$52,000 through May 2004.

Human capital issues also contributed to the problems we identified, including insufficient resources, inadequate training, and customer service problems. Customer service is particularly important, given the error-prone system that exists today. Nonintegrated systems with limited processing capabilities also contribute to the problems that we identified. Because of the system weaknesses, significant manual effort is needed to process Army Reserve pay.

Let me give you an example of what I mean by the lack of integration. On May 1, 2003, a soldier with the Texas Dental Unit received a promotion from private first class to specialist. The lack of integration means that the promotion is processed in the personnel system, but soldier pay records are not automatically updated. Instead, a paper copy of the promotion must be forwarded to pay personnel who manually update the pay system. This soldier did not receive her pay raise for over 5 months because of delays in processing the records.

Limited processing capabilities also caused errors in the combat zone tax exclusion for all 303 soldiers that were deployed overseas. This is an important benefit to soldiers who put themselves in harm's way for their country. However, the current systems do not have the capability to stop withholding the taxes from eligible soldiers. Instead, the system first withholds the payments from the soldiers that are in the combat zone and then later repays them. This work-around leads to delays and errors and causes significant confusion for the soldiers and their families.

In closing, I want to first acknowledge that DOD and the Army have taken positive actions in response to our prior recommendations. We have had a very constructive dialog with the members of the second panel and their representatives who are working proactively to resolve issues. We believe that the actions taken to date should improve customer service and reduce the vulnerability of the system to error. However, short of a complete reengineering

of the people, processes, and automated systems, we believe that Army Reserve and National Guard soldiers will continue to experience pay problems.

DOD has been attempting to reengineer its military pay system for a decade or more. The current system was not designed to support the reality of today's Army Reserve and National Guard missions. Our citizen soldiers and their families deserve nothing less than a world-class military pay system. I look forward to continuing to work with DOD and the Congress to see that this happens.

Mr. Chairman, that ends my statement.

Mr. PLATTS. Thank you, Mr. Kutz. And, again, thank you for your in-depth studies both with the Guard and Reserve units. Your work is certainly helping to bring to light the challenges and problems that need to be addressed, and to bring forward very positive recommendations that, as you referenced, DOD is embracing and moving forward with.

[The prepared statement of Mr. Kutz follows:]

United States Government Accountability Office

**GAO**

**Testimony**

Before the House Committee on Government Reform,  
Subcommittee on Government Efficiency and Financial  
Management, House of Representatives

For Release on Delivery  
Expected at 2 p.m. EST  
Tuesday, July 20, 2004

**MILITARY PAY**

**Army Reserve Soldiers  
Mobilized to Active Duty  
Experienced Significant  
Pay Problems**

Gregory D. Kutz  
Director, Financial Management and Assurance

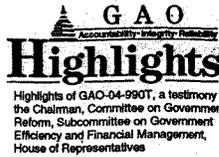
Geoffrey B. Frank  
Assistant Director, Financial Management and Assurance

John J. Ryan  
Assistant Director, Office of Special Investigations



July 2004

MILITARY PAY



Army Reserve Soldiers Mobilized to Active Duty Experienced Significant Pay Problems

Why GAO Did This Study

In light of GAO's November 2003 report highlighting significant pay problems experienced by Army National Guard soldiers mobilized to active duty in support of the global war on terrorism and homeland security, GAO was asked to determine if controls used to pay mobilized Army Reserve soldiers provided assurance that such pays were accurate and timely. GAO's audit used a case study approach to focus on controls over three key areas: processes, people (human capital), and automated systems.

What GAO Recommends

We provided a draft report detailing the results of our audit findings to DOD for review and comment on July 9, 2004. The draft report contains a series of 15 recommended actions. After receiving and considering DOD's comments, we plan to finalize and issue the report. To its credit, DOD has already taken a number of actions in response to our report on the Army National Guard.

[www.gao.gov/cgi-bin/gettrpt?GAO-04-990T](http://www.gao.gov/cgi-bin/gettrpt?GAO-04-990T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gregory D. Kutz at (202) 512-9095 or [Kutzg@gao.gov](mailto:Kutzg@gao.gov).

What GAO Found

The processes and automated systems relied on to provide active duty pays, allowances, and tax benefits to mobilized Army Reserve soldiers are so error-prone, cumbersome, and complex that neither DOD nor, more importantly, Army Reserve soldiers themselves, could be reasonably assured of timely and accurate payments. Weaknesses in these areas resulted in pay problems, including overpayments, and to a lesser extent, late and underpayments of soldiers' active duty pays and allowances at eight Army Reserve case study units. Specifically, 332 of 348 soldiers (95 percent) we audited at eight case study units that were mobilized, deployed, and demobilized at some time during the 18-month period from August 2002 through January 2004 had at least one pay problem.

Pay Experiences at Eight Army Reserve Case Study Units

Army Reserve unit	Number of soldiers with pay problems	Total
824th Quartermaster Company - N.C.	58 of 68	<p>95% 332 of 348 soldiers experienced pay problems</p>
965th Dental Company - Tex.	89 of 93	
948th Forward Surgical Team - Mich.	20 of 20	
443rd Military Police Company - Md.	119 of 121	
FORSCOM Support Unit - Md.	1 of 1	
629th Transportation Detachment - Va.	24 of 24	
3423rd Military Intelligence Detachment - Conn.	11 of 11	
431st Chemical Detachment - Pa.	10 of 10	

Source: GAO.

Many of the soldiers had multiple problems associated with their active duty pays and allowances. Some of these problems lingered unresolved for considerable lengths of time, some for over 1 year. Further, nearly all soldiers began receiving their tax exemption benefit at least 1 month late. These pay problems often had a profound adverse impact on individual soldiers and their families. For example, soldiers were required to spend considerable time, sometimes while deployed in remote, hostile environments overseas, seeking help on pay inquiries or in correcting errors in their active duty pays, allowances, and related tax benefits.

The processes in place to pay mobilized Army Reserve soldiers, involving potentially hundreds of DOD, Army, and Army Reserve organizations and thousands of personnel, were deficient with respect to (1) tracking soldiers' pay status as they transition through their active duty tours, (2) carrying out soldier readiness reviews, (3) after-the-fact report reconciliation requirements, and (4) unclear procedures for applying certain pay entitlements. With respect to human capital, weaknesses identified at our case study units included (1) insufficient resources allocated to key unit-level pay administration responsibilities, (2) inadequate training related to existing policies and procedures, and (3) poor customer service. Several automated systems issues also contributed to the significant pay errors, including nonintegrated systems and limited processing capabilities.

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Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to discuss controls over payroll payments to mobilized Army Reserve soldiers. In November 2003, we reported on significant pay problems experienced by mobilized Army National Guard soldiers. We also testified on this matter before the full committee in January 2004. Because of the severity of the problems identified for these mobilized Army National Guard soldiers, you, as well as other requestors,<sup>1</sup> asked us to examine the accuracy and timeliness of payroll payments to mobilized Army Reserve soldiers.

In response to the September 11 attacks, many Army Reserve soldiers were activated to federal duty. A reported 98,000 Army Reserve soldiers—almost half of the soldiers in the Army's selected reserve—had been mobilized to active duty at some point since September 2001. These forces were deployed on various important missions across the United States and overseas in support of Operations Noble Eagle, Enduring Freedom, and Iraqi Freedom. Their missions consisted mostly of combat support missions, such as supply, medical, and transportation operations, as well as military police and intelligence functions. Given the critical and continuing roles Army Reserve soldiers play in carrying out vital military and security missions, effective controls are needed to provide timely and accurate pays and allowances to these soldiers. Pay-related problems are not only costly and time-consuming to resolve, but result in financial hardship for soldiers and their families.

Because current Department of Defense (DOD) operations used to pay mobilized Army Reserve soldiers relied extensively on error-prone, manual transactions entered into multiple, nonintegrated systems, we did not statistically test controls in this area. Instead, we audited eight Army Reserve units as case studies to provide a detailed perspective on the nature of payroll deficiencies with respect to Army Reserve soldiers. Each of these units had mobilized, deployed, and demobilized at some time during the 18-month period from August 2002 through January 2004. Appendix I provides details on the 14 pays and allowances we audited for these case study units, as well as an explanation of the three phases of an

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<sup>1</sup>Other requestors for this audit were Chairman Tom Davis of the House Committee on Government Reform, Chairman Christopher Shays of the Subcommittee on National Security, Emerging Threats and International Relations of the House Committee on Government Reform, and Congressman Ed Schrock.

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active duty mobilization (mobilization, deployment, and demobilization). Appendix II provides further details on our scope and methodology.

We found that Army Reserve soldiers experienced very similar problems to those we identified for Army National Guard soldiers. We provided a draft report detailing the results of our audit findings to DOD for review and comment on July 9, 2004. The draft report contains a series of 15 recommended actions. After receiving and considering DOD's comments, we plan to finalize and issue the report. To its credit, DOD has recognized the seriousness of these problems and has already taken a number of actions in response to our report on the Army National Guard, which I will address later in this testimony.

Today, I will summarize the results of our work with respect to (1) the pay experiences of Army Reserve soldiers at our case study units and (2) deficiencies in the three key control areas of processes, people, and automated systems.

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## Summary

Overall, 332 of the 348 (95 percent) Army Reserve soldiers from our eight case study units had at least one pay problem associated with their mobilization. Of these soldiers, 256 soldiers received an estimated \$247,000 in overpayments, 294 soldiers received about \$51,000 in underpayments, and 245 soldiers received about \$77,000 in late payments of their active duty pays and allowances. In addition, none of the 303 soldiers who deployed to designated combat zones received their combat zone tax exclusion benefits on time. Some of these problems lingered unresolved for considerable lengths of time—some for over one year. A brief summary of the results of our audits at each of our case study units is provided in appendix III.

The consequences of inaccurate, late, and missing payments, and associated erroneous debts had a profound financial impact on individual soldiers and their families. At one unit, several soldiers told us that they had to borrow money from friends and relatives in order to pay their bills when they initially deployed overseas. Soldiers and their families were required to spend considerable time, sometimes while the soldiers were deployed in remote, hostile environments overseas, in repeated attempts to address concerns over their pay and allowances, and related tax benefits.

Weaknesses in processes, human capital, and automated systems were associated with pay problems we identified. With respect to processes,

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until DOD improves the cumbersome and complex processes used to pay mobilized Army Reserve personnel, the Army, the Defense Finance and Accounting Service (DFAS), and, most importantly, the mobilized Army Reserve soldiers, cannot be reasonably assured of timely and accurate payroll payments. These processes, involving potentially hundreds of DOD, Army, and Army Reserve organizations and thousands of personnel, were not well understood or consistently applied with respect to maintaining accountability over soldiers and their associated pays, allowances, and tax benefits as the soldiers moved through the various phases of active duty mobilization.

In the human capital area, we found weaknesses including (1) insufficient resources allocated to key unit-level pay administration responsibilities, (2) inadequate training related to existing policies and procedures, and (3) poor customer service. The lack of sufficient numbers of well-trained, competent military pay professionals can undermine the effectiveness of even a world-class integrated pay and personnel system. A sufficient number of well-trained military pay staff is particularly crucial given the extensive, cumbersome, and labor-intensive process requirements that have evolved to support active duty pay to Army Reserve soldiers.

Automated systems weaknesses also contributed to the pay problems we found. For example, nonintegrated systems and limitations in system processing capabilities further constrained DOD's ability to provide a most basic service to these personnel, many of whom were serving under difficult conditions in the Middle East. The Defense Joint Military Pay System-Reserve Component (DJMS-RC)—originally designed to process payroll payments to personnel on weekend drills, on short periods of fewer than 30 days of annual active duty, or for training—is now being used to pay Army Reserve soldiers for up to 2 years. Army officials told us that the system is now stretched to the limits of its functionality. DFAS has established "workarounds" intended to compensate for the DJMS-RC system limitations, which further compound the human capital issues. Overall, we found the current stove-piped, nonintegrated systems were labor-intensive and required extensive error-prone manual data entry and reentry.

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**Case Studies Illustrate  
Significant Pay  
Problems**

We found significant problems with the active duty pays, allowances, and related tax benefits received by the soldiers at the eight Army Reserve units we audited. The eight units we audited were:

- 824<sup>th</sup> Quartermaster Company – Ft. Bragg, N.C.
- 965<sup>th</sup> Dental Company – Seagoville, Tex.
- 948<sup>th</sup> Forward Surgical Team – Southfield, Mich.
- 443<sup>rd</sup> Military Police Company – Owings Mills, Md.
- FORSCOM Support Unit – Finksburg, Md.
- 629<sup>th</sup> Transportation Detachment - Ft. Eustis, Va.
- 3423rd Military Intelligence Detachment – New Haven, Conn.
- 431<sup>st</sup> Chemical Detachment – Johnstown, Pa.

These units were deployed to help perform a variety of critical domestic and overseas combat support operations, including supply, medical, and transportation operations, as well as military police and intelligence functions.

For the eight units we audited, we found numerous and varied pay problems. For those problems that we could quantify,<sup>2</sup> we identified about \$375,000 in errors. These problems consisted of underpayments, overpayments, and late payments that occurred during all three phases of Army Reserve mobilization to active duty. For the 18-month period from August 2002 through January 2004, we identified overpayments, underpayments, and late payments at the eight case study units estimated

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<sup>2</sup>Because of the lack of supporting documents, we were unable to determine the amounts involved for some of the active duty entitlements we audited and consequently, did not count these as errors. In addition, because our objective was to provide perspective on our case study units' pay experiences and not to make exact calculations of active duty entitlements, we likely did not identify all of the pay problems related to the active duty mobilizations of our case study units.

at \$247,000, \$51,000, and \$77,000, respectively.<sup>3</sup> Overall, we found that 332 of the 348 soldiers (95 percent) from our case study units had at least one pay problem associated with their mobilization to active duty. Table 1 shows the number of soldiers at our case study units with at least one pay problem during each of the three phases of active duty mobilization.

**Table 1: Pay Problems at Eight Case Study Units**

Army Reserve unit	Soldiers with pay problems		
	Mobilization	Deployment	Demobilization
824 <sup>th</sup> Quartermaster Company, N.C.	11 of 68	50 of 68	13 of 68
965 <sup>th</sup> Dental Company, Tex.	25 of 93	86 of 93	7 of 93
948 <sup>th</sup> Forward Surgical Team, Mich.	5 of 20	20 of 20	18 of 20
443 <sup>rd</sup> Military Police Company, Md.	67 of 121	114 of 121	17 of 121
FORSCOM Support Unit, Md.	0 of 1	1 of 1	1 of 1
629 <sup>th</sup> Transportation Detachment, Va.	5 of 24	24 of 24	1 of 24
3423 <sup>rd</sup> Military Intelligence Detachment, Conn.	10 of 11	10 of 11	9 of 11
431 <sup>st</sup> Chemical Detachment, Pa.	6 of 10	10 of 10	0 of 10

Source: GAO analysis.

Some of the pay problems we identified included the following.

- Forty-seven soldiers deployed overseas with the 824th Quartermaster Company from North Carolina improperly received hardship duty pay, totaling about \$30,000, for up to 5 months after departing from their overseas duty locations.

<sup>3</sup> For the pay problems we identified, we defined over- and underpayments as those pays or allowances for mobilized Army Reserve soldiers during the period from August 1, 2002 through January 31, 2004, that were in excess (overpayment) or less than (underpayment) the entitled payment. We considered as late payments any active duty pays or allowances paid to the soldier over 30 days after the date on which the soldier was entitled to receive such pays or allowances. As such, these payments were those that, although late, addressed a previously unpaid entitlement. We did not include any erroneous debts associated with these payments as pay problems. In addition, we used available data to identify about \$19,000 in collections against identified overpayments through February 2004. We did not attempt to estimate payments received against identified underpayments. We have provided documentation for the pay problems we identified to cognizant DOD officials for further research to determine whether additional amounts are owed to the government or the soldier.

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- Nine soldiers of the 824th Quartermaster Company improperly received family separation allowance payments totaling an estimated \$6,250 while serving at Ft. Bragg, their unit's home station.
  - Forty-nine soldiers with the 824th Quartermaster Company did not receive the hardship duty pay they were entitled to receive when they arrived at their designated duty locations overseas until about 3 months after their arrival.
  - Ten soldiers with the 443rd Military Police Company had problems with their overseas housing allowance associated with their deployment in Iraq, including five soldiers who were underpaid about \$2,700 and seven who did not receive their last allowance until more than 2 months after their active duty tour ended.
  - A soldier with the 443rd MP Company who demobilized from an active duty deployment in August 2002, subsequently received erroneous active duty payments of about \$52,000 through May 2004. These erroneous payments were not detected and stopped by DOD. The soldier contacted us to ask for our assistance in resolving this matter.
  - A soldier from the 965th Dental Company who received an emergency evacuation from Kuwait as a result of an adverse reaction to anthrax and antibiotic inoculations he received in preparation for his overseas deployment, continued to receive about \$2,900 in improper hostile fire and hardship duty payments after his return from Kuwait.
  - A soldier with the 3423rd Military Intelligence Detachment did not receive an estimated \$3,000 in family separation allowance payments associated with his active duty mobilization.
  - Two soldiers received tens of thousands of dollars in active duty pays and allowances over the course of a year or more even though they never mobilized with their units.
  - Nearly, all of the soldiers in the seven case study units that deployed overseas experienced late payments related to their combat zone tax exclusion benefit.

In some cases, the problems we identified may have distracted these professional soldiers from mission requirements, as they spent considerable time and effort while deployed attempting to address these

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issues. Further, these problems likely had an adverse effect on soldier morale.

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**Mobilized Army Reserve Pay Process, Human Capital, and Systems Deficiencies**

Deficiencies in three key areas—process, human capital, and automated systems—were at the heart of the pay problems we identified. Process deficiencies included weaknesses in (1) tracking and maintaining accountability over soldiers as they moved from location to location to carry out their mobilization orders, (2) carrying out soldier readiness programs (SRPs)—primarily at the mobilization stations, (3) distributing and reconciling key pay and personnel reports during mobilizations, and (4) determining eligibility for the family separation allowance associated with active duty mobilizations. Human capital weaknesses included insufficient resources, inadequate training, and poor customer service. Finally, the automated systems supporting pays to mobilized Army Reserve soldiers were ineffective because they were not integrated and had limited processing capabilities.

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**Process Deficiencies**

A substantial number of payment errors we found were caused, at least in part, by design weaknesses in the extensive, complex set of processes and procedures relied on to provide active duty pays, allowances, and related tax benefits to mobilized Army Reserve soldiers. Complex, cumbersome processes, developed in piecemeal fashion over a number of years, provide numerous opportunities for control breakdowns. We identified issues with the procedures in place for both determining eligibility and processing related transactions of active duty pay to mobilized Army Reserve soldiers. These process weaknesses involved not only the finance and military pay component of the Army, Army Reserve, and DFAS, but the Army's operational and personnel functions as well.

**Flaws in Maintaining Accountability over Soldiers throughout Mobilization**

Mobilization policies and procedures did not provide the Army with effective accountability and visibility over soldiers' locations to provide reasonable assurance of accurate and timely payments to mobilized Army Reserve soldiers. Reserve soldiers pass through four main transitions during the course of a typical mobilization cycle, including transitions from (1) their home stations to their designated mobilization station, (2) the mobilization station to their assigned deployment location, (3) the deployment location to their demobilization station, and (4) the demobilization station back to their home station.

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Soldiers' active duty pays, allowances, and related tax benefits are closely tied to soldiers' locations. For example, timely data regarding the dates soldiers arrive at and leave designated locations are essential for accurate and timely hardship duty pays, allowances, and related combat zone tax exclusion benefits. To effectively account for soldiers' movements during these transitions, unit commanders, unit administrators, as well as individuals assigned to personnel and finance offices across the Army Reserves, Army mobilization stations, and in theater Army locations must work closely and communicate extensively to have the necessary data to pay Army Reserve soldiers accurately and on time throughout their active duty tours.

However, we identified several critical flaws in the soldier accountability procedures in place during the period of our audit. Specifically, we identified flawed procedures for accountability over (1) soldiers that are supposed to go through processing for mobilization and demobilization, and (2) dates of soldiers' arrival to and departure from designated hardship duty deployment locations.

Mobilization Station  
Accountability

We found that effective procedures were not in place to monitor and validate the propriety of active duty pays to mobilized Army Reserve soldiers. The accountability controls in place at Army mobilization stations responsible for unit mobilization and demobilization processing were not effective in detecting any missing Army Reserve soldiers assigned to units passing through those locations. As a result of these control design flaws, several soldiers received up to a year of active duty pay based on issued mobilization orders, even though the soldiers never reported for active duty.

**Illustrative Cases: Flaws in Soldier Location Accountability Procedures Resulted in Erroneous Active Duty Payments**

- A soldier assigned to the 965th Dental Company received a mobilization order, but based on a discussion with his commander about a medical condition, was told he would be transferred to a unit that was not mobilizing. However, the unit commander did not provide a list of the unit's mobilizing soldiers to the UPC and did not provide any information on this soldier indicating that he would not be reporting to the unit's mobilization station. Consequently, neither the UPC nor the mobilization station personnel had any means of detecting that a soldier had not mobilized with his unit and therefore was improperly receiving active duty pays. As a result, the soldier's pay was started on February 11, 2003, and continued through February 2004, resulting in more than \$36,000 in overpayments. This improper active duty pay was stopped only after we identified the error and notified Army officials.
- A soldier contacted GAO in March 2004 to inquire as to why he had been receiving active duty pay for almost a year even though, according to the soldier, he was not mobilized to active duty during that time. Subsequent inquiry determined that, at least on paper, the soldier was transferred from Maryland's 443<sup>rd</sup> Military Police Company to Pennsylvania's 307<sup>th</sup> Military Police Company in February 2003, and was mobilized to active duty with that unit in March 3, 2003. Applicable active duty pays and allowances for the soldier were initiated based on these March 3, 2003, orders. After the 307<sup>th</sup> Military Police Company demobilized in February 2004, the soldier's mobilization order was revoked. Nonetheless, available pay documentation indicated the soldier continued receiving erroneous active duty pay and allowances for basic pay, and allowances for subsistence, housing, and family separation totaling an estimated \$52,000 through May of 2004.

**Deployment Accountability**

Flaws in soldier accountability procedures associated with overseas deployment locations resulted in payment errors for almost all of the soldiers in our case study units. Soldiers were generally paid late or underpaid location-based incentives upon their initial arrival into designated hardship duty and hostile fire locations. Subsequently, they were often overpaid these same location-based entitlements because these payments continued, sometimes for long periods of time, after soldiers left designated overseas locations. Army local area servicing finance locations are to obtain documentation—flight manifests, for example—showing soldier arrival and departure date information to use as a basis for starting and stopping location-based pays, allowances, and associated tax benefits. However, despite diligent efforts by Army local area servicing finance officials to develop and maintain accurate documentation showing soldiers at the designated deployment locations, we found indications that this information was often not timely or accurate for the soldiers at our case study units.

One of our case study units, the 443<sup>rd</sup> MP Company, relied on an extraordinary, labor-intensive workaround to ensure that necessary

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documentation supporting any changes in the location of the unit's soldiers, as well as other pay-support documentation, was received by the unit's area servicing location while the soldiers were deployed in Iraq.

**Individual Case Illustration: Biweekly Flights to Transmit Unit Pay Documents**

• While deployed to guard Iraqi prisoners at Camp Cropper in Iraq, the unit commander of the 443<sup>rd</sup> Military Police Company assigned a sergeant to help address myriad pay complaints. The sergeant was deployed to Iraq as a cook, but was assigned to assist in pay administration for the unit because he was knowledgeable in DMS-RC procedures and pay-support documentation requirements and was acquainted with one of the soldiers assigned to the unit's servicing finance office in Camp Arifjan, Kuwait. Every 2 weeks, for about 5 months, the sergeant gathered relevant pay-support documentation from the unit's soldiers, took a 1 hour and 15 minute flight to the Kuwait airport, and then drove an hour to the Army finance office at Camp Arifjan. The day following the sergeant's biweekly journey to Camp Arifjan, the sergeant worked with the Army finance officials at Camp Arifjan to enter transactions into DMO, often for 8-12 hours, to get unit soldiers' pay entitlements started or corrected, particularly hardship duty pays requiring manual input every month.

These flawed procedures, which were relied on to account for Army Reserve soldiers' actual locations and their related pay entitlements while deployed, resulted in pay problems in all seven of our case study units that deployed soldiers overseas. For example:

- All 49 soldiers who deployed overseas with our 824<sup>th</sup> Quartermaster Company case study unit were underpaid their hardship duty pay when they first arrived at the designated location. Subsequently, almost all soldiers in the unit were overpaid their hardship duty pay—most for up to 5 months—after they left the designated location, and some continued to receive these payments even after they were released from active duty. In total, we identified about \$30,000 in improper hardship duty payments received by this unit's soldiers.
- Seventy-six soldiers with the 965<sup>th</sup> Dental Company received improper hardship duty payments totaling almost \$47,000 after they had left their hardship duty location.
- None of the 24 soldiers deployed with the 629<sup>th</sup> Transportation Detachment received hardship duty pay for the months they arrived and departed the hardship duty areas. In addition, they did not receive hostile fire pay for almost 3 months after their arrival at their assigned overseas deployment locations.

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The debts created by overpayment of these location-based payments placed an additional administrative burden on both the soldiers and the department to calculate, monitor, and collect the overpaid amounts.

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**Lack of Clear Pay Review Procedures at Mobilization Stations**

Some of the pay problems we found were associated with flawed procedural requirements for the pay support review, which is part of the SRP process carried out at Army mobilization stations. Procedures followed by Army mobilization station finance officials during the SRP were inconsistent with respect to what constitutes a "thorough review" of soldiers' pay support documentation to determine if it is current and complete and has been entered into the DJMS-RC pay system.

While finance officials at some mobilization stations carried out one-on-one detailed pay reviews with each soldier, as well as a unit-wide finance briefing, finance officials at other mobilization stations carried out less thorough procedures. At two mobilization stations, finance officials provided only a unit-wide briefing and did not meet individually with the soldiers to conduct a detailed review of their military pay accounts. We found far fewer pay problems (excluding location-based pays) for the soldiers who went through the individual detailed pay reviews during the SRP than the soldiers who received less thorough or no individual reviews of their pay entitlements at their mobilization stations.

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**Inadequate Processes for Key Pay and Personnel Reconciliation Reports**

Design flaws in the procedures in place to obtain and reconcile key pay and personnel reports impaired the Army's ability to detect improper active duty payments. As discussed previously, we identified several cases in which such improper payments continued for over a year without detection.

The Army Reserve pay review and validation procedures were initially designed for pays to Army Reserve soldiers performing weekend drills, annual training, and short-term active duty mobilizations of 30 days or fewer. Correspondingly, pay and personnel reconciliation processes in place during our audit were focused primarily on requirements for unit commanders to reconcile data for reserve soldiers while they are in an inactive (weekend drilling only) status.

Specifically, current Army Reserve procedures require that unit commanders review a key report, the Unit Commanders Pay Management

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Report,<sup>4</sup> for soldiers in their units performing weekend drill activities, for short-term active duty mobilization activities, and in planning for lengthy active duty mobilizations. However, these procedures do not clearly require unit commanders to review this key report for Army Reserve soldiers in subsequent phases of their active duty mobilization tours. The unit commander at one of our case study units, the 965<sup>th</sup> Dental Company, stated that he did not believe that a review and reconciliation was needed. Instead, he stated he relied on the unit's soldiers to identify any pay problems. However, in light of the extensive manual entry, and nonintegrated systems currently relied on for mobilized Army Reserve soldiers' pay, the timely and complete reconciliation of comparable pay and personnel data in these key reports can serve as an important detective control to identify any pay errors shortly after they have occurred.

In addition, Army guidance does not specify how deployed units are to receive these reports. Distribution of these reports is particularly problematic for units deployed in remote locations overseas. Unit commanders for several of our case study units stated they did not receive these key reports while deployed. Had those reports been available and reconciled, they could have been used to identify and correct improper active duty payments, such as the large, erroneous active duty overpayments discussed previously.

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**Family Separation  
Allowance Eligibility  
Requirements Are Not Clear**

The existing procedures for applying eligibility requirements for activated Army Reserve soldiers' family separation allowance payments were not clear. These flawed procedural requirements for paying family separation allowance led to varying interpretations and pay errors for Army Reserve soldiers at the implementing Army home stations and mobilization stations.

DOD policy clearly provides that soldiers are entitled to receive family separation allowance if their family does not reside near the duty station, which is generally defined as within 50 miles.<sup>5</sup> However, DOD guidance

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<sup>4</sup>These reports provide summaries of pay- and personnel-related information on soldiers in the unit.

<sup>5</sup>DOD's FMR defines within a reasonable commuting distance as within 50 miles one way, unless the soldier is commuting daily. The FMR also permits the commander to authorize a soldier to receive FSA payments, even though the soldier's dependents live within 50 miles of the soldier's duty station, based on a determination that the required commute is not reasonable.

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and the form for implementing this policy were not clear because they did not provide for a determination that the soldier's family does not live near the soldier's duty station. Specifically, they did not require soldiers to certify that (1) they live over 50 miles away from the unit's home station and do not commute daily, or (2) the soldier's commander has certified the soldier's required commute to the duty station is not reasonable. As a result, we found inconsistencies as to when soldiers received family separation allowance. For example, soldiers from the 824<sup>th</sup> Quartermaster Company received family separation allowance payments while stationed at their Ft. Bragg home station even though they lived within 50 miles of the base and no documentation was available showing the unit commander authorized an exception. In contrast, 14 soldiers with Maryland's 443<sup>rd</sup> Military Police Company who lived over 50 miles away from their home station, including several soldiers from Puerto Rico, did not receive family separation allowance based on their arrival at their home station.

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#### Human Capital Issues

Human capital weaknesses also contributed to the pay problems mobilized Army Reserve soldiers experienced in our eight case study units. Our *Standards for Internal Control in the Federal Government* state that effective human capital practices are critical to establishing and maintaining a strong internal control environment, including actions to ensure that an organization has the appropriate number of employees to carry out assigned responsibilities. Even in an operational environment supported by a well-designed set of policies and procedures and a world-class integrated set of automated pay and personnel systems, an effective human capital strategy—directed at ensuring that sufficient numbers of people, with the appropriate knowledge and skills, are assigned to carry out the existing extensive, complex operational requirements—is essential. Such a human capital strategy supporting accurate and timely active duty payments to mobilized Army Reserve soldiers must encompass numerous DOD components spread across the world that are now involved in carrying out the extensive coordination, manual intervention, and reconciliations required to pay mobilized Army Reserve soldiers.

Well-trained pay-support personnel throughout various DOD components are particularly critical given the extensive, cumbersome, and labor-intensive process requirements that have evolved to provide active duty payments to mobilized Army Reserve soldiers. We encountered many sincere and well-meaning Army, Army Reserve and DFAS personnel involved in authorizing and processing active duty payments to these soldiers. The fact that mobilized Army Reserve soldiers received any of

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their entitled active duty pays, allowances, and tax benefits accurately and on-time is largely due to the dedication and tireless efforts of many of these pay-support personnel to do the right thing for these mobilized Army Reserve soldiers. However, in conjunction with our case studies, we observed the following human capital weaknesses in the current processes and organizational components now relied on to pay mobilized Army Reserve soldiers: (1) inadequate resources provided to support unit-level pay management, (2) inadequate pay management training across the spectrum of pay-support personnel, and (3) customer service breakdowns.

**Inadequate Resourcing for  
Critical Unit Administrator  
Positions**

Vacancies and turnover in key unit administrator positions, and the deployment of unit administrators to fill other military requirements, impaired a unit's ability to carry out critical pay administration tasks that could have prevented or led to early detection of pay problems associated with our case study units. In addition to pay administration responsibilities, unit administrator duties include duties for personnel and supply operations. We were told that vacancies in unit administrator positions were difficult to fill and often remained vacant for many months because Army policy requires the individual filling the unit administrator position have a "dual" status, which means the individual must perform duties both in the capacity of an Army Reserve military occupation specialty as well as unit administrator.

For example, at the 948<sup>th</sup> Surgical Team, the unit administrator position was vacant prior to and during the unit's mobilization. We were informed that the 948<sup>th</sup> Surgical Team had difficulty filling the vacancy because of its dual status—i.e., the individual must have (1) a medical background to meet the unit's mission requirements, and (2) knowledge and experience performing the personnel, payroll, and supply tasks of a unit administrator. In the absence of the unit administrator, the unit commander assigned a sergeant with limited knowledge of pay entitlements and DJMS-RC processing requirements to help carry out some of the unit administrator's pay management duties. The sergeant told us that during a 2-week period during late April 2003, she spent about 100 hours attempting to resolve the unit's pay problems, while concurrently carrying out her duties as a health specialist.

**Inadequate Pay Management  
Training**

In addition to concerns about the level of resources provided to support critical unit administrator positions, we identified instances in which the lack of adequate training on pay management duties and responsibilities provided to unit administrator and finance office personnel contributed to soldiers' pay problems. Further, we found that unit commanders did not

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always support these important pay management duties. Our *Standards for Internal Control in the Federal Government* provide that management should establish and maintain a positive and supportive attitude toward internal controls and conscientious management.

Several of the individuals serving as unit administrators in our case study units informed us that they had received limited or no formal training covering unit administrator pay management responsibilities and that the training they did receive did not prepare them for mobilization issues associated with supporting and processing active duty pays. Moreover, few of these unit administrators had completed all of the required training on active duty pays and allowance eligibility and processing requirements. Unit administrators have responsibility for a variety of pay-related actions, including working with the unit soldiers to obtain critical pay support documentation, maintaining copies of pay support records, providing pay-transaction support documentation to the UPC, and reviewing pay reports for errors. Without adequate training, unit administrators may not be aware of these critical pay management responsibilities.

Lack of training contributed to a number of pay errors that unit administrators could have prevented:

- At the 824<sup>th</sup> Quartermaster unit, while our audit of unit pay reports showed that the unit administrator reviewed the documents, we saw no indication that she used this information to identify and stop an overpayment of \$18,000 to one soldier in her unit. As a result, the erroneous pay was allowed to continue for another 5 months.
- Several soldiers with the 965<sup>th</sup> Dental Company did not receive promotion pay increases and other entitlements for over 2 months because the unit administrator failed to process necessary pay-support documentation—available at the time of unit's initial SRP—until after the unit was deployed on active duty.
- At the 443<sup>rd</sup> Military Police Company, the unit's finance sergeant<sup>6</sup> who was assigned pay management responsibilities did not gather and submit current documentation needed to support active duty pays, such

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<sup>6</sup>For this unit, the unit administrator did not deploy with the unit. Consequently, the unit's pay management responsibilities were assigned to a finance sergeant deployed with the unit.

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as documents showing soldiers' marital status and number of dependents. As a result, soldiers from this unit experienced overpayments, underpayments, and late payments associated with their housing and cost of living allowances.

Inadequate training of military pay technicians at Army finance offices at mobilization and demobilization stations, and at area servicing finance locations (for deployed soldiers), also adversely affected the accuracy and timeliness of pays to mobilized Army Reserve soldiers. Few of the military finance personnel responsible for processing pay information at the mobilization and demobilization stations and at the area servicing finance office for deployed units had formal training on DJMS-RC pay procedures. Instead, several of the military pay technicians and supervisors we talked to at the Army mobilization and demobilization stations told us they relied primarily on on-the-job training to become knowledgeable in the pay eligibility and pay transaction processing requirements for mobilized Army Reserve soldiers. For example, military pay personnel at the Defense Military Pay Office at Ft. Eustis informed us that instead of receiving formal training on active duty pay entitlements or DJMS-RC pay processing, they became knowledgeable in mobilization and demobilization pay processing procedures by processing hundreds of soldiers within 2 to 3 weeks of being assigned these responsibilities. They also said they contacted full-time civilians in the finance office, as well as UPC and DFAS officials, by telephone for assistance.

Also, few of the Army finance personnel at overseas area servicing finance locations received formal training on Army Reserve pay eligibility and DJMS-RC processing requirements before assuming their duties. These personnel had primary responsibility for supporting active duty payments to mobilized Army Reserve soldiers deployed overseas, including responsibility for processing location-based active duty payments to these soldiers. Camp Arifjan was the Army location assigned responsibility for processing pay to mobilized Army Reserve soldiers deployed in Kuwait and Iraq during 2003. Officials from the 336<sup>th</sup> Command, the Army command with oversight responsibility for Camp Arifjan, confirmed that while finance personnel at Camp Arifjan received training in the pay eligibility and pay processing procedures for active duty Army soldiers, they were not adequately trained in pay eligibility and processing procedures for Army Reserve soldiers.

We were told of instances in which Army finance personnel were unable to help Reserve soldiers resolve their pay problems. For example, the 948<sup>th</sup>

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Surgical Team contacted an Army finance unit located in Kandahar, Afghanistan, to request its assistance in resolving the unit's pay problems. However, the finance personnel at that location were unable to help resolve the 948<sup>th</sup> Surgical Team's pay problems because they said they had not had training in this area and were not familiar with DJMS-RC processing requirements and procedures. All 20 soldiers with the 948<sup>th</sup> Surgical unit experienced pay problems associated with their location-based hardship duty payments, which required manual processing every month by the unit's area servicing finance office.

Further, we saw little evidence that the unit commanders of our case study units received any training on their role in supporting their unit administrators in these important pay management responsibilities. For example, at one of our case study units, the 965<sup>th</sup> Dental Company, the unit commander informed us that he did not support the review of pay management reports because soldiers had the capability to review their pay online and would use this capability to identify and report any pay problems. However, as discussed earlier, while we identified numerous instances in which soldiers received overpayments or had other pay problems, we saw little indication that these soldiers found and reported these problems prior to our audit. Moreover, we identified two instances in which soldiers did not report that they had received tens of thousands of dollars in improper active duty payments.

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#### Customer Service Breakdowns

Our audit work at eight case study units identified significant soldier concerns with both the level and quality of customer service they received related to their active duty pays, allowances, and tax benefits. The soldiers' concerns centered around three distinct areas: (1) the accessibility of customer service, (2) the ability of customer service locations to help soldiers, and (3) the treatment of soldiers requesting assistance. Servicing soldiers and their families with pay inquiries and problems is particularly critical in light of the error-prone processes and limited automated system processing capabilities. Ultimately, pay accuracy is left largely to the individual soldier.

Although there are several sources that soldiers can turn to for pay issue resolution, including an online system and a toll free phone pay assistance number, soldiers at our case study units experienced problems in accessing these sources. Mission requirements and the distance between deployment locations and field finance offices often impaired the soldiers' ability to utilize the in-theater customer service centers. Also, soldiers did

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not always have Internet and telephone access to utilize sources through these media. The lack of Internet access for deployed soldiers was particularly problematic because it limited soldiers' access to pay, allowance, and tax benefit data reflected in their leave and earnings statements. Lacking leave and earnings statements, soldiers had no means to determine the propriety of their active duty payments. For example, soldiers with the 945<sup>th</sup> Surgical Team told us that their inability to access the leave and earnings statements adversely affected their overall morale.

Even when mobilized reservists were able to contact customer service sources, their pay issues often continued because the office they were instructed to contact was unable to address their inquiry or correct their problem. In some cases, customer service sources failed to help soldiers because they lacked an understanding of what was needed to fix the problems. When representatives of the 945<sup>th</sup> Surgical Team contacted their parent company for help in correcting pay problems, personnel with the parent company informed them that they could not fix the unit's pay problems because they (incorrectly) believed that the unit was paid through the Army's active duty pay system. Soldiers at other units were redirected from one source to another. Soldiers were not aware of which sources could address which types of problems, and more significantly, the customer service sources themselves often did not know who should correct a specific problem.

An Army Reserve major's experience illustrates the time and frustration that is sometimes involved with soldiers' attempts to obtain customer service for correcting errors in active duty pays, allowances, and related tax benefits.

**Individual Case Illustration: Extensive, Time-consuming Action Required to Resolve Pay Issue**

• A soldier from Maryland was mobilized in March 2003 from the Army's Individual Ready Reserve to active duty to serve as a liaison between the Army and Air Force to help coordinate ground and air combat operations in Iraq. After completing his 2-month active duty tour and returning to an inactive reserve status in May 2003, he contacted Army officials to inform them that he was continuing to receive active duty pays and volunteered to immediately repay these erroneous overpayments. In July 2003, he wrote a check for \$6,150.75 after receiving documentation showing his debt computation. However, he continued to receive Leave and Earnings Statements indicating that he had an outstanding debt. He contacted his Army demobilization finance office to determine how to get the erroneous outstanding debt removed from his pay records. After being referred by officials at that location to various DFAS locations (including once being told, "There is nothing more I can do for you"), he contacted us for assistance. After DFAS recomputed the soldier's debt as a result of our inquiry, the soldier was informed that he owed an additional \$1,140.54, because the original debt computation did not fully consider the erroneous combat zone tax exclusion benefits he received. Overall, he spent nearly a year after his 2-month active duty tour ended, and about 20 phone calls, faxes, and letters in contacting at least seven different DOD representatives at five different customer service centers to correct active duty pay and allowance overpayments and associated combat tax exclusion benefit problems.

Finally, soldiers expressed concern about the treatment they sometimes received while attempting to obtain customer service. Soldiers expressed concern that certain customer service representatives did not treat soldiers requesting assistance respectfully. For example, one soldier who attempted to make corrections to his Certificate of Discharge or Release from Active Duty (DD 214) informed us that mobilization station personnel told him that the citations and dates of service he was trying to add "didn't matter." Additionally, some soldiers told us that when they raised concerns about the quality of customer service they received with respect to their pay inquiries and concerns, they were sometimes ignored. For example, soldiers with Connecticut's 3423<sup>rd</sup> Military Intelligence Detachment told us they contacted the local Inspector General because they believed that finance personnel at their deployment location had both actively tried to impair the payment of their active duty entitlements and had tried to intimidate and discourage the unit's soldiers from seeking help elsewhere. However, they were not aware of any action taken as a result of their concerns.

**Systems Problems**

Weaknesses in automated systems contributed significantly to the underpayments, overpayments, and late payments we identified. These weaknesses consisted of (1) nonintegrated systems with limited system

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interfaces and (2) limited processing capabilities within the pay system. The Army and DFAS rely on the same automated pay system to authorize and process active duty pays for Army Reserve soldiers as they use for Army National Guard soldiers. In addition, similar to the Army National Guard, the Army Reserve's personnel and order-writing systems are not integrated with the pay system. Consequently, many of the systems problems experienced by mobilized Army Reserve soldiers are similar to those that we identified in our report on pay issues associated with mobilized Army National Guard soldiers.<sup>7</sup>

Because of the automated systems weaknesses, both Army Reserve and active Army personnel must put forth significant manual effort to accurately process pays and allowances for mobilized Army Reserve soldiers. Moreover, to compensate for the lack of automated controls over the pay process, both DFAS and the Army place substantial reliance on the review of pay reports to identify pay errors after the fact. Part of this reliance includes the expectation that soldiers review their own leave and earnings statements, even though these statements do not always provide clear explanations of all payments made. Finally, because of DJMS-RC's limitations, the system cannot simply stop withholding taxes for soldiers in designated combat zone locations. Instead, for these soldiers, the system withholds taxes and then pays the soldiers the amount that was withheld at least a month after the soldiers were first entitled to receive this benefit.

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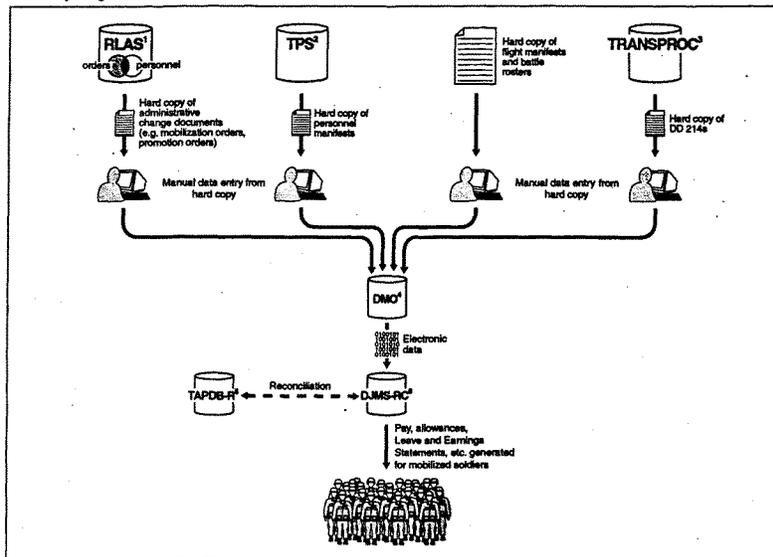
**Automated Systems Are Not Integrated and Have Limited Interfaces**

The key pay and personnel systems involved in authorizing, entering, processing, and paying mobilized Army Reserve soldiers are not integrated and have only limited interfaces. Figure 1 provides an overview of the key systems involved in authorizing, entering, processing, and making active duty payments to mobilized Army Reserve soldiers.

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<sup>7</sup>U.S. General Accounting Office, *Military Pay: Army National Guard Personnel Mobilized to Active Duty Experienced Significant Pay Problems*, GAO-04-89 (Washington, D.C.: Nov. 13, 2003).

Figure 1: Key Systems Involved In Authorizing, Entering, Processing, and Paying Mobilized Army Reserve Soldiers Are Not Effectively Integrated or Interfaced



Source: GAO.

Note:

- 1 - Regional Level Application System (RLAS)
- 2 - Tactical Personnel System (TPS)
- 3 - Transition Processing (TRANSPROC) System
- 4 - Defense Military Pay Office (DMO)
- 5 - Total Army Personnel Database - Reserve (TAPDB-R)
- 6 - Defense Joint Military Pay System - Reserve Component (DMS-RC)

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Lacking either an integrated or effectively interfaced set of personnel and pay systems, DOD must rely on error-prone, manual data entry from the same source documents into multiple systems. We found numerous instances in which pay-affecting personnel information was not entered promptly into the pay system, resulting in numerous pay errors.

We found several instances in which soldiers that were promoted while on active duty did not receive their pay raises when they should have because the promotion information was not promptly recorded in DJMS-RC. For example, one Army Reserve soldier's promotion was effective on July 1, 2003. However, the soldier's promotion was not processed in the pay system until October 2003, which delayed an increase in both his basic pay and basic allowance for housing. The soldier received his promotion pay, including back pay, in late October 2003, resulting in late payments totaling over \$2,700.

Lacking an effective interface between pay and personnel systems, DOD and the Army must rely on after-the-fact detective controls, such as pay and personnel system data reconciliations to identify and correct pay errors occurring as a result of mismatches between personnel and pay system data. However, even these reconciliations will not identify soldiers that are being paid for active duty while in inactive status because the Army Reserve personnel system currently does not maintain data to indicate whether or not soldiers are on active duty.

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**Limited Automated  
Processing Capabilities**

DJMS-RC was not designed to pay Army Reserve soldiers for active duty tours longer than 30 days. According to DOD officials, requiring DJMS-RC to process various types of pays for active duty tours that exceed 30 days has stretched the system's automated processing capabilities. Because of the system's limitations, the Army and DFAS were required to make monthly error-prone manual inputs for certain active duty pays, such as hardship duty pay. We found many instances in which these manual inputs resulted in payment errors. Moreover, because of the way in which hardship duty pay was processed and reported on soldiers' leave and earnings statements, mobilized Army Reserve soldiers could not always determine whether they received all of their entitled pays and allowances. In addition, because of current processing limitations, DJMS-RC cannot process a required tax exclusion promptly for soldiers in a combat zone. This processing limitation has resulted in late payments of this benefit for all entitled Army Reserve soldiers.

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**Hardship Duty Pay**

During our audit period, we found numerous errors in hardship duty pay as a result of a DJMS-RC processing limitation that required the use of a miscellaneous payment code for processing this type of pay. Because of the use of this miscellaneous code instead of a code specifically for hardship duty pay, this pay could not be automatically generated on a monthly basis once a soldier's eligibility was established. Therefore, hardship duty pay had to be manually entered every month for eligible soldiers.

We found that nearly all soldiers in our case studies who were eligible for hardship duty pay experienced problems with this pay, including late payments, underpayments, and overpayments. For example, the 065<sup>th</sup> Dental Company's soldiers from Seagoville, Texas, experienced both underpayments and overpayments. Specifically, all 86 soldiers deployed to Kuwait were underpaid a total of approximately \$8,000 for hardship duty pay they were entitled to receive during their deployment overseas. Subsequently, 76 of the unit's soldiers were overpaid a total of almost \$47,000 because they continued to receive hardship duty payments for more than 6 months after they had left the theater.

Both underpayments and overpayments, as well as late payments, of hardship duty pay occurred largely because of the reliance on manual processing of this pay every month. The errors often occurred because local area finance personnel did not receive accurate or timely documentation such as flight manifests or data from the Tactical Personnel System indicating when soldiers arrived or left the theater. As a result, finance personnel did not start these payments on time, and did not stop these payments as of the end of the soldiers' active duty tour date recorded in DJMS-RC.

Use of the miscellaneous code to process hardship duty pay also precluded the use of system edits as backup controls to prevent overpayments. Because a miscellaneous code is used for various types of payments, DFAS could not set up an edit to stop hardship duty pay after a soldier's active duty tour ended in the event finance personnel mistakenly continued to manually process hardship duty pay. Similarly, DFAS could not establish an edit to prevent duplicate payments of hardship duty pay processed using the miscellaneous code. As a result, hardship duty pay could be entered more than once for a soldier in a given month without detection. From our case studies, we identified three soldiers who each received two hardship duty payments for one month, resulting in total overpayments of \$250.

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Use of the miscellaneous payment code also made it difficult for soldiers to understand, and determine the propriety of, some of the payments reflected on their leave and earnings statements. Hardship duty pay and other payments that are processed using the miscellaneous code are reported on leave and earnings statements as "other credits." Furthermore, the leave and earnings statements did not provide any additional information about what the "other credits" were for unless pay clerks entered additional explanations in the "remarks" section of the statement, which they rarely did. As a result, lacking any explanations, soldiers often had no means to determine if these types of payments were appropriate and accurate.

Unit commanders told us that they relied on soldiers to identify any pay problems based on their review of their leave and earnings statements. However, because leave and earnings statements do not always provide adequate information or, as discussed previously, may not be available to soldiers while deployed, reliance on the soldiers to identify pay errors is not an effective control.

#### Combat Zone Tax Exclusion

In addition to soldiers' pay problems that occurred primarily because of the extensive use of manual processes, soldiers also experienced systematic problems with automated payments related to their combat zone tax exclusion, which resulted in late payments of this benefit for all soldiers in the seven case study units that deployed overseas. Soldiers are entitled to the combat zone tax exclusion for any month in which the soldier performs active service in a designated combat zone area.<sup>8</sup>

Because DJMS-RC was designed as a pay system for Army Reserve soldiers in weekend drill status, it does not have the processing capability to halt the withholding of applicable income taxes. Therefore, as a workaround procedure to compensate for this limitation, an automated process was established whereby the system first withholds taxes applicable to payments made while soldiers are in a combat zone, and then later reimburses soldiers for these withheld amounts in the following month. As a result of this workaround process, with few exceptions, Army Reserve soldiers who served in a designated combat zone received their combat zone tax exclusion benefit at least one month late.

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<sup>8</sup>26 U.S.C. Section 112.

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Soldiers experienced longer delays in receiving this benefit if they arrived in a combat zone after the midmonth cutoff for D/JMS-RC processing, which is approximately on the seventh day of each month. In these cases, entitlement to the tax exclusion was not recognized until the following month, which then delayed the soldier's receipt of his combat zone tax benefit until the next month—the third month the soldier was deployed in the combat zone. For example, members of the 824<sup>th</sup> Quartermaster Company that deployed to Afghanistan arrived in country on July 14, 2003, but did not receive their first combat zone tax exclusion reimbursements until early October, almost 3 months after they became eligible for the exclusion.

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### **Actions to Improve Accuracy and Timeliness of Mobilized Army Guard and Reserve Pay**

DOD and the Army have reported a number of relatively recent positive actions with respect to processes, human capital practices, and automated systems that, if implemented as reported, should improve the accuracy and timeliness of active duty pays, allowances, and related tax benefits provided to mobilized Army Reserve soldiers. Payroll payments to mobilized Army Reserve soldiers rely on many of the same processes and automated systems used for payments to mobilized Army National Guard soldiers. Consequently, actions to improve the accuracy and timeliness of Army Reserve soldier payments are closely tied to actions taken in response to several of the recommendations in our November 2003 Army National Guard pay report.<sup>9</sup>

Because many of DOD's actions in this area were implemented in the fall of 2003 or later, they were not in place soon enough to have had a positive impact on mobilized Army Reserve soldiers' payments that we audited through January 2004. However, if implemented as reported to us, many of DOD's actions in response to the recommendations in our November 2003 report should help reduce the incidence of the types of pay problems we identified for Army National Guard soldiers as well as those identified in the Army Reserve case study units I have presented today.

With respect to the process deficiencies and related recommendations, DOD reported implementing additional procedural guidance intended to help minimize the pay problems attributable to non-standard or unclear procedures. One of the purposes of this guidance is to eliminate any

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<sup>9</sup>GAO-04-89

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questions regarding which DOD entity is responsible for resolving a soldier's pay issues or questions. Further, as of January 2004, DOD reported establishing a new procedure under which DFAS assumed responsibility (from the Army finance offices located in various overseas locations) for all monthly manual entry of mobilized Army Reserve and Army National Guard soldiers' location-based hardship duty pays.

DOD also reported completing several actions related to our previous recommendations to improve the human capital practices related to payments to mobilized Army soldiers. For example, the Army reported that it had taken action to provide additional training for Army finance personnel at overseas finance locations and at mobilization and demobilization stations, as well as for those Army finance personnel scheduled for deployment. This training was directed at better ensuring that these personnel are adequately trained on existing and new pay eligibility and pay processing requirements for mobilized Army National Guard and Army Reserve soldiers. DOD also reported establishing a new policy in January 2004 directed at more clearly affixing responsibility for addressing soldiers' pay problems or inquiries. Under this new policy, the Army National Guard established a pay ombudsman to serve as the single focal point for ensuring coordinated, prompt customer service on all Army National Guard soldiers' pay problems.

With respect to automated systems, the Army and DFAS have acknowledged serious deficiencies in the current automated systems used to pay mobilized Army Reserve soldiers, and report that they have implemented a number of significant improvements, particularly to reduce an estimated 67,000 manual monthly entries for hardship duty pay. For example, in response to our recommendations in the National Guard report, DOD reported taking actions to (1) automate manual monthly hardship duty pay in March 2004, (2) eliminate the use of "other credits" for processing hardship duty pay and instead process these pays using a unique transaction code to facilitate implementing a system edit to identify and stop erroneous payments, (3) compare active duty release dates in the Army's system used to generate Release From Active Duty Orders with soldiers' end of active duty tour dates shown in DJMS-RC to identify and stop any erroneous active duty payments, and (4) increase the reliability and timeliness of documentation used to support soldiers' arrival at and departure from designated overseas locations.

Further, DOD has a major system enhancement effort underway in this area—the Defense Integrated Military Human Resources System

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(DIMHRS). As an interim measure, DOD is now pursuing Forward Compatible Payroll (FCP). FCP is intended to replace payroll systems now used to pay Army military personnel and help eliminate several of the labor-intensive, error-prone workarounds necessitated by current DJMS-RC processing limitations. As of May 2004, FCP was expected to be operational for all Army Reserve soldiers by March 2005.

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### Concluding Comments

The increased operating tempo for Army Reserve and Army National Guard active duty mobilizations has stressed the current processes, human capital, and automated systems relied on to pay these soldiers. The significant number of problems we identified associated with active duty pay, allowances, and related tax benefits provided to mobilized Army Reserve soldiers at eight case study locations raises serious concerns about whether current operations can be relied on to provide accurate and timely payments. These pay problems caused considerable frustration, adversely affected soldiers' morale, and placed an additional unnecessary burden on both the soldiers and their families. Further, if not effectively addressed, these pay problems may ultimately have an adverse impact on Army Reserve reenlistment and retention.

Strengthening existing processes, human capital practices, and automated systems is critical to preventing, or at minimum, promptly detecting and correcting the errors we identified. In this regard, DOD and the Army have reported a number of relatively recent positive actions intended to improve the accuracy and timeliness of active duty pays, allowances, and related tax benefits provided to mobilized Army Reserve soldiers. DOD's completed and planned near-term actions, if implemented as reported, should reduce the number of pay problems.

However, mobilized Army Reserve soldiers cannot be reasonably assured of accurate and timely active duty pays, allowances, and related tax benefits until DOD completes a reengineering of all the processes, human capital practices, and automated systems supporting this critical area. Fully and effectively addressing Army Reserve soldiers pay problems will require priority attention and sustained, concerted, coordinated efforts by DFAS, the Army, and the Army Reserve to build on actions taken and planned.

Finally, I commend the Chairman and Vice Chairman for holding an oversight hearing on this important issue. Your Committee's continuing interest and diligence in overseeing efforts to effectively and efficiently

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support our Army Guard and Reserve forces will be essential in bringing about comprehensive and lasting improvements to many decades-old, entrenched problems. We are committed to continuing to work with you and DOD to identify and monitor actions needed to bring about comprehensive and lasting solutions to long-standing problems in its business and financial management operations.

Mr. Chairman, this concludes my statement. I would be pleased to answer any questions you or other members of the Committee may have at this time.

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**Contacts and  
Acknowledgments**

For further information about this testimony, please contact Gregory D. Kutz at (202) 512-9095 or [kutzg@gao.gov](mailto:kutzg@gao.gov). Individuals making key contributions to this testimony include James D. Berry Jr., Amy C. Chang, Francine M. DeVecchio, Geoffrey B. Frank, Jennifer L. Hall, Ken Hill, Kristi L. Karls, Jason M. Kelly, Tram Le, Julia C. Matta, Jonathan T. Meyer, Michelle Philpott, John J. Ryan, Jennifer F. Wilson, Leonard E. Zapata.

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## Background

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While on active duty, all Army Reserve soldiers earn various statutorily authorized types of pays and allowances. The types and amounts of pay and allowances that Army Reserve soldiers are eligible to receive vary depending upon rank and length of service, dependency status, skills and certifications acquired, duty location, and the difficulty of the assignment. While Army Reserve soldiers mobilized to active duty may be entitled to receive over 50 types of pays and allowances, we focused on 14 types of pays and allowances applicable to the Army Reserve units we selected for case studies. As shown in table 2, we categorized these 14 pay and allowance types into two groups: (1) pays, including basic pay, medical and dental and foreign language proficiency skill-based pays, and location-based hostile fire and hardship duty pays, and (2) allowances, including allowances for housing, subsistence, family separation, and cost of living for the continental United States.<sup>1</sup>

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<sup>1</sup>The law makes a distinction between the terms "pays" and "allowances" which together make up a service member's overall compensation package. Generally, the term pay includes basic pay, special pay, retainer pay, incentive pay, retired pay, and equivalent pay, but does not include allowances. 37 U.S.C. Section 101(21). DOD defines allowance as "a monetary amount paid to an individual in lieu of furnished quarters, subsistence, or the like." DOD Financial Management Regulation, vol. 7A, *Definitions*, para. 15 (February 2001). While generally items considered as "pay" are taxable for federal income tax purposes, except for the cost of living allowance for the continental United States, most allowances, such as those for housing, subsistence, and family separation, are not.

Appendix I  
Background

**Table 2: Active Duty Pays and Allowances Associated with Case Study Units**

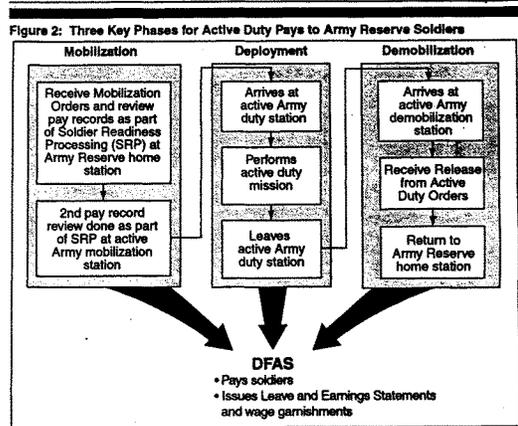
Pays	Description	Dollar amount
Basic pay	Salary	Varies depending on rank and years of service
Hazardous duty pay (Jump pay)	Pay for parachute jumping	\$150 per month
Aviation career incentive pay	Pay for officers performing operational flying duty	Varies from \$125 to \$840 per month based on years of aviation service
Foreign language proficiency pay	Pay for specialized foreign language skills	Varies depending on proficiency but may not exceed \$300 per month
Hardship duty location pay for designated areas	Pay when assigned to duty in specified locations	\$50, \$100, or \$150 per month (depending on duty location)
Hardship duty location pay for certain places (phase out began on January 1, 2002)	Pay to enlisted soldiers when assigned to duty in specified locations	Varies from \$8 to \$22.50 per month depending on rank
Medical and dental pay	Various special entitlements and incentives for medical and dental professionals	Varies from \$100 per month to \$3,000 per month depending on medical specialty, professional qualifications, and creditable service
Hostile fire/imminent danger pay	Full pay for any portion of month when assigned to a location subject to or in close proximity to hostile fire or assigned to duty in a designated imminent danger location	\$150 per month through September 30, 2002, \$225 per month, effective October 1, 2002, through December 31, 2004.
<b>Allowances</b>		
Basic allowance for housing	Meant to offset the cost of housing when member does not receive government-provided housing	Varies depending on location, rank, and whether member has dependents
Basic allowance for subsistence	Meant to offset costs for a member's meals	Varies depending on whether member is officer or enlisted
Family separation allowance I	Meant to offset added housing expenses resulting from forced separation from dependents	Equivalent to monthly basic allowance for housing for member of same rank without dependents
Family separation allowance II	Meant to offset certain expenses resulting from forced separation from dependents	\$100 per month from January 1, 1998, through September 30, 2002; \$250 per month effective October 1, 2002, through December 31, 2004
Cost of living allowance in the continental United States	Meant to provide compensation for variations in costs (other than housing) in the continental United States	Varies depending on location, rank, years of service, and whether member has dependents
Overseas housing allowance	Meant to provide compensation for variations in housing costs overseas	Varies depending on location, rank and whether the member has dependents

Source: GAO.

**Mobilization Phases**

As shown in figure 2, three key phases are associated with the pays and allowances applicable to mobilized Army Reserve soldiers:

(1) mobilization: starting applicable active duty pays and allowances, (2) deployment: starting and stopping applicable location-based active duty pays while continuing other nonlocation-based active duty pay and allowance entitlements, and (3) demobilization: stopping active duty pays and allowances.



**Mobilization**

During mobilization, units receive alert orders and begin preparing for active duty by conducting Soldier Readiness Processing (SRP) at the unit's home station. Among other things, the SRP is intended to ensure that each soldier's financial records are in order. The unit administrator is supposed to gather all necessary documentation for each soldier and send it to the U.S. Army Reserve Pay Center (UPC). There, pay technicians enter transactions to initiate basic pays and allowances for the mobilized soldiers based on soldiers' mobilization orders and documentation sent by the unit.

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 Appendix I  
 Background
 

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After the initial SRP, soldiers go as a unit to an assigned active duty Army mobilization station, where they undergo a second SRP. As part of this second SRP, finance personnel at the mobilization station are responsible for confirming or correcting the results of the first SRP, including obtaining any necessary documentation and promptly initiating appropriate active duty pay and allowance transactions that were not initiated during the first SRP.<sup>2</sup>

## Deployment

While deployed on active duty, there are several active Army and DFAS components involved in paying mobilized Army Reserve personnel. The Army area servicing finance office, which may be within the United States or in a foreign country, is responsible for initiating pays earned while the soldier is located in certain specified locations, such as location-based pays for hostile fire and hardship duty. Pay technicians at these area servicing finance offices are responsible for starting these types of pays for each soldier based on documentation, such as annotated battle rosters or flight manifests, showing when soldiers arrived at these designated locations.

While the designated Army area servicing finance offices have primary responsibility for administering pay for deployed Army Reserve soldiers, finance personnel at the cognizant mobilization station or at the UPC can also enter certain pay-altering transactions that occur during deployments, such as those related to a soldier's early separation from active duty. In addition, the UPC has responsibility for entering all monthly nonlocation-based, nonautomated pay and allowance transactions, such as foreign language proficiency pay.

## Demobilization

Upon completion of an active duty tour, Army Reserve soldiers normally return to the same active Army locations from which they were mobilized for demobilization processing before returning to their home stations. There, each soldier should receive a copy of the Release from Active Duty (REFRAD) order and a Form DD 214, Certificate of Release or Discharge from Active Duty. Pay technicians at the demobilization station are required to use the date of release from active duty shown on these documents as a basis for stopping all Army Reserve soldiers' active duty pay and allowances. The UPC is responsible for discontinuing monthly input of all nonlocation-based, nonautomated pays and allowances. If the

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<sup>2</sup> Transactions to initiate and terminate pays for all mobilized Army Reserve soldiers entitled to receive special medical and dental pay entitlements are entered and processed centrally at DFAS-IN.

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**Appendix I  
Background**

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demobilization station did not take action to stop active duty pays for demobilized Army Reserve soldiers, or if a soldier did not return to the demobilization station for active duty out-processing, the responsibility for stopping active duty pays and allowances falls to the soldier's unit or the UPC.

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## Scope and Methodology

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Because current DOD operations used to pay mobilized Army Reserve soldiers relied extensively on error-prone, manual transactions entered into multiple, nonintegrated systems, we did not statistically test controls in this area. Instead, we audited eight Army Reserve units as case studies to provide a detailed perspective on the pay experiences of mobilized Army Reserve soldiers. Each of these units had mobilized, deployed, and demobilized at some time during the 18-month period from August 2002 through January 2004. Using data supplied by the Army Reserve Headquarters Operations Center, we selected case study units that had a variety of deployment locations and missions.

To identify the pay experiences associated with each case study unit, we obtained and analyzed DJMS-RC pay transaction extracts and other available documentation. We also conducted follow-up inquiries with cognizant personnel at the Army Reserve Command, Regional Readiness Command, and the Army Reserve Pay Center. Because our objective was to provide insight into the pay experiences of mobilized Army Reserve soldiers, we did not perform an exact calculation of the net pay soldiers should have received. Our audit results reflect only problems that we identified and we counted problems only once in the phase in which they first occurred, even though the problems we identified sometimes extended into subsequent phases. Soldiers in our case study units may have experienced additional pay problems that we did not identify.

For purposes of characterizing pay and allowance problems for this report, we defined overpayments and underpayments as those that were in excess of (overpayment) or less than (underpayment) the entitled payment. We considered as late payments any active duty pay or allowance paid to the soldier over 30 days after the date on which the soldier was entitled to receive such payments. In addition, while we did not attempt to calculate the exact impact of any soldier over, under, and late payments on their combat zone tax exclusion benefits, we did examine readily available data to determine the extent to which our case study unit soldiers' experienced problems with their entitled combat zone tax exclusion benefits.

In addition, we conducted a number of other procedures, including

- Observing procedures and practices followed by the various DOD components involved in providing active duty pays and allowances to Army Reserve soldiers;

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**Appendix II**  
**Scope and Methodology**

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- Interviewing recently demobilized soldiers about their pay experiences while mobilized; and
- Reviewing selected edit and validation checks in DJMS-RC, and certain data entry processes for DJMS-RC.

We conducted our audit work from November 2003 through June 2004 in accordance with U.S. generally accepted government auditing standards. Further details on our scope and methodology will be provided in our soon-to-be-issued report.

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## Summaries of Case Studies

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We audited the pay experiences of soldiers in the following eight Army Reserve units as case studies of the effectiveness of the processes, human capital practices, and automated systems in place over active duty pays, allowances, and related tax benefits:

- 824<sup>th</sup> Quartermaster Company, Fort Bragg, N.C.
- 966<sup>th</sup> Dental Company, Seagoville, Tex.
- 948<sup>th</sup> Forward Surgical Team, Southfield, Mich.
- 443<sup>rd</sup> Military Police Company, Owings Mills, Md.
- FORSCOM Support Unit, Finksburg, Md.
- 629<sup>th</sup> Transportation Company, Ft. Eustis, Va.
- 3423<sup>rd</sup> Military Intelligence Detachment, New Haven, Conn.
- 431<sup>st</sup> Chemical Detachment, Johnstown, Pa.

These case studies are presented to provide an overview of the types and causes of any pay problems experienced by these units. We selected regional readiness commands that had a large number of activated Reserve units that had mobilized, deployed, and returned from their tour of active duty in support of Operations Noble Eagle, Enduring Freedom, and Iraqi Freedom. From the list of units assigned to these Readiness Commands, we selected eight case studies that had a variety of deployment locations and missions, including both overseas and continental U.S. deployments.

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 Appendix III  
 Summaries of Case Studies
 

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**824<sup>th</sup> Quartermaster  
 Company  
 Fort Bragg, NC**

**Number of mobilized unit soldiers' pays audited: 68**

**Period of mobilization: February 2003 to September 2003**

**Principal deployment location: Kuwait and surrounding locations, Afghanistan, and Fort Bragg, NC**

**Deployment duties: Rigged parachutes for individual soldiers and large equipment drops.**

**Number of unit soldiers with at least one problem with active duty pay and allowance entitlements: 58 of 68**

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**Unit Pay and Allowance Problems Identified (by Phase)**

Phase	Number of soldiers with pay problems
Mobilization	11 of 68
Deployed	50 of 68
Demobilization	13 of 68

Source: GAO.

**Overpayments identified (number of soldiers affected): \$60,000 (57)**

**Late payments identified (number of soldiers affected): \$3,000 (9)**

**Underpayments identified (number of soldiers affected): \$10,000 (49)**

**Combat zone tax exclusion benefit problems identified: All 49 soldiers deployed overseas received their combat zone tax exclusion benefit at least 1 month late, totaling about \$20,000. In addition, approximately \$1,300 was over-withheld from 5 soldiers.**

**Examples of specific problems identified:**

- Nine soldiers were paid family separation allowance even though they remained at their home station and worked within their normal commuting distance of fewer than 50 miles. Another soldier did not

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Appendix III  
Summaries of Case Studies

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receive his entitled family separation allowance, totaling \$1,400, until the end of his active duty tour.

- Forty-nine soldiers were underpaid hardship duty pay
- Forty-seven soldiers continued to receive hardship duty pay payments for up to 5 months following their return home, totaling \$30,000.
- Forty-four soldiers that were deployed overseas were overpaid hostile fire pay.
- One soldier who demobilized early due to a medical condition continued to receive active duty pay and entitlements until the end of January 2004 when we identified the error, resulting in an overpayment of about \$18,000.

**965<sup>th</sup> Dental Company  
Seagoville, Tex****Number of mobilized unit soldiers' pays audited:** 93**Period of mobilization:** February 2003 through July 2003**Principal deployment location:** Camp Arifjan, Kuwait**Deployment duties:** Provided emergency dental services**Number of unit soldiers with at least one problem with active duty pay and allowance entitlements:** 89 of 93**Pay and Allowance Problems Identified (by Phase)**

Phase	Number of soldiers with pay problems
Mobilization	25 of 93
Deployed	86 of 93
Demobilization	7 of 93

Source: GAO.

**Overpayments identified (number of soldiers affected):** \$100,000 (86)**Late payments identified (number of soldiers affected):** \$16,000 (86)**Underpayments identified (number of soldiers affected):** \$27,000 (65)**Combat zone tax exclusion benefit problems identified:** 75 of the 85 soldiers deployed overseas received their combat zone tax exclusion benefit 2 to 3 months late, totaling approximately \$24,000. In addition, we identified \$200 in over-withholdings and \$300 in under-withholdings.**Examples of specific problems identified:**

- Eighty-five soldiers were underpaid for hardship duty pay of \$8,000
- Sixty-six soldiers received hardship duty pay totaling \$47,000 for at least 6 months after leaving Kuwait.

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- One soldier received mobilization orders but did not report to the unit's mobilization station. Nonetheless, he received \$36,000 of active duty pay for over 12 months. These overpayments continued until we discovered them during our audit.
- Another soldier received hostile fire pay, hardship duty pay, family separation allowance, and the combat zone tax exclusion benefits that he was no longer entitled to receive after he left his designated overseas deployment location early as a result of severe illness incurred during his active duty mobilization.
- One soldier received a duplicate basic allowance for housing allowance payment of \$6,600.

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**948th Forward Surgical  
 Team, Southfield, MI**

**Number of mobilized unit soldiers' pays audited:** 20

**Period of mobilization:** January 2003 to September 2003

**Principal deployment location:** Kandahar, Afghanistan

**Deployment duties:** Provide emergency medical care to soldiers and civilians in the field

**Number of unit soldiers with at least one problem with active duty pay and allowance entitlements:** 20 of 20

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**Pay and Allowance Problems Identified (by Phase)**

Phase	Number of soldiers with pay problems
Mobilization	5 of 20
Deployed	20 of 20
Demobilization	18 of 20

Source: GAO.

**Overpayments identified (number of soldiers affected):** \$20,700 (20)

**Late payments identified (number of soldiers affected):** \$5,600 (20)

**Underpayments identified (number of soldiers affected):** \$2,000 (5)

**Combat zone tax exclusion benefit problems identified:** All 20 unit soldiers deployed overseas received their combat zone tax exclusion benefits at least 1 month late, totaling \$15,300. In addition, we identified \$130 that was over-withheld.

**Examples of specific problems identified:**

- After arriving in Afghanistan, (1) 19 soldiers waited 47 days to receive their initial hostile fire pay, (2) 19 soldiers received their February hardship duty pay in April, and (3) 20 soldiers waited 67 days before receiving their initial combat zone tax exclusion benefit.

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- A sergeant spent 100 hours in late April 2003 attempting to resolve the unit's pay problems. Several soldiers were forced to borrow money to meet financial obligations.
  - Nineteen soldiers continued to receive hardship duty pay for a period ranging from 1 to 5 months after leaving Afghanistan.

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**443<sup>rd</sup> Military Police  
 Company,  
 Owings Mills, MD**

**Number of mobilized unit soldiers' pays audited:** 121

**Period of mobilization:** February 2003 to January 2004

**Principal deployment location:** Camp Cropper, Baghdad Airport, Iraq

**Deployment duties:** Guard Iraqi prisoners at Camp Cropper

**Number of unit's soldiers with at least one problem with active duty pay and allowance entitlements:** 119 of 121

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**Pay and Allowance Problems Identified (by Phase)**

Phase	Number of soldiers with pay problems
Mobilization	70 of 121
Deployed	114 of 121
Demobilization	17 of 121

Source: GAO.

**Overpayments identified (number of soldiers affected):** \$25,000 (48)

**Late payments identified (number of soldiers affected):** \$20,000 (110)

**Underpayments identified (number of soldiers affected):** \$15,000 (114)

**Combat zone tax exclusion benefit problems identified:** One hundred twelve of the 114 unit soldiers deployed overseas received their combat zone tax exclusion benefits at least 1 month late, totaling an estimated \$33,000. In addition, we identified \$600 in under-withholding and \$400 over-withholdings.

Examples of specific problems identified:

- Bi-weekly trips to Kuwait were required for 5 months to address unit pay issues.
- One hundred thirteen soldiers did not receive their last month's hardship duty pay.

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- Six unit soldiers were paid beyond their date of separation from the Army, including 1 soldier who was overpaid about \$10,500.

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**FORSCOM Support  
 Unit Finksburg, MD**

**Number of mobilized unit soldiers' pays audited:** 1

**Period of mobilization:** March 2003 to May 2003

**Principal deployment location:** Camp Doha, Qatar

**Deployment duties:** Provided briefings to the Air Force's 379<sup>th</sup> Expeditionary Force on the status and positions of Army and other coalition ground forces

**Number of unit soldiers with at least one problem with active duty pay and allowance entitlements:** 1 of 1

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**Pay and Allowance Problems Identified (by Phase)**

Phase	Number of soldiers with pay problems
Mobilization	0 of 1
Deployed	1 of 1
Demobilization	1 of 1

Source: GAO.

**Overpayments identified (number of soldiers affected):** \$8,000 (1)

**Late payments identified (number of soldiers affected):** \$300 (1)

**Underpayments identified (number of soldiers affected):** \$0 (1)

**Combat zone tax exclusion benefit problems identified:** This soldier received his combat zone tax exclusion benefit after he demobilized, an estimated \$2,500 late.

Examples of specific problems identified:

- Nearly a year of an estimated 20 phone calls, faxes, and letters to DFAS and Army customer service representatives at five locations were required to identify and resolve an overpayment of \$8,000.
- Did not receive any hostile fire pay until after he demobilized.

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- Soldier continued to receive active duty pays and allowances for a month after demobilizing.

**629<sup>th</sup> Transportation  
Detachment  
Fort Eustis, VA**

**Number of mobilized unit soldiers' pays audited: 24**

**Period of mobilization: March 2003 to January 2004**

**Principal deployment location: Kuwait**

**Deployment duties: Tracking logistics supplies in and out of Kuwait**

**Number of unit soldiers with at least one problem with active duty pay and allowance entitlements: 24 of 24**

**Pay and Allowance Problems Identified (by Phase)**

<b>Phase</b>	<b>Number of soldiers with pay problems</b>
Mobilization	5 of 24
Deployed	24 of 24
Demobilization	1 of 24

Source: GAO.

**Overpayments identified (number of soldiers affected): \$3,000 (24)**

**Late payments identified (number of soldiers affected): \$14,000 (23)**

**Underpayments identified (number of soldiers affected): \$2,000 (24)**

**Combat zone tax exclusion benefit problems identified:** While we did not attempt to quantify, nearly all soldiers deployed overseas received their combat zone tax exclusion benefit at least 1 month late.

**Examples of specific problems identified:**

- Twenty-three of 24 soldiers deployed to Kuwait received duplicate payments of \$75 for hostile fire pay during their initial month of deployment.
- Twenty-three of 24 soldiers were underpaid hardship duty pay for 1 to 2 months during their overseas deployment.

**3423<sup>rd</sup> Military  
Intelligence  
Detachment  
New Haven, CT**

**Number of mobilized unit soldiers' pays audited: 11**

**Period of mobilization: December 2002 to December 2003**

**Deployment location: Ft. Belvoir, Virginia**

**Deployment duties: Analyzed intelligence information for U.S. Army Intelligence and Security Command**

**Number of unit soldiers with one (or more) problems with pay and allowance entitlements associated with active duty mobilization: 11 of 11**

**Pay and Allowance Problems Identified (by Phase)**

Phase	Number of soldiers with pay problems
Mobilization	10 of 11
Deployed	9 of 11
Demobilization	9 of 11

Source: GAO.

**Overpayments identified (number of soldiers affected): \$18,500 (10)**

**Late payments identified (number of soldiers affected): \$5,000 (9)**

**Underpayments identified (number of soldiers affected): \$4,000 (6)**

**Combat zone tax exclusion benefit problems identified: None, because the soldiers were not eligible for this benefit.**

**Examples of specific problems identified:**

- Nine soldiers erroneously began receiving the overseas cost of living allowance, rather than the continental U.S. cost of living allowance, at the beginning of the mobilization. This created \$3,500 in overpayments and \$700 in late payments for the unit.

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- Nine soldiers continued to receive their active duty pays and entitlements for 13 to 28 days after demobilization, resulting in \$14,000 in overpayments.

**431<sup>st</sup> Chemical  
Detachment  
Johnstown, PA****Number of mobilized unit soldiers' pays audited:** 10**Period of mobilization:** January 2003 to July 2003**Principal deployment location:** Kuwait and surrounding locations**Deployment duties:** Monitor battlefields for sign of nuclear, biological, or chemical agents**Number of unit soldiers with at least one problem with active duty pay and allowance entitlements:** 10 of 10**Pay and Allowance Problems Identified (by Phase)**

Phase	Number of soldiers with pay problems
Mobilization	2 of 10
Deployed	10 of 10
Demobilization	0 of 10

Source: GAO.

**Overpayments identified (number of soldiers affected):** \$12,000 (10)**Late payments identified (number of soldiers affected):** \$1,000 (8)**Underpayments identified (number of soldiers affected):** \$2,000 (10)**Combat zone tax exclusion benefit problems identified:** While we were unable to quantify, nearly all soldiers deployed overseas received their combat zone tax exclusion benefit at least 1 month late.**Examples of specific problems identified:**

- While deployed to Kuwait, (1) 8 of 10 soldiers did not receive their first month's hostile fire pay and (2) all 10 soldiers did not receive hardship duty pay for the first month after arrival overseas.
- All 10 soldiers continued to receive hardship duty pay payments for up to 7 months following their return home, despite the unit administrator's attempts to get the pay stopped through the unit's chain of command.

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The unit administrator also accessed the pay hotline at 888-PAY-ARMY, but was placed on hold for such a long time that she gave up.

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Mr. PLATTS. So next, Lieutenant Colonel Campbell.

Colonel CAMPBELL. Mr. Chairman, members of the subcommittee, thank you for giving me the opportunity to present to you some of the pay problems experienced by our unit during activation from December 2002 to December 2003.

First, every unit member voluntarily signed a waiver to allow the National Intelligence Center to activate our unit in a minimum amount of time, due to a need for personnel at the Army Intelligence and Security Command, INSCOM, at Fort Belvoir. The unit left literally within days of being notified, reported to Fort Meade for in-processing, and then on to INJET for a week's training before leaving for Fort Belvoir. The 94th RSC processed our original orders and did the Soldier Readiness Program and in fact did an excellent job of getting everyone paid and into the system and paid the very first pay period we were eligible. Pay entitlements such as COLA, basic housing allowance, and separation pay were a constant source of concern after that, because there was always someone in the unit not being paid, overpaid, or underpaid.

The problem here is that the system requires money paid wrongly to be collected back, and then the correct amount is disbursed to the individual, often taking weeks or months to complete one incorrect payment. The fact is that the system got the basic pay correct most of the time, and that relieved some of the stress of getting funds back home.

The DFAS accounting and finance system has some serious issues with getting personnel pay. DFAS had new systems, new personnel, and a host of other factors impacting personnel getting paid. These reasons were given to us at different times as we worked to solve the individual per-diem pay issues at INSCOM. This situation was made worse by deployments. As they increased, DFAS fell behind at paying travel vouchers.

The mandatory use of government-issued Visa cards for all payments for housing made a bad situation worse. And due to unit personnel having to meet the 11th of each month by regulation, it was almost impossible for DFAS to get the funds back to us in time to make their credit cards, often resulting in people's credit cards being suspended. We asked that every unit member have their credit card limit increased, and that was done after we made a written request to do so.

Mr. Chairman, what I just described is the financial world we lived in when dealing with credit card and pay issues. I had a situation, a situation with over 40 other reservists assigned to INSCOM was made worse by the actions and behaviors of some individuals assigned to INSCOM. I take no pleasure in telling the committee that our unit and many other reservists were victimized throughout our deployment, and then for months afterwards, trying to correct the wrongs done to us.

The problems started with our first travel voucher sent to DFAS. Some were paid as submitted for the full per diem and some were not. When the problems were brought to DFAS, Mr. Sands at DFAS ruled that the 1-800-Go-Army S&A statements and auditability were good, and they corrected the pay for everyone. We figured that was the end of the problem. We were wrong. The situation continued because of an interpretation made of the PPG by

Captain Cleveland, the finance officer at INSCOM, who notified DFAS that in fact we should not be paid per diem because the PPG stated the maximum use of facilities was required, and those on Operation Noble Eagle were required to use the dining facilities, so per diem should be stopped.

The situation got to the point that General Fay, the Deputy Commander for INSCOM, formed what he called a per-diem committee to review what could be met at the PPG and what could not. After months of their review, it was determined that, in fact, we were in fact entitled to the per diem, and the per-diem committee ended its work and we moved on, thinking again that the process was finally over and we were going to be paid and everything would be fine.

We moved on to demobilization in November. And while we were at Fort Meade demobilizing, personnel started receiving e-mails that in fact a collection effort had been initiated by DFAS to collect money for the period that the per diem committee was operating. The request was made via Captain Cleveland and Mr. Scarfo, GG-15 at INSCOM, saying that General Fay intended that people use the dining facilities during the per-diem committee's work. I talked to General Fay a number of times during this, and that was never his intention. And when I called Mr. Scarfo from Fort Lee, he claimed that Captain Cleveland of the financial initiated it, and Captain Cleveland told me that Mr. Scarfo initiated it.

So we contacted General Fay, who knew nothing about the collection effort, and in fact said he would look into it. Subsequently, I received an e-mail where he notified INSCOM and Mr. Scarfo to cancel the collection, he never intended for that to happen. But since he had moved on, was promoted, and was no longer at INSCOM, his request was ignored. The problem was settled a number of months later when Colonel Harthcock, the then-deputy commander, got involved and he personally informed DFAS to stop all collection efforts after he reviewed the situation and decided that in fact we were entitled.

I must say at this point that all the operations officers at INSCOM worked diligently to help us and they challenged the actions against us. But they have to operate within the system. And when senior administrators and people in positions of responsibility such as the finance officer contact DFAS and request that collection actions happen, they happen.

In conclusion, I would just like to say that the ability of finance officers and other civilian supervisors in senior positions to dictate the DFAS collection efforts against individual reservists is an area that needs to be reviewed by this committee.

Thank you for your time and patience and listening to my testimony today.

Mr. PLATTS. Thank you, Colonel Campbell. We appreciate your testimony and, again, your service to our Nation in uniform.

Major George Riggins.

Major RIGGINS. Mr. Chairman, members of the subcommittee, thank you for inviting me to testify at this hearing today.

I enlisted in the U.S. Army in 1984, and gained a broad perspective of the military having served on Active Duty for 13 years as an enlisted soldier, a Warrant Officer candidate, a West Point cadet, and a commissioned officer. I subsequently served for 6

years as a member of the Individual Ready Reserve and as an individual mobilization augmentee. On August 29, 2003, at the rank of major, I received an honorable discharge from the U.S. Army Reserve. Currently I reside, as noted by the Chairman, with my 8-year-old son in Maryland while my wife is deployed in Iraq.

I was motivated to testify here today by a desire to provide one officer's perspective on how to improve the military pay system.

In January 2003, as America was gearing up for the brewing conflict in Iraq, I volunteered to be moved from the Individual Ready Reserve into any needed capacity. Activated on March 6, 2003, I mobilized at Fort McPherson, GA, and was subsequently assigned as a ground liaison officer to the 379th Air Expeditionary Wing in Doha, Qatar. I arrived in theater on March 25th, and returned to the United States May 1st.

My pay issues began during my time in theater. I realized that I was not receiving my hostile-fire pay, and that excessive taxes were being withheld due to the pay system not recognizing my combat zone and tax exclusion. Upon bringing this matter to the attention of the Air Force pay office at my location, I was told that since I was in the Army they could not help me. I then attempted to contact the Defense Finance and Accounting Service [DFAS], via e-mail and was informed I needed to contact the pay office at Fort McPherson. Due to the time difference, my duty schedule, and communications restrictions during combat operations, I was unable to contact anyone at Fort McPherson. Since I was receiving the bulk of my pay, and my civilian employer was also generously making up the difference between my military pay and my civilian salary, my family was not in jeopardy of falling delinquent on any of their bills. Because of this, I chose to focus on my mission at hand and resolve the pay issues when I returned to the States.

When I returned to Fort McPherson in May, I detailed the difficulty I had to the pay office, and was informed that the problem would be corrected and I would receive the moneys owed to me.

I completed my demobilization on May 15th and returned home. The following month, I recognized that I was still being paid and immediately contacted DFAS. They directed me back to the demobilization station at Fort McPherson. The official at Fort McPherson informed me that in an effort to ensure that my underpayment had been corrected, they had left me in the pay system. Unfortunately, once the problem had cleared, they failed to remove me from that pay system. They informed me that this mistake resulted in my receiving \$6,150.75 in overpayment, and provided me with the address to return the money. I subsequently submitted a check on July 25th, returning the full amount that I had been informed to return.

Subsequent to this, I continued to receive leave and earning statements indicating that I still owed an additional \$1,140.54. This led to a series of phone calls spanning 10 months, where I was passed off from one organization to another. The Fort McPherson office told me to contact DFAS in Cleveland. DFAS Cleveland initially told me to contact the debt collections office. They informed me that I wasn't in their system and that I did not need to worry about this issue. Upon receiving additional statements of obligation, I began to become concerned for my personal credit rating,

and phoned DFAS Cleveland again. This time I was told that only DFAS in Indianapolis could help me, but that I wasn't allowed to have their phone number and I needed to call back to my demobilization office at Fort McPherson.

Repeated calls to both the individual handling my file and to her supervisor went unresolved. In March 2004, I came across a small article in the Army Times requesting that reservists with pay difficulties contact the Government Accountability Office [GAO], as they were performing a study. At that point, it had been 1 year since I had mobilized, and it had been 7 full months since I had been discharged from the Army entirely. I provided the GAO with all the information pertaining to my case in hopes that their investigation would accelerate the resolution of my own personal case.

In April I again contacted the Fort McPherson pay office, and this time I informed them that the GAO had expressed interest in my situation. I was passed to a soldier who informed me that at this point he couldn't review my records because they had been purged from the system. So on Thursday, April 15th, I provided him with a faxed copy of all my leave and earning statements from the past year, and he was able to reconstruct my pay history. The sergeant quickly identified the problem and communicated it back to me the following Tuesday. This entire situation stemmed from the fact that the original calculation for what I owed did not take into account income taxes. I was required to reimburse the government an additional \$1,140 for money that was withheld from the money that I had initially received in overpayment. In essence, I was being asked to pay back money that I had never received. The sergeant informed me that once the check was received, a recalculation would be performed and I would be reimbursed for anything due back to me. I sent the full amount to DFAS, and the check cleared on May 13, 2004. As of today, 2 months later, I have not yet received any indication reflecting the final recalculation.

The entire event originating primarily from human error spanned over a year and consumed countless hours by myself, the various individuals at Fort McPherson, DFAS, GAO, and now Congress. It is a case that illuminates inadequacies that require addressing in order to adequately provide pay and benefits to the thousands of soldiers, sailors, and airmen deployed in the service of our Nation.

I respectfully submit the following recommendations for your consideration: First, local finance offices, regardless of branch of service, need to be able to address a deployed service member's needs. In this day and age, we are moving more toward joint operations than ever before in our military's history. A service member should not have to contact a pay office on the other side of the Earth in order to resolve a problem when a pay office from another branch of the service is located 100 yards away. The key to resolving this is through automation and standardization. Web-based secure interfaces into a joint pay system would allow authorized pay officials to make necessary changes from any location. By standardizing the system across all service branches, training requirements are minimized.

Second, create a second-tier organization able to handle unique and complicated pay problems. In the current system, regardless of

what organization that I spoke with, I was sent back to the same spot where the problem had originated. While human error is excusable, as leaders we need to develop methods and procedures for organizations to overcome these errors. The creation of an organization within DFAS that our individual service members can turn to in order to escalate persistent problems will provide the means necessary to rectify problems caused by human error. This is especially important to individual augmentees who do not have a divisional relationship with any one pay office.

Finally, expand the training of the existing work force to minimize the occurrence of those human errors. We are currently facing a time where the active components are relying heavily on augmentation from the Reserve and National Guard in order to meet the ever-increasing demands for forces deployed. It is imperative that the individuals charged with the handling of these pay and benefits be well versed in what is required to effectively care for the units and individual augmentees. An effective training plan addressing these needs would resolve many of these issues.

While this experience has been personally frustrating, I count myself as extremely lucky. My family and I were never at risk of meeting any of our obligations due to these problems. However, it is easy to see that issues such as these could be financially devastating to the young soldiers whose sole income supporting the family is derived from their military paycheck. These soldiers are already deployed in the far reaches of the world, facing life-and-death decisions on a daily basis. They should not also be burdened with wondering if their spouse at home will be able to make a car payment or feed their child.

Mr. Chairman, subject to your questions, this concludes my testimony.

[The prepared statement of Major Riggins follows:]

Testimony of George W. Riggins  
Before the United States House of Representatives  
Subcommittee on Government Efficiency and Financial Management  
July 20, 2004

Mr. Chairman, Members of the Subcommittee, thank you for inviting me to testify at this hearing today. My name is George Riggins. I enlisted in the United States Army in 1984 and gained a broad perspective of the military having served on active duty for 13 years as an enlisted soldier; a Warrant Officer Candidate; a West Point Cadet; and a commissioned officer. I subsequently served for six years as a member of the Individual Ready Reserve and as an Individual Mobilization Augmentee. On August 29, 2003, at the rank of Major, I received an honorable discharge from the United States Army Reserve. Currently, I reside with my eight year old son in Maryland while my wife is deployed with the Army National Guard in Iraq.

I was motivated to testify here today by a desire to provide one officer's perspective on how to improve the military pay system.

In January of 2003, as America was gearing up for the brewing conflict in Iraq, I volunteered to be moved from the Individual Ready Reserve into any needed capacity. Activated on March 6<sup>th</sup>, 2003, I mobilized at Fort McPherson, Georgia and was subsequently assigned as a Ground Liaison Officer to the 379<sup>th</sup> Air Expeditionary Force in Doha, Qatar. I arrived in theater on March 25th and returned to the United States on May first.

My pay issues began during my time in theater. I realized that I was not receiving Hostile Fire Pay and that excessive taxes were being withheld due to the pay system not recognizing my Combat Zone Tax Exclusion. Upon bringing this matter to the attention of the Air Force pay office at my location, I was told that since I was in the Army, they could not help me. I then attempted to contact the Defense Finance and Accounting Service (or DFAS) via e-mail and was informed that I needed to contact the pay office at Fort McPherson. Due to the time difference, my duty schedule, and communications restrictions during combat operations, I was unable to contact anyone at Fort McPherson.

Since I was receiving the bulk of my pay, and my civilian employer was also generously making up the difference between my military pay and civilian salary, my family was not in jeopardy of falling delinquent on any bills. Because of this, I chose to focus on my mission at hand and resolve the pay issues upon my return to the United States.

When I returned to Fort McPherson in May, I detailed the difficulty I had to the official at the pay office. I was informed that the problem would be corrected and that I would receive the monies owed me. I completed my demobilization on May 15<sup>th</sup> and returned home. The following month, I recognized that I was still being paid and immediately contacted DFAS. They directed me back to my demobilization station -- Fort McPherson.

The official at Fort McPherson informed me that in an effort to ensure that my underpayment had been corrected, I had been left in the pay system. Unfortunately, once the problem had been cleared, they failed to remove me from that system. They informed me that this mistake resulted in my receiving \$6,150.75 in overpayment. They provided me with the address to return this money to the government and I submitted a check on July 25, 2003 returning the full amount.

Subsequent to this, I continued to receive Leave and Earnings Statements indicating that I still owed an additional \$1,140.54. This led to a series of phone calls spanning 10 months where I was passed off from one organization to another. The Fort McPherson office told me to contact DFAS Cleveland. DFAS Cleveland initially told me to contact Debt Collections who informed me that I was not in their system so I did not need to worry. Upon receiving additional statements of obligation, I began to become concerned for my personal credit rating and phoned DFAS Cleveland again. This time I was told that only DFAS Indianapolis could help me, but I was not allowed to have their phone number. I was instead directed back to the Fort McPherson pay office who continued to tell me that there was nothing they could do for me. Repeated calls to both the individual handling my file and her supervisor went unresolved.

In March of 2004, I came across a small article in the Army Times requesting that reservists with pay difficulties contact the General Accounting Office (GAO) as they were performing a study. At that point it had been one year since I mobilized and seven months since being discharged from the Army entirely. I provided the GAO with all the information pertaining to my case in hopes that their investigation would accelerate the resolution of my own issue.

In April of 2004, I again contacted the Fort McPherson pay office informing them that the GAO had expressed interest in my situation. I was passed to a soldier who informed me that he could not review my records as they had been purged from their system. On Thursday, April 15, I provided him with a faxed copy of all of my Leave and Earnings Statements from the past year from which he was able to re-construct my pay history. The Sergeant quickly identified the problem and communicated it back to me the following Tuesday.

The entire situation stemmed from the fact that the original calculation for what I owed did not take into account income taxes. I was required to reimburse the government an additional \$1,140.54 for money that was withheld from the money I received in overpayment. In essence, I was being asked to pay back money that I had never received. The Sergeant informed me that once that check was received, a recalculation would be performed and I would be reimbursed for anything due back to me. I sent the full amount to DFAS. The check cleared on May 13, 2004. As of today, two months later, I have not received any indication reflecting the final recalculation.

This entire event, originating primarily from simple human error, spanned over a year and consumed countless hours by myself, the various individuals at Fort McPherson, DFAS, GAO, and now Congress. It is a case that illuminates inadequacies that require

addressing in order to adequately provide pay and benefits to the thousands of soldiers, sailors and airmen deployed in the service of our nation.

I respectfully submit the following recommendations for your consideration:

First, local finance offices, regardless of branch of service, need to be able to address a deployed service member's needs. In this day and age, we are moving more toward Joint Operations than ever before in our military's history. A service member should not have to contact a pay office on the other side of the Earth in order to resolve a problem when a pay office from another branch of the service is located one hundred yards away. The key to resolving this is through automation and standardization. Web based secure interfaces into a joint pay system would allow authorized pay officials to make necessary changes from any location. By standardizing the system across all service branches, training requirements are minimized.

Second, create a second tier organization able to handle unique and complicated pay problems. In the current system, regardless of what organization I spoke with, I was sent back to the same spot where the problem originated. While human error is excusable, as leaders we need to develop methods and procedures for organizations to overcome these errors. The creation of an organization within DFAS that individual service members can turn to in order to escalate persistent problems would provide the means necessary to rectify problems caused by human error. This is especially important to Individual Augmentees who do not have a habitual relationship with any one pay office.

Finally, expand the training of the existing workforce to minimize the occurrences of human errors. We are currently facing a time where the active components are relying heavily on augmentation from the Reserve and National Guard in order to meet the ever increasing demands for forces deployed. It is imperative that the individuals charged with handling pay and benefits be well versed in what is required to effectively care for these units and individual augmentees.

While this experience has been personally frustrating, I count myself as extremely lucky. My family and I were never at risk of meeting any of our financial obligations due to these problems. However, it is easy to see that issues such as these could be financially devastating to young soldiers whose sole income supporting their family is derived from their military paycheck. These soldiers are already deployed to the far reaches of the world, facing life and death decisions on a daily basis. They should not also be burdened with wondering if their spouse at home will be able to make a car payment or feed a child.

Mr. Chairman, subject to your questions, this concludes my testimony.

Mr. PLATTS. Thank you, Major Riggins. I appreciate your insights. And I would hope that there are various individuals in this room who have heard your testimony that now, a year after being demobilized, there are still unresolved issues. I would hope that we will see a quick resolution and you can once and for all know what you are still owed. You have been very timely in your repayments, and we as a government need to be very timely in reconciling your account and getting you the right amount of money. We will be following up with you in the coming weeks to make sure that has happened.

Major RIGGINS. Thank you, Mr. Chairman.

Mr. PLATTS. Next, Sergeant Melinda DeLain.

Sergeant DELAIN. Mr. Chairman and members of the subcommittee, thank you for inviting me to testify at this hearing today. It is a distinct honor to be here to discuss Army Reserve pay issues.

My name is Melinda Sue DeLain, and I am a sergeant in the U.S. Army Reserve with the 948th Forward Surgical Team located in Southfield, MI. I am a licensed practical nurse, combat medic, and emergency medical technician for the Army. My unit was deployed in support of Operation Enduring Freedom from January 20, 2003 through August 29, 2003. During this deployment, my unit had numerous pay issues. Some examples are: one, inaccurate base pay; two, no basic allowance for housing; three, no family separation allowance; four, no hazardous-duty pay; Five, no special medical or professional pay; Six, no tax-exempt pay; Seven, no bonuses for those that were eligible.

Basic allowance for housing and family separation allowance should have begun on January 20 with the mobilization of our unit from Southfield, MI to Fort McCoy, WI. This was not the case for all the soldiers who were eligible. And at least five soldiers had trouble receiving basic Active-Duty pay, professional pay, and/or allowances.

During our actual deployment to Kandahar Army Air Field in Afghanistan, all 20 personnel of the 948th FST experienced pay problems associated with basic Active-Duty pay, professional pay, allowances, combat tax exclusion, and/or in-theater incentive pay associated with deployment.

During the demobilization phase, at least 18 of the 20 soldiers assigned to the 948th FST had pay problems associated with basic Active-Duty pay, professional pay, or allowances. Once home and released from activity duty, three soldiers were still receiving Active-Duty pay, at least 16 soldiers were still receiving hazardous-duty pay.

The 948th's biggest issues began February 28, 2003, when our boots hit ground in Bazum, Afghanistan. Our unit in-processed with an S-1 noncommissioned officer assigned to our higher command. Our unit was directed that our financial paperwork would follow us to Kandahar, Afghanistan, our final destination. I spent at least 4 hours trying to track down our paperwork to only learn it had disappeared. We had to then turn around and re-inprocess in Kandahar.

With the arrival of our first leave and earnings statement, our unit learned how much we were not receiving what we were entitled to. As I was the acting S-1 NCO for my unit, a job that fell

to me due to the fact that I had prior Active-Duty experience, I went to the personnel section for the 82nd Airborne, our ground support. Once there, I learned that they did not handle any reserve pay or issues dealing with pay, and that all questions had to be addressed in Uzbekistan. Everything had to be scanned and e-mailed there, and from there reservists would deal with the issues. This seemed to be a long process, and by this time it was the middle of March, and most soldiers were without pay other than base pay. It was also at this time that we learned that our pay would be divided into four separate checks. This just was not conducive to paying bills at home or Stateside.

As time progressed into April, still without all the incentives for being in a combat zone, fellow soldiers began receiving e-mails from home regarding the inability to pay creditors. During this time, I was continuously at the 82nd Airborne PAC Office trying to get help in regards to pay. They copied our entire LES from January through April to allow me to figure out what each soldier was missing. I even called home two or three times to our home unit, the 323rd Combat Support Hospital hub in Southfield, MI, looking for direction and help, to only be told it had to be done in Afghanistan. As time passed without full pay, the morale of the unit fell and the stress levels increased. Stress already ran high in the 948th FST due to the nature of our combat mission, so this added stress was not conducive to the environment. Many of our soldiers started seeking treatment with mental health.

Always taking care of the soldiers in my unit first, and in privacy, I could then worry about my own pay. Stressed about the lack of pay, since I am a single parent, I worried about the pay issues affecting my daughter, who was living with my parents. I had a new house to pay for that I had signed on January 18, 2003. I also had a relatively expensive vehicle at home to pay for. You need to know that I am a registered nurse in Michigan, and thus my expenses were relative to my job at home, not to being an E-4 in the military. Around the end of March, my mother, who was handling my bills, e-mailed me and asked me about the status of pay. My commander at this time e-mailed her a memorandum for record to send to my creditors requesting that they work with my mother on payment issues—payment plans, until our payment issues were fixed. Unknown to me, my mother and father were paying my bills so that I would not lose my house or car or become indebted to creditors. As this was not the first time pay issues had been a problem with the military, my parents were prepared. To this day, I do not know what I owe my parents, but I am sure I still owe them money.

It was not till the middle of April 2003 that we started to receive our correct pay, still in four separate checks.

Trying to keep track of all the soldiers' back pay that was due was done on an Excel spreadsheet. I spent numerous hours with each soldier to make sure that they were receiving the right amount due them. To be honest, I am not sure that each and every soldier actually received the correct pay.

The problems continued once we got home. It took months to get our final payment, which was our travel voucher. I know that I did not receive my payment until the end of November, and some sol-

diers still did not have it at February's drill. At this point, I turned all pay issues over to the 323rd Combat Support Hospital in Southfield, MI. I do know that debts the Army says we owe them are still being taken out of our drill pay. Just last Friday, I received a call from a captain that has since transferred to the Inactive Ready Reserve. They had a debt collector calling her saying she owed over \$500 due to them for overpayment.

After the 948th deployment, there are only four soldiers left in our unit who actually deployed with us. Two transferred to the Inactive Ready Reserve, three left the unit, one moved, two discharged, one went to the National Guard, and the rest went back to original units as they were involuntarily transferred for this deployment.

Mr. Chairman and members of the subcommittee, I thank you for the opportunity to provide testimony, and would be happy to respond to any questions.

Mr. PLATTS. Thank you, Sergeant DeLain, for your testimony, and again for your service and your family's sacrifice on behalf of our Nation as well.

[The prepared statement of Sergeant DeLain follows:]

**Melinda S. DeLain  
11218 South Wisner  
Grant, MI 49327**

**20 July, 2004**

**MEMORANDUM FOR RECORD**

**Subject: Statement on Reserve Pay**

Mr. Chairman and Members of the Subcommittee, thank you for inviting me to testify at this hearing today. It is a distinct honor to be here to discuss Army Reserve pay issues.

My name is Melinda Sue DeLain and I am a sergeant in the United States Army Reserves with the 948<sup>th</sup> Forward Surgical Team located in Southfield, Michigan. I am an Licensed Practical Nurse, Combat Medic, and Emergency Medical Technician for the Army.

My unit was deployed in support of Operation Enduring Freedom from 20 January, 2003 through 29 August, 2003. During this deployment my unit had numerous pay issues. Some examples are:

1. Inaccurate basic pay
2. No Basic allowance for housing
3. No Family separation allowance
4. No Hazardous Duty pay
5. No Special medical (professional) pay
6. No Tax exempt pay
7. No Bonuses (for those eligible)

Basic allowance for housing and Family separation allowance should have began on 20 January with the mobilization of our unit from Southfield, MI to Ft. McCoy, WI. This was not the case for all the soldiers who were eligible. At least five soldiers had trouble receiving basic active duty pay, Professional pay, and/or allowances.

During our actual deployment to Kandahar Army Airfield, in Afghanistan all twenty personnel in the 948<sup>th</sup> FST experienced pay problems associated with basic active duty pay, professional pay, allowances, combat tax exclusion, and/or in-theatre incentive pay associated with deployment.

During the demobilization phase at least eighteen of the twenty soldiers assigned to the 948<sup>th</sup> FST had pay problems associated with basic active duty pay, professional pay or allowances.

Once home and released from active duty three soldiers were still receiving active duty pay. At least sixteen soldiers were still receiving hazardous duty pay.

The 948<sup>th</sup>'s biggest issues began 28 February, 2003 when our boots hit ground in Baghram, Afghanistan. Our unit inprocessed with an S-1 Non-Commissioned Officer (NCO) assigned to our higher command. Our unit was directed that our financial paperwork would follow us to Kandahar, Afghanistan (our final destination). I spent at least 4 hours trying to track down our paperwork to only learn it had disappeared. We had to then turn around and re-inprocess in Kandahar.

With the arrival of our first Leave and Earnings Statement (LES) our unit learned how much we were not receiving (that we were entitled to). As I was the acting S-1 NCO for my unit, (a job that fell to me due to the fact that I had prior active duty experience) I went to the personnel section for the 82<sup>nd</sup> Airborne, our ground support. Once there I learned that they did not handle any reservist's pay or issues dealing with pay and that all questions had to be addressed in Uzbekistan. Everything had to be scanned and emailed there and from there reservists would deal with the issues. This seemed to be a long process, and by this time it was the middle of March and most soldiers were without pay other than base pay. It was also at this time that we learned that our pay would be divided into four separate checks. This just was not conducive to paying bills at home (stateside).

As time progressed into April, still without all the incentives for being in a combat zone, fellow soldiers began receiving emails from home regarding the inability to pay creditors. During this time I was continuously at the 82<sup>nd</sup> Airborne PAC office trying to get help in regards to pay. They copied our entire LESs from January through April to allow me to figure out what each soldier was missing. I even called home two or three times (stateside) to our home unit, the 323<sup>rd</sup> Combat Support Hospital (HUB), in Southfield, MI looking for direction and help, to only be told it had to be done in Afghanistan.

As time passed without full pay the morale of the unit fell, and the stress levels increased. Stress already ran high in the 948<sup>th</sup> FST due to the nature of our combat mission, so this added stress was not conducive to the environment. Many of our soldiers started seeking treatment with Mental Health.

Always taking care of the soldiers in my unit first, and in privacy, I could then worry about my own pay. Stressed about the lack of pay since I am a single parent, I worried about the pay issues affecting my daughter who was living with my parents. I had a new house to pay for that I signed for on 18 January 2003. I also had a relatively expensive vehicle at home (2002 Explorer) to pay for. You need to know that I am a registered nurse in MI, and thus my expenses were relative to my job at home, not to being an E-4 in the military. Around the end of March my mother (who was handling my bills) emailed me and asked about the status of my pay. My commander at this time emailed her a memorandum for record to send to my creditors requesting that they work with my mother on payment plans until our pay issues were fixed. Unknown to me, my mother and father were paying my bills so that I would not lose my house or car or become indebted to creditors. As this was not the first time pay issues have been a problem with the military, my parents were prepared. To this day I do not know what I owe my parents, but I am sure I still owe them money.

It was not until the middle of April, 2003 that we started to receive our correct pay, still in four separate checks. Trying to keep track of all the soldiers back pay that was due was done on an excel spreadsheet. I spent numerous hours with each soldier to make sure that they were receiving the right amount due them. To be honest I am not sure that each and every soldier actually received the correct pay.

The problems continued once we got home. It took months to get our final payment which was our travel voucher. I know that I did not receive my payment until the end of November, and some soldiers still did not have it at February's drill. At this point I turned all pay issues over to the 323<sup>rd</sup> CSH in Southfield, MI.

I do know that debts the Army says we owe them are still being taken out of our drill pay. Just last Friday I received a call from a captain (that has since transferred to the IRR) that had a debt collector call her saying that she owed over \$500.00 dollars due to them for overpayment.

After the 948<sup>th</sup>'s deployment there are only four soldiers left in our unit who actually deployed with us. Two transferred to the IRR, three left the unit, one moved, two discharged, one went to the National Guard and the rest went back to their original units (they were involuntarily transferred for this deployment).

Mr. Chariman and Members of the Subcommittee, I thank you for the opportunity to provide testimony and would be happy to respond to any questions.



Melinda S. DeLain  
SGT, USAR

Mr. PLATTS. Before we move to questions, I would like to recognize we have been joined by our Vice Chair, the gentlelady from Tennessee, Mrs. Blackburn. Marsha, thanks for being with us.

I would like to start first, Mr. Kutz, with you. The studies you have done certainly paint a pretty bleak picture in regard to the reservists, 95 percent having at least one or more problems regarding their pay. We are going to get into some of the specifics of the types of problems. But did your study identify, if we took the 5 percent who didn't have any problems, what made them different that they got paid as they should have been? Is there something that jumps out? Any circumstances that jump out and say this is what we need to be shooting for with all 100 percent?

Mr. KUTZ. There were some differences in the units. Some had many more problems than others. The two largest units from Maryland and Texas had the most problems. There were some correlations with units that had a unit administrator, that was well trained, who was handling some of the pay problems, that may have helped reduce issues. Certainly all of them had some sort of problems from the units—there were no units that had no problems. So the 5 percent were spread across all eight of our case study units. But I don't think there was any in particular that I would say was that different for the 5 percent.

Mr. PLATTS. They were just a lucky few that got treated as they should have been?

Mr. KUTZ. Yeah. Probably lucky. Because they had the same types of special pays and various pay options that the other ones had.

Mr. PLATTS. Your comment and your statements about technology. In today's world, technology is one area that I look at and stand amazed; we have companies that can track where every product in their inventory is around the world and how many are en route and where they are, yet we can't do right by our men and women in uniform. We certainly know we need to do a lot better.

For our military personnel, I would be interested in what, if any, briefing you were given. As part of your mobilization, I know you go through a whole regimen of activities on the financial side, about having your financial papers in order and things. But specifically regarding your pay, what kind of information were you given up front to give you the ability to know what to expect?

We can start, Colonel, with you and go across.

Colonel CAMPBELL. Yes, sir. The information we received was very general in nature. It was never specific as to how much anybody would receive for anything. You knew what your base pay was. I mean, that is published all the time. But beyond that, any special pay would be based on where you lived, what your rank was, various other things.

So to answer your question, no, most people did not have any idea what they were going to receive once on Active-Duty, beyond basic pay.

Mr. PLATTS. Major.

Major RIGGINS. In my own personal case, the information that we received, or that I received was sketchy. But to be fair, that was based on the requirement for me to mobilize and move on from the station that I was at within about a day and a half. So the sum

total of the experience was walking into the pay office, signing up, and saying this is what I need to do in order to—or, these are the pays that I need to receive, and then walking out of the office and just assuming it was going to be cared for.

Mr. PLATTS. Sergeant.

Sergeant DELAIN. Actually, sir, that was probably the best part of our SRP in Minnesota, before we even went to Fort McCoy, WI to deploy. We sat down with each member of finance, we had all our personnel paperwork with us, they broke down our packets. They had pamphlets, a big table full of pamphlets of information. And they went through with each individual soldier and broke down exactly what you would be getting. This is where you are going to be deployed to, so you are entitled to this, this, this, and this. They circled everything, labeled it all down. It was—the only thing they did not tell us was that we would remain under the Reserve pay system, and it would be broken into four individual checks. That's the only part we did not know about.

Mr. KUTZ. Mr. Chairman, I would say, looking at the Guard and Reserves, we did find from a unit perspective, the ones that had the more detailed soldier readiness reviews did have fewer problems at the beginning. So I think what she had said there is probably accurate. And that would help the problem at the beginning.

Mr. PLATTS. We do have votes going on now. The good news is these are going to be the last recorded votes of the day. The bad news is it means we are going to have to break here shortly, unless Mrs. Blackburn could preside. I apologize again and I appreciate your patience with us.

I know we have displayed a sample of a leave and earnings statement. Even with the briefings and the more detail, what would be, from each of your perspectives, the likelihood of any soldier who has even been given a good briefing to really be able to look at this and in a quick, easy fashion say, yes, I was paid what I was supposed to? Because typically in a person's paycheck you get a pay stub, you know; if you are an hourly employee, how many hours you worked; what your rate is; boom, boom, what is subtracted. Obviously, this a lot more complex with the dozens of different categories and things.

How certain would any of you be in saying, "I know for certain I was paid accurately this month versus last month?"

Colonel CAMPBELL. Sir, my unit, probably 2 people would be able to do that out of the 11. It is something that was just too confusing for most people to spend time on. If their basic pay was there and the majority of their pay was there, the rest was just—

Mr. PLATTS. Just kind of take what you are given and assume it is right?

Colonel CAMPBELL. Yeah. Correct.

Major RIGGINS. While the leave and earning statement is somewhat confusing, I think a bigger piece of it was just knowing exactly what it was that you were supposed to be entitled to for the—and not having been associated with a unit, not having been completely up to speed, to be honest, with all of the changes that occurred in the 4 or 5 years that I had departed Active-Duty, it was quite an eye opener to see that it was a new leave and earning statement. And we—the folks that were in the same category that

were with me, we spent quite a bit of time debating what we were entitled to and what we weren't entitled to, and all decided that, well, if one person was getting it, then we should probably all be getting it, and went back and adjudicated the issue that way with the finance office.

Mr. PLATTS. A challenging approach, though.

Major RIGGINS. Challenging at best, yes.

Mr. PLATTS. Sergeant DeLain.

Sergeant DELAIN. I actually find LES to be pretty simple to read; but it was after years of Active-Duty is the reason. Usually it is usually only the unit administrator or the UA that can break it down. There are some special codes on there that you need to know when they start breaking it individually into groups.

When we first got to Afghanistan, I went to the 82nd PAC Office to find out exactly what codes were being used on the LES so that we could break down, because my unit is a combination of doctors and nurse anesthetists and officers and enlisted, and so there was a big difference in the pay. But without having somebody that is knowledgeable in all the codes and each individual area of that, it would be difficult.

Mr. PLATTS. It is, I guess, two steps. One is making sure that any pays or allowances that apply to you are accurately reflected, what you are supposed to be getting, and then are they actually there and being accounted for.

Actually I am going to yield to our ranking member, Mr. Towns, and I will check how much time we have left on this vote. Actually, I think what we are going to do, because we have just 2 minutes left in the vote and we have just two votes, is we are going to recess, go over, get the two votes in and come back, and then we will be able to continue uninterrupted. So, I appreciate your patience. We stand in recess.

[Recess.]

Mrs. BLACKBURN. We will call the committee back to order. I do know that Chairman Davis is going to be coming our direction and he will have some questions.

Let's see. Mr. Kutz, I think I would like to come to you first with a question if I might, please, sir. We hear from DOD that they have taken actions on several of the recommendations that you all have presented and that they have gone beyond what GAO recommended. And what I would like to know is if you can elaborate on that and spell out for us some of the actions that DOD has taken to address the pay problems.

Mr. KUTZ. Yes, with respect to the Army National Guard study we did last fall, they went back and for the units that we looked at, they looked at the particular problems we had there. They also implemented many of the recommendations we had, particularly the short-term ones, such as human capital and process issues. We had five issues that remained from that report and we reiterated those recommendations relating to human capital and to some short-term programming, things they could do on the IT side.

With respect to the Army Reserve units, the eight units as part of this study, my understanding is that for the underpayments for all of the soldiers, that those have been paid. And again, we haven't validated that representation. And then for the overpay-

ments, they established debts where relevant and are initiating collection process. Again, I would say that the representation had gone beyond what we have had. I believe that is probably true. They're proactive. They brief us quarterly or even more often on the status of what they are doing, and so I believe they are doing the best they can to, you know, make the best of a bad situation.

It is a system that is not designed to take care of today's Army Reserve and National Guard soldiers that are mobilized for 1- or 2-year periods. It was a system that was designed for weekend training and other short-term situations. So it's not designed to handle this nor the volume we have today.

Short of a complete reengineering of that, which I said in my opening statement, we don't believe that they can complete this. Soldiers will still have pay problems in the Army Reserve and Guard, but we believe they have reduced the vulnerability and have improved customer service, so they should be better than they were when we started this.

Mrs. BLACKBURN. Have you gone in and done any kind of statistical analysis by unit as to where the bulk of the pay problems exist and made any specific suggestions or has there been any specific cap applied to those?

Mr. KUTZ. With respect to the particular problems we found for the Reserves, there were two in particular that we have talked to them about it that they are going to try to deal with these, the combat zone tax exclusion, which some of the other individuals here at the table talked about. Everyone who was deployed was impacted by the systems problems that the Department has with that. So if they can make short-term systematic fixes to that, that would be a positive for tens of thousands of soldiers.

So that's one thing that impacted everybody. We had 303 of our soldiers that were deployed overseas. This impacted all of them, not only from the standpoint that they didn't get paid at the front end, but many of them kept getting the benefit once they left country and they were no longer entitled to it. So it happened on both ends of this.

The other special pay that was particularly error-prone was the hardship duty pay and they are taking some actions with respect to automating that. In the past, it's been what we call a manual workaround, where every month in theater someone has to input information into the system for a soldier to get paid. What they have done is automate that so that it automatically gets paid. It doesn't fix all the problems, but it does make it better.

So I would say the combat zone tax exclusion and the hardship duty pay are the most frequent errors we have found as part of this study.

Mrs. BLACKBURN. Thank you, sir. I will yield to our committee chairman for his statement and questions.

Mr. TOM DAVIS. Thank you very much, Mrs. Blackburn. Our committee has been working closely with GAO and the Department to ensure that short and long-term steps result in correct and timely pay for Army Guard and Reserve. In 2003, of course, the GAO issued a disturbing report on pay problems experienced by the National Guard personnel mobilized under Title X, and then at that point we engaged GAO to look at the Army Reserve.

I want to acknowledge the hard work that GAO has done on this investigation. And as we have heard, there continues to be a large number of soldiers affected by improper payment and payroll errors. And this committee wants to help see the reservists and the units participating in this study have their problems fixed as soon as possible.

GAO visited the 629th Transportation Detachment stationed at Fort Eustis, VA and found that all 24 deployed soldiers experienced at least one pay problem. This is an intolerable situation and it is the equivalent of financial friendly fire. The challenges of integrating pay systems and processes is not singular to the Department of Defense or the Department of the Army, nor is it a problem that has cropped up overnight.

Certainly the integration of payroll systems in such massive departments is long and difficult, but I think there's a lot that can be done to mitigate the problems were it certain that all the Department's witnesses today are as committed to fixing the system as they have been to fixing the National Guard payroll problems that we addressed in the full committee in January.

At this time the combined efforts of the Army, the Reserve components, DFAS are moving, the pay administration for mobilized soldiers is moving in the right direction. And many of your initiatives are based not on the infusion of major additional resources, but rather the quality of the training, the guidance and system support infrastructure for existing human resources.

Improvements have been made in training, procedural guidance, systems controls in support of the mobilized soldiers' pay. In many cases, the success of these improvements won't be visible with the original mobilizations and deployments in support of Operation Iraqi Freedom. They should result in improved pay support for those soldiers currently deployed under OIF 2 and to an even greater extent soldiers who are just beginning to be mobilized under OIF 3. DFAS will deploy the forward compatible payroll system in the Army Reserves and National Guard.

DOD has been forthright in working with this committee and with GAO to support the soldiers and families. Fully and effectively addressing Army Reserve soldiers' pay problems will require priority attention and sustained and concerted coordinated efforts by DFAS, the Army, the Reserves to build on actions taken and planned. The Army, the Army National Guard, Army Reserve and DFAS have remained proactive in resolving the soldier pay challenges on the micro and the macrolevels and have remained engaged with this committee, and I want to thank them for their continued efforts in supporting the soldiers and family.

[The prepared statement of Hon. Tom Davis follows:]

**Statement for Chairman Tom Davis  
Committee on Government Reform  
Subcommittee Hearing “Pay Problems in the Army Reserve”  
July 20, 2004**

I want to commend Mr. Platts for holding a hearing to bring attention to the pay problems facing our men and women in the Army and I look forward to hearing firsthand from the reservists we have here today.

The Committee on Government Reform and its Subcommittees have been working closely with the Government Accountability Office (GAO) and the Department of the Army to insure that short and long term steps result in correct and timely pay for the Army Guard and Reserve. In November 2003, the GAO issued a disturbing report on pay problems experienced by Army National Guard personnel mobilized under Title 10. At that time, the Committee further engaged the GAO to see if similar problems existed with Army Reservists, and today we will hear the findings of their study. I want to acknowledge the hard work that GAO has done on this investigation. As we will hear today, there continues to be a large number of soldiers affected by improper payment and payroll errors, and this Committee will help see that the reservists and units participating in this study have their problems fixed as soon as possible. GAO visited the 629<sup>th</sup> Transportation Detachment, stationed on Fort Eustis, Virginia and found that

all 24 deployed soldiers experienced at least one pay problem. This is an intolerable situation. It is the equivalent of financial friendly fire.

The challenge of integrating pay systems and processes is not singular to the Department of the Defense or the Department of the Army, nor is it a problem that cropped up over night. Certainly the integration of payroll systems in such massive departments will be a long and difficult process, but there is much that can be done in the short term to mitigate the problem. We are certain that all the Department's witnesses here today are as committed to fixing Reserve payroll problems as they have been committed to fixing the Army National Guard payroll problems we addressed in a Full Committee hearing in January of this year.

At this time, the combined efforts of the Army, the Reserve Components, and DFAS are moving the pay administration for mobilized soldiers in the right direction. Many of their initiatives are based not on the infusion of major additional resources, but rather the quality of the training, guidance, and system support infrastructure for existing human resources.

Improvements have been made in training, procedural guidance, and systems controls in support of mobilized soldiers' pay. In many cases the success of these improvements will not be visible with the original mobilizations and deployments in support of Operation Iraqi Freedom One (OIF1). They should result in improved pay support for those Soldiers currently deployed under OIF2 and, to an even greater extent, the Soldiers who are just beginning to be mobilized for OIF3. During OIF3, DFAS will deploy the Forward Compatible Payroll (FCP) system for the Army

Reserves and National Guard. FCP is a new integrated pay system for both active and reserve components being developed by DFAS for the Army, Navy, and Air Force and should assist the pay challenges we have seen in the GAO Report being discussed today and the previous GAO Report on Army National Guard pay.

DoD has been very forthright in working with this committee and with GAO to support the challenges of the soldier and their families, however fully and effectively addressing Army Reserve soldiers pay problems will require priority attention and sustained, concerted, coordinated efforts by DFAS, the Army, and the Army Reserve to build on actions taken and planned. The Army, Army National Guard, Army Reserve, and the DFAS have remained proactive in resolving the soldier pay challenges on the micro and macro level and have remained engaged with this committee. I want to thank them for their continued efforts in supporting the soldier and their families.

Mr. TOM DAVIS. And I have a couple of questions here, Mr. Kutz. You have described the multiple processes that need improvement. Where is the most emphasis needed and can we expect any real improvement without reengineering the process for paying mobilized reservists?

Mr. KUTZ. As I mentioned a moment ago, I think with respect to short-term things that can happen the tracking of soldiers is the one that caused the most problems. To the extent they can make short-term actions to track soldiers from mobilization to deployment to demobilization, that triggers a lot of the various pays. There was also one other thing that affected the 303 deployed soldiers. That was the combat zone tax exclusion, and there is a programming change that they need to make to either the current system or, as you mentioned, the forward compatible pay that hopefully will allow the system not to withhold taxes. What the system does, it will not let you not withhold the taxes. It has to withhold taxes and pay them back later. Those are some of the things they could do in the short-term that could help a lot of the soldiers.

Mr. TOM DAVIS. Let me ask everybody this. Is it fair to expect a soldier who is being deployed, called from their jobs and families and being deployed in a far away country, to have the full responsibility for ensuring that he or she is receiving proper compensation or does DOD bear that responsibility or is it shared? Whose responsibility is to make sure the payment is right?

Let me start with you.

Mr. KUTZ. I would say with the system as broken as it is now, at the end of the day there is a lot of responsibility on the soldier, which is not what we want. We want DOD to be responsible and have the soldiers focus on their mission. I would say a disproportionate share of the responsibility now falls upon the shoulders of the soldiers, and that's what we're trying to change and that's what DOD is trying to change. So hopefully as they make some of the improvements that you outlined, less and less of the responsibility will be on the soldier and they can stay focused on their mission.

Colonel CAMPBELL. The more you take the pressure off from worrying about pay, the better they can do their job.

Mr. TOM DAVIS. Major Riggins.

Major RIGGINS. The responsibility ultimately resides with the organization to be able to take care of those soldiers, sailors and airmen's pay in a responsible manner. It is still incumbent on the individual to check and make sure that a human error was not made and if one is made that they identify that back. But then it's also incumbent on the system to be able to resolve any problems that come up in a rapid fashion.

Sergeant DELAIN. I believe, sir, that somebody has to be responsible for it, but I think there should be somebody with every unit, that is their ultimate responsibility. We have people out there doing every job you can imagine. Why not somebody with every unit that is all they handle is personnel issues. We went with nobody to Afghanistan. We didn't have anybody in Afghanistan to help us at all.

Mr. TOM DAVIS. And Mr. Kutz, to take people away from their families, away from their jobs and put them out there and then many of them—that is a pay reduction right there, because not

every job pays their people. And then to send them over there and have them paid improperly, it has been a lot of hardship on people; families to support back home. And I wonder how we got in this situation. We have been mobilizing for months. This is not the first time in history that this has happened, that we were going to have problems as you transfer from reserve to an active status. We should have seen this coming.

Mr. KUTZ. I would agree. I think they have been trying to modernize their pay systems. We reported in 1993 and we recommended in a study we did that they should develop the integrated personnel pay system and they have been attempting to do so for a decade. And I think they are trying to do that, but it is proven to be somewhat resistant to reform at this point. And to the extent that they can put in an integrated personnel pay system, that is the long-term solution.

Mr. TOM DAVIS. Sergeant, let me ask you, just elaborate for me on the effects the pay problems have on morale and on retention.

Sergeant DELAIN. Well, sir, as I said, there is only 4 of us out of 20 left in my unit. We are nondeployable at this point. And from the unit myself, there are very few forward surgical teams out there. They are really used quite a bit in a war zone or combat zone. So I think retention is probably at its lowest. I don't know the numbers, so I can't actually say. But I know for the personnel in our area, nobody is staying. Everybody is trying to get out, and unfortunately at this point nobody can get out.

Mr. TOM DAVIS. It's hard enough being called away and not knowing how long you are going to be there, but not getting paid—do you agree with that, Major?

Major RIGGINS. In my case the pay difficulty, as I stated in my testimony, was not a personal hardship on me, other than the time and frustration it took to get it resolved. However, I can easily see that soldiers who rely on this to—for their family, to feed their children, make their house payments, that these issues can be devastating.

Mr. TOM DAVIS. Colonel.

Colonel CAMPBELL. In my case, it is a little different. It creates morale problems and you have to deal with those. My unit is a pretty specialized unit and everybody has retained and people have reenlisted, so we have not lost anybody.

Mr. TOM DAVIS. Thank you all very much and hopefully we can move to get these issues straightened out.

Mrs. BLACKBURN. I just have a couple more questions before we finish up. Major Riggins, you are part of the Individual Ready Reserve.

Major RIGGINS. I was.

Mrs. BLACKBURN. And how did this situation impact your pay status being part of the Individual Ready Reserves?

Major RIGGINS. I am not sure I understand the question.

Mrs. BLACKBURN. Did you find it more difficult as you were activated to resolve your pay issues? Do you think it was more difficult for you to get this resolved than it was for someone who is a part of the Army Reserve or someone who is on active duty?

Major RIGGINS. Absolutely. Being an individual ready reservist and being called in to essentially fill a hole in an organization that

exists, I didn't have habitual relationship with any one pay office. I didn't have the means or the resources or the connections to be able to turn to folks that I had been working with over the years to have these things resolved. So it was more difficult than I would think a normal unit that had been living and working together and had a pay office that they were habitually associated with to help in caring for them. I think it is particularly important at this time that the Individual Ready Reserve issues be resolved as we're looking at deploying quite a few ready reservists here in the future.

Mrs. BLACKBURN. I asked the question, because I had—Fort Campbell is in my district and I had a great conversation with the gentleman that handles pay and all such for one of the units there and the institutional knowledge seemed to be what helped resolve so many of the situations that they felt like they faced. And for someone who is in the Individual Ready Reserve, I think not having that attachment would probably make that a bit more difficult. So were the resources that you needed, were they readily available or did you have to do all of this legwork yourself?

Major RIGGINS. Actually, probably four of the happiest years of my life were spent at Fort Campbell serving with the 101st Airborne. And I understand what you are saying that while there in an active duty component with a rapid deployment unit, you have the resources and people to talk to, the pay offices, the infrastructure is there to support those soldiers. As an individual ready reservist, I was on my own to find out who I needed to send forms to, who it was that was going to care for my pay issues, because it was not readily apparent.

I was assigned to FORSCOM in Georgia but attached to the Air Force. The Air Force could not handle my pay issues. The Army wasn't sure they could handle my pay issues. So it became an issue of tracking down the right individuals.

Mrs. BLACKBURN. As we look at moving forward and more deployments and activations with the Individual Ready Reserves, do you feel like DOD is on track to be able to handle the pay problems that would come from the Individual Ready Reserves?

Major RIGGINS. I think that remains to be seen at this point. I personally don't have enough knowledge about what the internal changes are being made to ramp up for the recent public announcements that large numbers of individual ready reservists are going to be deployed. So I don't have enough personal knowledge to be able to honestly give you an honest answer.

Mrs. BLACKBURN. Mr. Kutz, one more thing, your case study had 348 soldiers that were involved in that and you had hundreds of errors, underpayments, overpayments, late payments, a little bit of everything in that case study. Had DOD detected any of those errors or did they go undetected until you all found where the problems were?

Mr. KUTZ. For the most part, they were undetected.

Mrs. BLACKBURN. Can you give me a percentage?

Mr. KUTZ. 90 percent were undetected.

Mrs. BLACKBURN. I want to thank each of you, Mr. Kutz, Lieutenant Colonel Campbell, Major Riggins and Sergeant DeLain. I want to thank you for your testimony. You have raised some great issues that are important to the work that the committee does, but

most importantly I think you have done a great service for other reservists and for the Army. And your testimony really is a critical part of what we are doing as we look to work with the GAO, the committee, the Department of Defense to be certain that what we do is of service to the men and women who are in uniform and we appreciate your service very much.

At this time, I would like to call the second panel. I would like to request that each witness and anyone who might be advising you during your testimony please stand and raise your right hand and take the oath together.

[Witnesses sworn.]

Mrs. BLACKBURN. We are honored to have Lieutenant General James Helmlly, Chief of the Army Reserve; Mr. Ernest Gregory, Acting Assistant Secretary of the Army for Financial Management; and Mr. Patrick Shine, Director of the Military and Civilian Pay Services for the Defense Finance and Accounting Service. And Mr. Gregory, we will start with you with your testimony. We observe the 5-minute rule, and of course you have the lights in front of you.

**STATEMENTS OF ERNEST J. GREGORY, ACTING ASSISTANT SECRETARY FOR THE ARMY FOR FINANCIAL MANAGEMENT AND COMPTROLLER, DEPARTMENT OF THE ARMY; LIEUTENANT GENERAL JAMES R. HELMLY, CHIEF, ARMY RESERVES, DEPARTMENT OF THE ARMY; AND PATRICK T. SHINE, DIRECTOR, MILITARY AND CIVILIAN PAY SERVICES, DEFENSE FINANCE AND ACCOUNTING SERVICE, DEPARTMENT OF DEFENSE**

Mr. GREGORY. Yes, ma'am. In the interest of time, ma'am, you have our oral testimony there submitted for the record. So in the interest of time, I would like to summarize just shortly in less than that 5 minutes and provide you with your need.

Bottom line, ma'am, is the witnesses and the findings that were presented by our first panel by the Government Accountability Office and by the Army witnesses who had pay problems. That is a totally unacceptable situation that those soldiers were put in and that they have been put in. And I would tell you that we have been working with the committee and the committee staff over the last, at least 7 or 8 months, working on a plan and developing a plan.

We had 54 items of corrective actions that have been put into place. Those are broken down by immediate, near-term, mid-term and long-term. We have coordinated with the staff to make sure we gave you the status as to exactly where we were. That was in the testimony that the GAO provided.

I would tell you that the timeframe of the work that has been done by GAO, which has been valuable to everyone, especially us and the timeframe of the audit that was done relative to the U.S. Army Reserve was about along the same time line of the issues that they looked at. And I would tell you that our original plan that was 54 action items for us that centered just on the National Guard has been expanded to include those things that were found by the GAO which were unique to the U.S. Army Reserve, because many of the problems that were found under the National Guard were similar to the ones that were also found for the USAR. There

were some Army Reserve issues that were separate and distinct and we have added those to our corrective action plan.

It is our intention fully to work and continue to work with the staff in the Government Accountability Office to make sure that we continue to provide them updates, and we are diligent in working this issue. We are fully partnered, we in the Army and the Defense Finance and Accounting Service, who are our partners.

I would like to say briefly, ma'am, that it is important that as partners everyone understand that the committee understand that we are all part of this process. And I would tell you that from a pay system's standpoint that to easily look and to blame a system is foolish, because the system needs input to work and the system needs to understand what's happening and where people are going, and for that we, the Army, are responsible. And so as partners, we are partnership in what we process and how we serve soldiers. We are also partners on what we are going to do to correct this problem and what we have been doing and we are going to continue to do it. Thank you, ma'am.

[The prepared statement of Mr. Gregory follows:]

STATEMENT BY  
MR. ERNEST GREGORY  
ACTING ASSISTANT SECRETARY OF THE ARMY  
FINANCIAL MANAGEMENT & COMPTROLLER

Chairman Platts, distinguished Members of the Subcommittee, my name is Ernie Gregory. I am serving as the Acting Assistant Secretary of the Army for Financial Management and Comptroller. I am the person accountable for the military pay mission at the Department of the Army Headquarters.

I want to thank you for the opportunity to share today some of our efforts to improve the pay support for our mobilized Soldiers. The execution of military pay support, and the actions to improve that support, is a shared responsibility between the Army and the Defense Finance and Accounting Service (DFAS). DFAS owns, operates, manages and maintains the pay system, known as the Defense Joint Military Pay System (DJMS). Guard and Reserve Soldiers are paid from the reserve component version; active Soldiers are paid from the active component version.

The U.S. Army's responsibility is to make timely and accurate inputs into DJMS for changes in status – from reserve to active duty or vice versa – and for modifications or adjustments to the individual Soldier's entitlements resulting from changes in duty status, dependents, or location. To the degree that either of the partners fails, Soldier's pay will not be accurate.

In late October of last year we provided the Honorable Christopher Shays, Chairman of the Subcommittee on National Security, Emerging Threats, and International Relations, with an action plan for correcting mobilized Soldiers' pay

problems. While this plan focused on Army National Guard Soldiers, most of the improvements benefit all mobilized Soldiers, both Army National Guard and US Army Reserves. For example, the fix that automated Hardship Duty Pay – Location for deployed reserve Soldiers in April, eliminated the need for repetitive manual entries, and benefited all mobilized Soldiers in all theaters of operation.

Over the last eight months, we have been diligently working our improvement plan. All Army components, Active, Guard, and Reserve actively participate in the improvement process, along with our DFAS partners. Significant improvements have been made in training, procedural guidance, and controls since completion of the GAO review of pay for US Army Reserve Soldiers. I am confident that the Soldiers currently serving in support of our operations are receiving improved pay support and those who are just beginning to mobilize for the next rotations will experience even better support.

For example, in addition to automating Hardship Duty Pay-Location, we have also implemented training programs specifically tailored to mobilized pay for finance personnel deployed to theater or supporting mobilization stations. We've published detailed comprehensive procedural guidance for all finance activities involved in each step of the mobilization cycle. Programs and materials have been developed to assist Soldiers and their families in understanding their entitlements and pay. Although we have improved, significant challenges remain. We are already updating our plans to incorporate additional lessons learned from the GAO review of pay support for US Army Reserve Soldiers.

In addition to immediate fixes, our action plan addresses needed investments in systems and support infrastructure. For example, DFAS is planning to replace the Defense Joint Military Pay System with a modern commercially available software package. The new system, the Forward Compatible Payroll (FCP) system, provides the Army a single payroll system for all Soldiers, Active, Guard, and Reserve.

DFAS plans to deploy Forward Compatible Payroll to the Army Guard and Reserve in March 2005. This system will dramatically reduce the training and maintenance challenges associated with operating two separate 30 year-old systems. We will be able to provide pay support through greater automated capabilities and a single set of basic processes for both active and reserve Soldiers. With FCP, we will also be able to provide individual Soldiers and their families with clearer, easier to understand information on their pay. New or changing entitlement rules will have fully automated solutions in lieu of the often-cumbersome work-arounds imposed by the current aging systems.

While FCP will greatly improve pay support, this is only an interim solution until we can reach the desired end state of integrated pay and personnel processes through single source input. Virtually any change in a Soldier's status (promotion, reenlistment, schools) creates an impact on pay. The single largest challenge we face, as evidenced in GAO's reviews, is capturing this information in our personnel and unit records and then passing it through to the payroll process.

The shuffling of paper documents and input of transactions into multiple systems simply cannot keep pace with the high operational tempo of today's Army. As we move even more to deploying tailored force packages, the need to seamlessly realign and relocate Soldiers grows and with it, the challenges to capture these events impacting pay administration. To fix this problem, the DoD is working to integrate attributes of FCP with personnel processes to create a single, integrated personnel and pay system called the Defense Integrated Military Human Resources System (DIMHRS).

I want to thank the GAO for their reviews and I look forward to continuing to work with them in our support for Soldiers. We have made significant progress in addressing pay challenges as they have been identified and have charted a course for even greater improvement. Accurate and timely pay to all our Soldiers and their families is of paramount importance. The Army leadership, along with our DFAS partners, is fully committed to this process. In keeping with our desire to inform you of our progress, we have provided to the subcommittee an update to our action plan, which identifies the linkage between fixes and their impact on the US Army Reserves. As I noted, we are expanding this plan to incorporate new issues and will continue to keep you and the staff of the full committee informed of our progress.

In closing, Mr. Chairman, I want to thank you for your commitment to our Soldiers. Taking care of those Soldiers is our ultimate mission. Providing a quality, integrated process for world-class pay service for our Soldiers is challenging, but they deserve no less. We have made major progress in

achieving our goals. We still have significant work to do, but we are well on the way. This concludes my formal remarks and I welcome your questions.

Mrs. BLACKBURN. Thank you, Mr. Gregory.  
General Helmlly.

General HELMLY. Thank you, Congresswoman Blackburn. Just a few points I would like to make. And I ask that the statement I have prepared, similar to Assistant Secretary Gregory, be entered into the record and accepted.

First, if I may refer back to the last panel, there was a question as to responsibility. I wish to make clear that the responsibility inside the U.S. Army Reserve is mine and mine alone. I share ownership of the various processes and functions within the Army and with the Department of Defense, that I accept complete and total responsibility for the welfare, readiness and training of the U.S. Army Reserve soldiers and I seek not to shirk that. That is the single reason why we have embarked upon, outside the confines, the focused confines we have before us, of aid to our soldiers. We have embarked upon probably the widest scope and most in-depth change that we can bring to this institution.

I must tell you that one of our biggest challenges, though, is a bureaucratic intransigence. All the textbooks that regard major organizational change, the good news is they are all right. The bad news is we are learning they are all right because of the inertia that we have in this labyrinth of conflicting, confused, muddled policies and procedures, and I will be straightforward and honest. It is a wonder anybody gets paid accurately. That is not the function of the system, as Mr. Gregory's system, as much as it is the confused, overlapping labyrinth of policies and procedures that we use within the Department to go about personnel management and pay management.

There was also a question as regards, "length of mobilization history." Not even going back to Desert Shield, Desert Storm, which was the first, large scale mobilization of reserve component forces that we had since the Korean War, the facts are that we have been in a continuous state of calls to active duty since about January 1996 under another authority, Presidential Ed Select Reserve call-up, averaging 12 to 15,000 Army Reserve soldiers annually. Because of the relatively small numbers and intensity, if you will, these problems escaped notice. I will tell you the same kinds of problems were resident there. They were more manageable because of the volume of soldiers being called to active duty was smaller and it was for 6 months and there weren't the unexpected extensions and that kind of thing. But largely, we experienced the same kind of problems.

Some of this is information. When I assumed this position, I found a large amount of ignorance across our force and families as regards entitlements, authorizations, etc. We have embarked upon an extensive command information program inside the Army Reserve to communicate in a timely and accurate way with our soldiers and our families and to not allow the setting of what I would call false expectations as regards to frequency, duration, length of calls to active duty, or the kinds of benefits and entitlements that one receives when one is mobilized.

I believe it impractical to authorize for every unit a separate individual to deal with the pay systems, but certainly nothing is probably more important to the soldier and the family than their

daily life support, compensation if you will. We are capable of correcting this problem. It will require courage and consistency on our part. That is the single reason why I ask that the Army Reserve be the first component of any of the armed services to move to the Forward Compatible Pay System, followed by our being the first component of any of the armed services to move to Defense Integrated Management of Human Resources system.

It is my professional judgment that given the nature of our all volunteer force, the fact that it is all volunteer, that one of the single biggest challenges that we face in this era of an extended duration of a very stressful war is to retain our soldiers, sailors, Marines, Coast Guard men. They are talented, they are smart, they are courageous and very loyal Americans, but it is my judgment that when it comes to pay and personnel support, we are short on delivery in the Department in terms of our policies, authorizations and certainly, as we have seen here, the actual delivery of services.

And so I believe, though, that we are getting good support from Mr. Gregory's office, enthusiastic support. DFAS has in turn been most cooperative. We do have all of the challenges of any large organization, shortage of resources, inclusive of time. I do believe we know most of the problems. We are hard at work getting after them, and we will correct them.

That's my opening statement. Thank you.

[The prepared statement of General Helmly follows:]

*LTG HELMLY*

**PRE-DECISIONAL DRAFT  
DO NOT FORWARD**

July 20, 2004

**MISTER CHAIRMAN AND MEMBERS OF THE  
SUBCOMMITTEE, IT IS A PRIVILEGE AND AN  
HONOR TO APPEAR BEFORE YOU TODAY TO  
DISCUSS ARMY RESERVE PAY. I'M RON  
HELMY, AN AMERICAN SOLDIER AND  
EXCEPTIONALLY PROUD OF IT. AS CHIEF OF  
THE ARMY RESERVE, AND COMMANDER OF THE  
US ARMY RESERVE COMMAND, I  
ACKNOWLEDGE AND ACCEPT FULL AND  
COMPLETE RESPONSIBILITY FOR THE  
TRAINING, READINESS, AND WELFARE  
SUPPORT OF THE ARMY RESERVE, ITS  
EMPLOYEES, AND FAMILIES, INCLUDING THEIR  
PAY. THOUGH MANY OTHER ORGANIZATIONS  
AND INDIVIDUALS PARTICIPATE IN THE**

**PRE-DECISIONAL DRAFT  
DO NOT FORWARD**

**SUPPORT PROCESS, OR CONTROL PAY AND  
PERSONNEL ACTIONS, I AND I ALONE, RETAIN  
SOLE RESPONSIBILITY TO ENSURE THAT  
MOBILIZATION ACTIONS ARE ACCOMPLISHED  
IN A MANNER THAT FULLY SUPPORTS OUR  
PEOPLE TO THE EXTENT AUTHORIZED IN LAW.**

**MY OPENING COMMENTS TODAY WILL BE  
BRIEF. THE GAO CASE STUDIES OF BOTH  
NATIONAL GUARD AND ARMY RESERVE PAY  
ISSUES HAVE BEEN VERY USEFUL. IN FACT,  
TODAY, THIS IS A GOOD NEWS STORY. DUE TO  
THE PHASING OF THE GAO STUDIES AND THE  
SYSTEMIC NATURE OF THE PROBLEMS AND  
CORRECTIVE ACTIONS TAKEN TO ADDRESS  
THEM, MANY ARE NOW WELL ON THEIR WAY  
TO BEING RESOLVED. ALLOW ME TO LIST**

PRE-DECISIONAL DRAFT  
DO NOT FORWARD

**SOME OF OUR CORRECTIVE RESPONSES IN THE  
AREAS OF COMMAND EMPHASIS, TRAINING,  
AND RECORDS RECONCILIATION TO  
ELIMINATE THE DISTRACTORS TO EFFECTIVE  
SERVICE THAT GAO HAS DOCUMENTED:**

**EMPHASIS**

- **WE HAVE ESTABLISHED A HELPDESK, WITH  
TELEPHONIC AND ELECTRONIC CAPACITY,  
TO ASSIST MOBILIZED SOLDIERS,  
MOBILIZATION/DEMOBILIZATION  
STATIONS, AND THE THEATER FINANCE  
UNITS WITH PROCESSING PAY USING RC  
PAY SYSTEMS.**
- **WE HAVE INCREASED STAFFING OF OUR  
LIAISON OFFICE AT DFAS TO STRENGTHEN**

**PRE-DECISIONAL DRAFT  
DO NOT FORWARD**

**OUR ABILITY IN ADDRESSING POLICIES  
AND PROCEDURES AFFECTING ARMY  
RESERVE PAY.**

- **WE RECENTLY COLLABORATED ON  
RELEASING *STANDARD OPERATING  
PROCEDURES*, WHICH THE ASA (FM&C) AND  
FORSCOM ENDORSED. WE ARE WORKING  
ON SEVERAL OTHER ISSUES, SUCH AS  
STANDARDIZED FINANCE BRIEFINGS FOR  
MOBILIZING SOLDIERS.**
- **WE HAVE REVISED SOLDIER READINESS  
PROCESSING REQUIREMENT TO BE  
CONDUCTED BIENNIALLY FOR UNITS.**
- **COMMANDS ARE REQUIRED TO CONDUCT A  
FACE-TO-FACE SOLDIER READINESS  
PROCESS (SRP) INTERVIEW WITH EACH  
MOBILIZING SOLDIER.**

PRE-DECISIONAL DRAFT  
DO NOT FORWARD

- **WE HAVE ADDRESSED PROBLEMS WITH  
ARMY RESERVE PAY IN ANNUAL  
STATEMENTS ON MANAGEMENT CONTROLS  
SUBMITTED IN ACCORDANCE WITH THE  
FEDERAL MANAGERS' FINANCIAL  
INTEGRITY ACT OF 1982.**

**TRAINING**

- **IN ADDITION TO CONDUCTING NUMEROUS  
TRAINING CLASSES OF ACTIVE AND  
RESERVE COMPONENT FINANCE UNITS IN  
BOTH CONUS AND OCONUS, WE ARE  
SCHEDULED TO TRAIN FINANCE UNITS  
MOBILIZING IN SUPPORT OF OPERATION  
IRAQI FREEDOM 3 AND OPERATION  
ENDURING FREEDOM 6.**

PRE-DECISIONAL DRAFT  
DO NOT FORWARD

- **WE INCREASED OUR TRAINING CAPACITY FOR UNIT PAY ADMINISTRATOR ABOUT 13 PERCENT, FROM 528 TO 599 TRAINING SEATS THIS YEAR.**

**RECONCILIATION**

- **WE INSTITUTED A CROSS-CHECK PROCESS THAT REQUIRES COMMANDERS TO MATCH UNIT PERSONNEL RECORDS WITH MOBILIZATION STATION ROSTERS.**
- **WE DEVELOPED A COMPUTER ROUTINE TO MATCH SOLDIERS DEMOBILIZATION DOCUMENTS TO THE PAY SYSTEM DATABASE TO ENSURE ALL RELEASED SOLDIERS' ACTIVE DUTY PAY IS STOPPED.**

**PRE-DECISIONAL DRAFT  
DO NOT FORWARD**

**THESE ARE IMPORTANT STEPS THAT WE, AS  
RESERVE LEADERS, HAVE TAKEN TO HELP  
SMOOTH THE TRANSITION FROM BEING AN  
INACTIVE DUTY ARMY RESERVE SOLDIER AT  
HOME STATION; BEING AN ACTIVE DUTY  
SOLDIER IN THEATER; TO RETURNING HOME  
AGAIN TO RESUME INACTIVE DUTY STATUS.**

**WE HAVE INCREASED THE TRAINING  
AVAILABLE FOR OUR UNIT ADMINISTRATORS.  
UNTIL MORE SOPHISTICATED AUTOMATED  
SYSTEMS COME ON LINE, THE EXPERIENCE AND  
SKILL OF THE PROCESSOR WILL CONTINUE TO  
MAKE A SIGNIFICANT DIFFERENCE IN THE  
QUALITY AND LEVEL OF SATISFACTION  
ASSOCIATED WITH THE RESERVE PAY  
PROCESS.**

**PRE-DECISIONAL DRAFT  
DO NOT FORWARD**

**I HAVE TOLD THE COMMITTEES HERE IN THE CONGRESS THAT THE HARDEST THING I HAVE TO DO IS CHANGE SOLDIERS' MIND SETS AND GET THEM THINKING LIKE SOLDIERS AT WAR.**

**YOU HAVE HEARD THAT HISTORICALLY THE RESERVE COMPONENTS HAVE OPERATED WITH TWO PAY SYSTEMS: ONE RESERVE, THE OTHER ACTIVE DUTY. CURRENT AND FORESEEABLE OPERATIONS SUGGEST THAT WE WILL BE IN OUR ACTIVE DUTY MODE FOR SOMETIME TO COME. WE ARE AT WAR. A SUCCESSFUL TRANSFORMATION OF OUR MILITARY'S PAY ADMINISTRATION IS ESSENTIAL.**

**PRE-DECISIONAL DRAFT  
DO NOT FORWARD**

**WE ARE ALL MINDFUL OF OUR SOLDIERS'  
SACRIFICES AND THE HARDSHIPS THAT THEY  
AND THEIR FAMILIES ENDURE IN THE NAME OF  
FREEDOM.**

**WE RECOGNIZE THAT FAILURES IN THE PAY  
SYSTEM MAKE SOLDIERS' SERVICE IN THEATER  
ALL THE MORE DIFFICULT SINCE IT PLACES  
THEIR FAMILIES AT A DISADVANTAGE AND  
PUTS THEM UNDER PRESSURE TO TRY AND  
RESOLVE ISSUES WHOSE SOLUTIONS LIE  
THOUSANDS OF MILES AWAY AT THE END OF A  
PHONE LINE.**

**FIXING THIS SITUATION IS A PRIORITY FOR  
ALL OF US HERE IN THIS ROOM AND FOR ALL  
OF THE ARMY'S LEADERSHIP AND**

**PRE-DECISIONAL DRAFT  
DO NOT FORWARD**

**ADMINISTRATION. TODAY, YOU HAVE HEARD  
THE WHYS AND THE WHEREFORES OF THESE  
PROBLEMS.**

**THE PROBLEMS ARE NOT INSIGNIFICANT. OUR  
CURRENT PAY ENTITLEMENTS AND RULES ARE  
COMPLEX. THEY WILL NOT ALL BE SOLVED  
OVER NIGHT. ENSURING SOLDIERS ARE PAID  
THE CORRECT AMOUNT WHEN IT IS DUE IS  
HIGH ON OUR LIST OF PRIORITIES, AND I  
PLEDGE TO YOU TODAY THAT THESE ISSUES  
AND THEIR CONSEQUENCES AND  
IMPLICATIONS HAVE OUR FULLEST ATTENTION  
AND OUR MOST DETERMINED FOCUS.**

**PRE-DECISIONAL DRAFT  
DO NOT FORWARD**

**AGAIN, THANK YOU FOR YOUR INTEREST AND  
LEADERSHIP IN THIS AREA. I LOOK FORWARD  
TO YOUR QUESTIONS**

Mrs. BLACKBURN. Thank you, sir.

Mr. Shine.

Mr. SHINE. Congresswoman Blackburn, I would like to submit my formal comments for the record and make a general comment in the interest of time.

We have heard several of the witnesses on the first panel talk about improper pay, and clearly that is an unacceptable standard and we in DFAS partner with the Army and in sharing the responsibility for improving those actions.

I would like to harken back to a comment or question that Chairman Davis asked about did we not anticipate this, and the reality is that the benefits and the lessons learned from the Gulf war did tell us that we needed to improve our payroll systems. We recognized that two separate systems was not going to serve the readiness conditions of the Department of Defense in the future and therefore launched on to the integrated pay and personnel system, known as the Defense Integrated Military Human Resources [DIMHRS]. When we recognized in the late 1990's that wasn't going to be delivered as quickly as we had hoped it would because of all the complexities involved, we worked with the Department of Defense to identify an interim system known as the Forward Compatible Payroll System that could be designed using the same software that we were going to use for the Objective Integrated Payroll System in order to give us a replacement.

You have heard Mr. Kutz talk about the fact that there are two issues that are really on top of the list that we would like to be able to fix for our deployed soldiers. The reality is one of them has already been fixed. That is automation of the hardship duty pay, which was done in April of this year and has saved countless, thousands of individual soldiers from having to suffer some of the same problems that you heard from the first witness panel.

The other situation, is the fact that the system today does not pay combat zone tax exclusion or does not properly withhold it in the month in which it's entitled, is one that we've taken a look at that. And because of the age of the system, a deteriorated state, which is why it is in need of replacement, it would take us longer to fix that, than it would to actually deploy the interim system, which is scheduled to come up in the spring of 2005, at which time all Army Guard and Army Reserve soldiers, about 600,000 people, would be placed on this new system, which we think is the right way to go. And we think it is the best investment for DOD resources to do that and bring that up in the spring of 2005. And we are on record and currently on schedule to make that happen.

But in the short term, recognizing the spring of 2005 is several months away and there are still people being deployed in harm's way, we have partnered with the Army to put together what we call a safety net. If that safety net had been in place when the individuals on the first panels had actually deployed, we believe the lion's share of those problems would never have existed or, if they had, they would have been caught sooner.

A question that was placed to Mr. Kutz was how many of these problems did the Department of Defense find and how many were found by the GAO. We feel that situation would have been reversed where the response was that 90 percent of them were not found by

the Department of Defense. We feel with the safety net we have put into place today, in fact 90 percent would have been prevented or found in time to fix the problems in a reasonable timeframe. But the other reality is that while that's the case, dealing with those problems and taking care of them in a satisfactory manner is still the standard we try to achieve. And I would like to publicly say that I think the statement that Major Riggins gave and the situation that occurred to him where he was passed from one office to another without a satisfactory conclusion was totally unacceptable, and I want to personally apologize to him for that terrible inconvenience.

Those are the summation of my remarks, ma'am.  
[The prepared statement of Mr. Shine follows:]

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Subcommittee on Government Efficiency  
And Financial Management

ORAL STATEMENT  
OF

MR. PATRICK T. SHINE

DIRECTOR  
MILITARY AND CIVILIAN PAY SERVICES

DEFENSE FINANCE AND ACCOUNTING SERVICE

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT EFFICIENCY  
AND  
FINANCIAL MANAGEMENT

COMMITTEE ON GOVERNMENT REFORM

UNITED STATES HOUSE OF REPRESENTATIVES

ON

"PAY PROBLEMS IN THE ARMY RESERVE"

July 20, 2004

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Efficiency and Financial Management

Chairman Platts, Distinguished Members of the Subcommittee, my name is Pat Shine, and I am the Director of the Military and Civilian Pay Services Business Line for the Defense Finance and Accounting Service (DFAS). Thank you for this opportunity to discuss our role in paying Reserve Component Soldiers.

DFAS shares the responsibility to provide quality pay and customer service with the active and reserve components of the military departments. DFAS is chiefly responsible for the systems issues, which is the focus of my testimony today. We are taking a three prong attack to address these pay issues, the Department's ultimate solution is the Defense Integrated Military Human Resources System, the interim solution is the Forward Compatible Payroll System and the near term solution is our aggressive collaboration with the Assistant Secretary of the Army for Financial Management and Comptroller and the Reserve Components to work as one team in mitigating these problems. We have made progress in pay support over the last 6 months and I will address specifics later in my remarks.

Currently, DFAS maintains two separate payroll systems for the Army, Navy, and Air Force. The two systems are the Defense Joint Military Pay System (DJMS)–Active Component (AC) and DJMS-Reserve Component (RC). DJMS-AC is designed to pay active duty service members. In contrast, DJMS-RC was designed primarily to pay Reserve and Guard Soldiers for monthly drill pay, which requires input to be made *each month* by the Soldier's unit to certify drill attendance to initiate payment. In April of this year, we automated a key entitlement in DJMS-RC–Hardship Duty Pay-Location --, which has eliminated the requirement to manually input tens of thousands of manual transactions each month. This system improvement minimizes the risk of manual input error, and results in improved customer service for our deployed Reserve Component Soldiers.

When talking about pay systems, it is important to have a perspective of recent history. In the 1991 Gulf War, the Army transferred the pay accounts of mobilized Reserve and Guard Soldiers from the Reserve pay system to the active pay system. Since the pay system is not integrated with the personnel system, a Soldier's duty status was not automatically updated in the pay system. As a result, many Reserve and Guard Soldiers continued to receive active duty pay and allowances after they were demobilized. This caused millions of dollars in overpayments, as cited in a 1993 GAO report. To rectify this situation, in 1995 the Army made the decision to retain Reserve and Guard Soldiers on the reserve pay system in the future. This business practice remains in effect today, and DFAS concurs with this approach.

The (long term) ultimate fix to the pay problems that occurred during the Gulf War requires both the elimination of two separate payroll systems and the integration of multiple military personnel and payroll systems into *one integrated system*. The system that achieves this goal is the Defense Integrated Military Human Resources System (DIMHRS) program, under the auspices of the Office of the Secretary of Defense (Personnel and Readiness).

Due to the complexity and scope of delivering an integrated personnel and pay system for all military services, DoD has approved DFAS's strategy for an interim replacement of the current legacy Defense Joint Military Pay System (DJMS), to help resolve immediate payroll problems facing our service members. This replacement system is called Forward Compatible Payroll (FCP). FCP eliminates the problem of having the separate DJMS-AC and DJMS-RC systems; under FCP, active and Reserve component Soldiers will be on the same system. Implementation of FCP will begin with the Army's Reserve Components (RC) in the spring of 2005, with final implementation of the Navy by the spring of 2006.

In addition to these systems solutions, we have embarked on many other initiatives to improve pay for all our service members in the near term. An

executive oversight committee has been established consisting of senior executives from the Assistant Secretary of the Army for Financial Management and Comptroller, DFAS, and the Reserve Components, that provides quarterly updates to the House Government Reform Committee regarding progress made to improve pay for mobilized Soldiers. Within the last 6 months, we have collectively made great strides in improving processes and procedures within the finance community. The majority of these action items apply to both the Army National Guard (ARNG) and the US Army Reserve (USAR).

While significant improvements have been made in training, procedural guidance, and systems controls in support of mobilized Soldiers' pay, *these efforts have occurred primarily since the Fall of 2003. In many cases the success of these improvements will not be visible with the original mobilizations and deployments in support of Operation Iraqi Freedom (OIF)1.* They should result in improved pay support for those Soldiers currently deployed under OIF2 and, to an even greater extent, the Soldiers who are just beginning to be mobilized for OIF3. We are already seeing some results from our action plan. For example:

- We have implemented a military pay "safety net" as another way of ensuring accurate pay. One component of this safety net is a monthly data reconciliation of the pay accounts of demobilizing Soldiers; hundreds of Soldiers' accounts have been corrected as a direct result of this component of the safety net.
- Another safety net component is the data reconciliation done between the DFAS central database and the deployed theater finance office's arrival and departure manifests. Through this business practice initiative, we input at DFAS central site more than 31,000 transactions for mobilized Soldiers during June 2004, thus minimizing the risk associated with manual field input.

We also have improved the enforcement of internal controls designed to detect erroneous payments. Some of these include:

- DFAS centralized database reconciliation to ensure Soldiers are not paid on both the active and reserve pay systems.
- DFAS increased field finance office use of monthly file queries to check for erroneous payments.

Mr. Chairman, DFAS remains fully committed to our continuing partnership with all service components in improving the accuracy and timeliness of all service members' pay accounts. We will remain steadfast in the aggressive implementation of our action plan, and we look forward to reporting back our results to the GAO and to the committee. Thank You.

Mrs. BLACKBURN. Thank you, sir. Mr. Shine, I think I will begin with you.

Your integrated system, you are looking at having ready in spring of 2005?

Mr. SHINE. The interim system is not an integrated system. It is a replacement for the current payroll system which we call the Defense Joint Military Pay System. It has two components, an active component called AC and a reserve component piece called RC. And as General Helmly has already said, the RC portion is really designed to pay monthly drill pay. It was never designed to pay reservists who are deployed for long periods of active duty. That's the real failure with the system and that needs to be fixed.

The Forward Compatible Payroll System will fix the fact that we will no longer have two separate and distinct payroll systems. We will be able to take care of any soldier regardless of their component on one payroll system. That is the good news. The bad news unfortunately is it will not be integrated with the personnel system, so many of the problems you've heard described here today that occurred because we didn't have good personnel accountability or we didn't have timely input from the personnel system, will not be fixed by the interim system that will be fielded in 2005, but will be fixed when the objective system known as DIMHRS is fielded.

Mrs. BLACKBURN. So your interim system will be ready in 2005 and your DIMHRS system, what is your time line on that?

Mr. SHINE. The DIMHRS system is not being developed by DFAS but actually being developed by the Office of the Under Secretary of Defense for Personnel and Readiness, and they have a timeframe that they are going to be fielding—and it varies by each service. And so the Army date—I will defer to Mr. Gregory.

Mr. GREGORY. We have been advised that we should expect to have the Army Reserve and Army National Guard, because that is our first choice to put the reserve component, no later than March calendar year 2006.

Mrs. BLACKBURN. So we are developing an interim system that will go in the spring of 2005 and then the permanent system should be ready in March 2006?

Mr. GREGORY. Yes, ma'am. And to clarify that, as Mr. Shine said, the problem that the forward compatible pay system will solve and why it is so important, even though it is not integrated, it is going to solve the problem that Sergeant DeLain had when she mentioned that, well, I got my pay but it comes in four different checks. When forward compatible pay comes in, nobody will be getting four separate checks to figure out what's my total pay. There will be one.

Mrs. BLACKBURN. Yes, sir. We appreciate that. And one of the things we would like to have, if you all do not mind, is the cost estimate of what you think it is going to end up costing to implement, develop and implement this system for its first year of implementation and then the human capital and personnel needs that are required by developing and implementing this system.

Mr. SHINE. Ma'am, just for clarification, which system?

Mrs. BLACKBURN. I want both of them, the forward compatible pay and then the DIMHRS system.

Mr. SHINE. We will be happy to provide that to you.

Mrs. BLACKBURN. Thank you. I appreciate that very much. Mr. Gregory, what actions have you taken to correct the specific pay problems that were identified in the GAO case study?

Mr. GREGORY. We have provided for your reference a copy of the work statements and the issues that we have been working with the committee on for this past 8 months. And those, ma'am, are directed at again, as I said, immediate corrective actions. And by immediate, means within 60 days; near term, mid term and long term. And long term, of course, the last one is the Defense Integrated Military Human Resources System, and as we said, it has been promised us by March 2006. But, ma'am, some of the things we have concentrated on—and because we haven't looked at doing a lot of systems work and investment to redress the issues in this GAO report for the U.S. Army Reserve. We concentrated on training, on process, on information. And ma'am, on page 6 of the report, you can get a feel for exactly the kind of things it includes in there. And one of the things that is included, as Mr. Shine referred to, the fix of hardship duty pay location, that hardship duty pay location affects quite a few. And 89 percent of the problems of—

Mrs. BLACKBURN. Mr. Gregory, I appreciate that and we will have this as a part of the record. I am asking about the specific pay problems of those 348 soldiers in that case study.

Mr. GREGORY. Every one of the pay problems that was found for the Guard and/or the Reserve—I mean both different reports—but we handled the same way. We worked directly with GAO. And as GAO found the problems, we worked for the Army Reserve. We worked directly with the Army Reserve Command down at Fort McPherson, GA and we have worked with the unit that has been established at Fort McCoy, WI, as a centralized unit.

Mrs. BLACKBURN. I don't understand from your answer, sir, that you all have addressed the individual specific problems for those enlisted men and women?

Mr. GREGORY. Yes, ma'am.

Mrs. BLACKBURN. Each 1 of the 348?

Mr. GREGORY. Yes, ma'am.

Mrs. BLACKBURN. We want to be certain of that. We appreciate the efforts that you're making in the aggregate, but I'll say that we continue to have a certain amount of frustration that we hear we're moving forward on systems and we're moving forward on addressing the pay problems for units as a whole, but it seems as if systems don't get developed as quickly as they should and time lines are not established and adhered to, so that continues to be a problem.

You know, Major Riggins said in his testimony that his problems had not been addressed or fixed. Is someone going to address that?

Mr. GREGORY. Yes, ma'am.

Mrs. BLACKBURN. General Helmlly, I like that Airborne patch on your shoulder.

General HELMLY. No partiality to the 101st at Fort Campbell.

Mrs. BLACKBURN. You can be partial all you want. You absolutely can. We think that the men and women at Fort Campbell have done excellent work as well as our reservists and our guardsmen in Tennessee who have been very active in this effort in the

past couple of years, and we are very grateful to them. And when we have individuals that have problems with pay and families that have problems with pay, it does cause us to be concerned. And I appreciate the fact that you take total responsibility for the training and the goodwill of those fine men and women, and we share with you the frustration of muddled processes and procedures. I think that is frustrating for everyone involved, and so we do appreciate that you're placing some energy and effort into being certain that the deployments have predictability, that they have a system which is easily navigated for those families. You are responsible for what is actually overall a relatively small portion of the mobilization and pay process when you look at the total deployment. And how would you describe your command role in resolving the pay situation that we are facing today?

General HELMLY. Congresswoman, first, I think it's necessary to reflect that, as has already been noted, in large measure many of the pay performance problems emanate from personnel matters; that is, a failure to post records. In other cases, the authority, sometimes in law, have not been modernized. Largely all our personnel procedures as related to reserve component, systems, authorities, etc., were built for a different era and our assumption was that we would mobilize virtually the entire force and bring it to active duty, processes and systems.

I believe you are aware of the fact that in Desert Shield and Desert Storm we placed all mobilized and reserve component members on DJMS active component. That was a part of that view, so be it, it resulted in improved pay, but a disastrous process wherein large numbers of servicemembers as we demobilized continued to receive active duty pay and we endured some horror stories of overpayments and recoupment and the hardships enacted on families and the members. My responsibility begins with, if you will, prior to mobilization, disciplining the records keeping, the personnel systems and processes and the updating of data bases and records. We are placing a great deal of command emphasis on that because even with Forward Compatible Pay system and ultimately DIMHRS we'll only be as good as the input that is in a timely, accurate way. We are disciplining our employees and members throughout the field with regard to a responsiveness.

You'll pardon me, one of the reasons I am drinking coffee instead of water, I am recovering from jet lag from just returning from Iraq, Afghanistan, Uzbekistan and Kuwait. As I talked to our soldiers, one of their biggest complaints was as they send an e-mail back, which is a more common means today, than telephone call or snail mail as they call it, a complaint or a question, and they say, "sir, I don't get a response." I must tell you that I—let's say in kind words, energize the chain of command when I find that on specific soldiers in units and then use that as a source of command emphasis through the chain of command at large. It is my judgment, as I said, we must improve that care and concern. So it starts prior to mobilization.

Second, we have a policy which has had the effect of, once we have mobilized reserve component members, telling the parent chain of command everything is now the responsibility of a different chain of command. I must tell you there has been some fric-

tion because while I don't intend to try to exert direct control, I believe that I retain ultimate responsibility because that soldier is going to return to the Army Reserve. And if we want to retain them, we can't cut this off in a black and white kind of way, plus their family is still on this end. And I retain direct responsibility for ensuring their families get the proper entitlements and are cared for. So we are working all of those pieces hard.

Mrs. BLACKBURN. So what I'm understanding you to say is that basically this system was not updated over the past decade?

General HELMLY. Yes, ma'am. That's correct.

Mrs. BLACKBURN. So what you have is an archaic, labor-intensive system that did not avail itself of developing technologies in an appropriate timeframe?

General HELMLY. That is correct, and it is built on an outdated system of policies.

Last point I wish to make is in some way, in many ways, the cumbersome nature of this system has been confounded by the very overly rigid, centralized mobilization process we have used that has caused the late notice, innumerable changes at the last moment, etc., and all of those confound the people who are trying to input pay and personnel data.

Mrs. BLACKBURN. Let me ask you one more thing, Mr. Hemly. Do you need specific targeted help in addition to what you currently have to run your program until the promised technology comes online in either spring 2005 and then spring 2006?

General HELMLY. I don't wish to say no. That would imply that we—

Mrs. BLACKBURN. Realistically.

General HELMLY. I don't know of an area where we would require Congress' help. I think we're getting it here seriously today. This helps shed visibility. The newly renamed Government Accountability Office reports, while many shy at those, have been very helpful in focusing us. I think the area where we need support is to maintain the resourcing stream and to maintain the congressional emphasis on the Department's reform efforts toward pay and personnel systems and processes.

Mrs. BLACKBURN. I can guarantee you are going to continue to have Congress' efforts, because we have constituents who are very concerned, as are we, for them about these matters.

Mr. Shine, back to you and Mr. Gregory, and this is a simple yes or no, the deadline or the goal, the time line for your forward pay system in 2005 and then the DIMHRS system in 2006, how realistic are those deadlines and what are you doing to be certain that those get met?

Mr. Shine first.

Mr. SHINE. Specifically, as it relates to the forward compatible payroll system, we have gone through all the proper milestone improvement schedules. We have a specific project development plan that includes not only the development of the system, but also the testing and training and fielding of that system. Up till this past month we have been monitoring that on a monthly basis in trying to apply resources in those areas where we didn't feel we were right on schedule. Starting this month, we have gone to weekly updates with that same intention in mind. If we continue to stay on

schedule, and we currently are right now on schedule, sometime at the end of August, we should start the initial testing of the integrated pieces of the system. Because of the way we are trying to field this system as quickly as we are, we are actually fielding this one quicker than most systems of this magnitude. We are actually retaining the existing personnel systems, input systems and everything that the payroll system today talks to. So we call it an integration broker, a ring around, if you will, this commercial off-the-shelf software payroll system and making it link to all those other systems. That seems to be the most difficult part. Today as we speak at this point in time, we are on schedule for a March delivery to bring all the Guard, Army Guard and Reserve onto the Forward Compatible Payroll System in mid-month of March 2005.

Mrs. BLACKBURN. Is this system being built on the same platform that your system is going to be built on or are we going to reinvent the wheel?

Mr. SHINE. It is using the exact same software, which is basically a PeopleSoft product.

Mrs. BLACKBURN. Mr. Gregory.

Mr. GREGORY. First, on forward compatible pay to your earlier question to General Helmly, the Vice Chief of Staff of the Army went to the Defense Finance and Accounting Service and said we need this forward compatible pay as soon as we can get it. Is there something we, the Army, as your customer can give to you in terms of resources to help you serve our soldiers better? The answer from DFAS was we are on a very quick time line, as Mr. Shine stated, and that we want to make sure that it's properly tested, and putting money on it will not make it happen sooner, which means that we are working with DFAS on the time line they have established and we expect as their customer to have that in August—excuse me, in March. What we have asked DFAS to do is to enter into the operational phase and to identify a battalion for OIF 3 that we could help them and be part of their operational testing, which means an early test to see let's see how forward compatible pay does in comparison to the old legacy system. And we are working with DFAS in partnership to help them through their operational test phase.

And with regard to DIMHRS, I can only tell you as a service who intends to be the first one in DOD on to DIMHRS—and I can tell you—and I am not the developer, I am a customer—I can tell you two things: No. 1, the Army has been involved with the DIMHRS effort since day 1. The Army again has a fully qualified, very expert finance officer, Army finance officer working with the Army DIMHRS's office to make sure that issue of integration of pay and personnel comes to fruition. That person is on board and working and we have done that over the years of development, and there have been many. As we have been told that we would have it to use in the U.S. Army Reserve—as General Helmly said, we have been told and updated as of this morning that March 2006 is the date we are going to have it.

Mrs. BLACKBURN. Is this being developed in-house?

Mr. GREGORY. It is using, as Mr. Shine said, PeopleSoft—the processes and integration takes the people in-house to determine

that, but the software itself, no, ma'am. The software itself is a commercial off-the-shelf product and it is PeopleSoft.

General HELMLY. May I add one point to make sure it is correctly understood? This is a joint system. All of the services ultimately go into this, which adds to its capabilities, because as noted in the first panel, we have soldiers, sailors, airmen and Marines who have to go with each other increasingly in joint formations and then where we have service members who transfer from one service to another, we are able to subsequently not lose their pay records, promotions and all of those things in the process as happens most frequently today.

So this is a Department of Defense initiative with the full and complete input, and in our case we can speak authoritatively.

Mrs. BLACKBURN. We appreciate that. One of the frustrations that we have here is the fact that we have heard more than once that DOD has over 2,300 different accounting systems, that there is truly a lack of interface, that you do not have an enterprise technology, enterprise structure and a platform that all of these different financial accounting programs and personnel management programs run from. Now the problem with that to those of us that maybe aren't computer geniuses, and we are not a computer whiz and we are here trying to manage through these situations with our constituents, and the problem with that is we are always going back to square one. And you know, then we get into the excuses, well, we told you last year we were going to do this, but we haven't made any progress because of—this system doesn't talk to another system. And if we are going to build this and if we are still some months out, for goodness sakes, it seems to make sense that we would plan ahead just a little bit so that things are not as labor intensive, so that we do have systems that are through the different branches of the military that can talk to one another. And that just seems to make some good common sense there, and we certainly would hope that it will help with addressing that pay process.

But I turn it—Mr. Schrock, do you have any questions.

Mr. SCHROCK. No.

Mrs. BLACKBURN. I know our chairman is trying to come back here. Mr. Shine, I want to hear from you before we finish this up. If I have some of our wonderful Tennessee volunteers who are in the Guard and they are going to be activated, how many different pieces of paper at this point in time right now, how many different pieces of paper, how many different forms are they going to have to fill out in order to get their pay? Is it four, is it five, how many will it be?

Mr. SHINE. I'm not exactly sure how many pieces of paper it will take, but I can get you an answer for the record. We actually share the mobilization process with the Army and so there are some Army forms, there are some DFAS forms, and I will get you an answer for the record.

Mrs. BLACKBURN. Thank you, sir. And that will be helpful to us.

Mr. Shine, let me ask you this also. You all were using a commercial off-the-shelf system, the PeopleSoft. OK, how much modification are you having to do to that to have it for your forward compatible pay system?

Mr. SHINE. Ma'am, I am not a technical expert, but let me do the best I can and at least try to get to the spirit of your question.

PeopleSoft has a version that they call North American, which is the primary payroll engine that they sell to hundreds of private companies to do their payroll operations here in the United States. And what it really means is it is configured for the normal Federal tax withholdings, State tax withholdings, Social Security, and the things that normally occur to most private businesses here in the United States.

Unfortunately, when we actually sat down—and I am actually, I apologize, I am really talking about the DIMHRS effort, when it first took a look at this piece of software. There was a determination made that the specific algorithm and logic of that particular piece of software would not work for the unique requirements of the U.S. military. There are so many unique legislative entitlements that individual soldiers, sailors, airmen and Marines are entitled to that the software that was being used, called PeopleSoft North American, would not work for the Department of Defense.

However, PeopleSoft also sells their product to foreign organizations, and so they have another version they call PeopleSoft Global, and it is really designed to work in foreign countries where, as opposed to already having an existing structure, you basically build the logic and algorithms that supports the tax structure and the various withholding requirements of those foreign countries.

We found that we were able to use the PeopleSoft Global software and actually build the unique legislative entitlements that accrued to the Department of Defense service members very well. And so, as a result of that, when the DIMHRS program management office decided to engage the PeopleSoft Global software, we in DFAS, when we got approval to develop the interim system, adopted the exact same software platform. We are using the exact same license that the Department of Defense already purchased. We did not have to purchase a new license, and the only thing we are having to do additional to that, ma'am, is not to affect the computation of the software itself as it computes pay.

But I mentioned earlier this sort of ring that we had to put around it that we call an integration broker that allows the PeopleSoft software to talk to the existing personnel systems and accounting systems that are in existence today. With DIMHRS that will not be necessary because it won't have to talk to and interface with a different personnel system. The HR system and the payroll system will be integrated, and that is what the PeopleSoft product delivers.

Mrs. BLACKBURN. Now, are you doing that in-house, or are you outsourcing that? Do you have a contractor doing that?

Mr. SHINE. It is actually a combination of both. Most of the requirements determination is coming from government, most of the software development is coming from contractors who are experienced in working with this particular product.

Mrs. BLACKBURN. OK. Our concern is, when we hear a commercial off-the-shelf product, it has to have an enormous amount of modification. It seems like there are problems with that and getting it up and ready to run.

Mr. Schrock, I know that you were on the original GAO study. Would you like to, since you had requested that study, ask a few questions?

Mr. SCHROCK. I apologize for my lateness. I was chairing a committee, and it seemed to go forever. So I apologize, because this is an issue that is very important to me. As all of you know, I am a Navy guy. I know that is probably not too popular to say with this group. But we experienced problems like this when I was active duty, but it seems like it is even more egregious now. So let me go down and try to play catch up here a little bit.

Mr. Shine, what has been done to identify the gaps by GAO and the number of soldiers ordered to active duty and the number who show up at mobilization stations and the overpayment problems that are a result of these accountability breakdowns? We heard that in other hearings in the past and wondered if there had been some resolution to this or some correction to this.

Mr. SHINE. Well, Congressman Schrock, I will tell you that personnel accountability is really an Army issue. Clearly, it is a direct driver and has a huge impact on whether we are going to be able to pay the people correctly. So if I could answer the second part of that question first, and then I will defer to the Army to answer the first part.

Mr. SCHROCK. Great.

Mr. SHINE. What we have done, sir, is we have established since the first report to when we first reported back to your committee back in January of this year, we have established a safety net that we are working with the Guard and Reserve where we get identified to us the specific unit identification codes of the units that are mobilizing so that we can review to make sure that every soldier in that unit in fact got all their activity duty entitlements started correctly. And then the reverse situation when they are demobilizing to ensure that everybody who is in fact demobilized in fact was removed and had their active duty entitlements removed.

We do run into issues, as you would expect, with situations for soldiers injured that are for some reason injured while they are on active duty, and they have to be retained in a hospital status, because obviously they are going to retain their active duty entitlements.

But we feel with this safety net, sir, that we have actually been able to significantly reduce—I will not tell you it is with 100 percent, but I think we significantly reduced the causes of overpayments that were referenced in the original GAO report on the Army National Guard.

Mr. SCHROCK. I may be asking things that have already been asked, so I ask your forgiveness on that. Why couldn't this have been foreseen, these problems we have?

Mr. SHINE. Well, sir, I—

Mr. SCHROCK. I always look at the military as being so precise, so definite, so everything that is so perfect. And then when you see things like this happen, you wonder why did this happen? How could this have been allowed to happen?

Mr. SHINE. And, sir, what I can tell you is we realized back in the 1990's that we had an issue with the system that we have, that the system that we have is not the proper system to take care of

these types of payments. And the Department launched onto an objective to produce an integrated payment personnel system that we call DIMHRS, the Defense Integrative Military Human Resource System.

Nobody knew at that time that we were going to have these major deployments. Once we started seeing an increase in deployments at the time when we were going in the late 1990's into Kosovo and Croatia and those countries, we realized that the system we had was starting to get very, very fragile. And it was based on that, sir, that caused us to say that while DIMHRS is our objective solution, we need to get something soon, because the system we have now just will not work. Which was the genesis for the interim system we call Forward Compatible Pay. And while I and I think everybody that we pay would love to have had the Forward Compatible Pay System here already, the reality is we, sir, is we have put it on as fast a track as it can be in order to get it deployed as soon as possible.

Mr. SCHROCK. Mr. Shine, correct me if I am wrong. Didn't some of these problems exist in Gulf I?

Mr. SHINE. Well, sir, actually the problem—

Mr. SCHROCK. I'm sorry. Excuse me. And if they did, and they did and I think some of them did, why—that is 9, what, 9 years later. I was wondering why it took so long.

Mr. SHINE. And actually, sir, you are right. There were problems. As a matter of fact, there was a 1993 GAO report that General Helmly was discussing just a little while ago. In those days, sir, we still had the two separate payroll systems, but in the Gulf war we actually moved the Reserve and Guard soldiers to the active system. We created a huge problem at the conclusion of the war, because, unfortunately, because of the lack of integration between pay and personnel we retained people on that active system, they continued to get paid literally millions of dollars. Congress got involved, and Congress had to actually pass legislation that waived many of those debts at that time. And it was a determination made at that time within the Department of Defense that the better way to do this until we had everybody on one system was to keep mobilized Guard and Reserve soldiers on the Reserve Component Pay System, sir, which has led to many of the customer service issues that you have heard enunciated both in the January hearing and this hearing today.

Mr. SCHROCK. Secretary Rumsfeld recently appointed an independent commission to look at the overhauling of the military pay system. Will DIMHRS wait for the results of the study? And what if the findings don't jell with DIMHRS, what is going to happen?

Mr. GREGORY. Sir, if I may.

Mr. SCHROCK. Yes, sir.

Mr. GREGORY. Congressman Schrock, I would say that I hope to God DIMHRS doesn't wait.

Mr. SCHROCK. Doesn't what?

Mr. GREGORY. That it doesn't wait.

Mr. SCHROCK. Oh, wait. Wait. I thought you said it doesn't work.

Mr. GREGORY. Oh, no, sir.

Mr. SCHROCK. And I was going to say, we have a real problem if that is the case. We have a bigger problem than I thought.

Mr. GREGORY. No, sir. You asked if DIMHRS would wait for the outcome. And I would tell you that the best laboratory we have had for what we need in DIMHRS has been what we have been going through over the last couple of years. And what we are doing with regard to our plan for corrective action that we discussed at the last committee hearing and that we have brought up again today is to make sure that all the lessons learned we are getting from the first panel of our soldiers who were here with pay problems today, that we are looking at exactly how is DIMHRS going to address this. Do we have the right processes in place?

Now, a question was asked before, sir, about when is DIMHRS going to be delivered to the Army, because we are first to get DIMHRS, and that has now have been targeted and been advised to me today, this morning, that it is going to be March 2006.

Mr. SCHROCK. 2006?

Mr. GREGORY. Yes, sir. So I would say that there is time for the Secretary of Defense's special study to be taken under consideration and given the time line that we are on and when we expect delivery. And, but I don't want you to think that March 2006 is the only timeline and you won't see any improved systems until then. Mr. Shine discussed and clearly explained how.

Because of that long time line, the Defense Finance and Accounting Service came up with an interim solution, albeit interim, and nonintegrative with personnel, but it is the Forward Compatible Pay System. And that we should have in the Army and first in the Reserves in—Pat, correct me. Tell me exactly the date for Forward Compatible Pay?

Mr. SHINE. For who?

Mr. GREGORY. FCP. What is the date?

Mr. SHINE. March 2005.

Mr. GREGORY. March 2005. A year earlier.

Mr. SCHROCK. And if they told you this morning March 2006, I guess I have been in government long enough to know it is probably going to slip a little.

Mr. GREGORY. Well, sir, I would tell you that Secretary Rumsfeld asked: We have to move this forward. Tell me how long. And that has been the—and tell me when it will be available. That was the date provided, and the date provided to us as the customer.

Mr. SCHROCK. Let me ask you, General, in your opinion, what is going to be the effect of pay system failures on your retention efforts once stop loss has been lifted for returning units? Are they just going to get so fed up they are going to say I am out of here?

Lieutenant General HELMLY. Thank you, Congressman. That in my judgment is the central point to make the point earlier. Given the stresses and strains on the force and the pressures of war, this is the first extended duration conflict of this intensity we have fought with an all volunteer force, and our soldiers are long on courage and competence, short on patience. To date, we have seen no specific—

Mr. SCHROCK. Typical Americans, in other words?

General HELMLY. Yes, sir, and I must say that I am one of those who is short on patience as well.

I have seen no specific noticeable decline in retention. However, that candidly is a part of the problem. Because as I have ap-

proached for varying authorities and changes in retention policies, entitlements, and procedures, the inertia of the bureaucracy says, you don't have a problem, you don't need that. We have to change the way we think, and that is to be preventive minded.

I believe that the effect on retention will certainly be negative. I am unable to quantify that. But it will not be solely because of pay. It will be the combination of pay and personnel systems and policies that our soldiers see as harmful and deleterious to their personal and family welfare.

Mr. SCHROCK. Mr. Chairman, just let me ask one more question, if I can. And let me preface it by saying the only day I don't like the Army is when they play Navy. The rest of the time I think they are great. And I have been to Afghanistan and Iraq a few times, and they are absolutely amazing people.

General HELMLY. Congressman, the feeling is mutual, I will assure you.

Mr. SCHROCK. I accept that.

Mr. Shine, how do you characterize the soldiers, or anybody for that matter, who would accept active duty pay month after month without reporting for active duty, and what actions have been taken to pursue those folks and collect those payments? They had to know at some point they were going to get—

Mr. SHINE. And, sir, I would just say that each one of those is on an individual case-by-case basis. There are actually some overpayments where—and we had a mockup here of the leave and earning statement here earlier, that in some cases, before we made some of the improvements we made to the leave and earning statement, it was somewhat difficult especially when there were things happening to a soldier's pay, when there were multiple transactions occurring, it actually could have caused confusion, in which case I think we would take a look at that and make a judgment on our own that it was probably something that was difficult to determine.

In cases where we think it probably was a situation where a prudent person would have known that they were receiving overpayments, we normally refer those to an investigative body, either the Defense Criminal Investigative Service or the Criminal Investigative Division of the Army, for their determination of any criminal wrongdoing or fraud.

Mr. SCHROCK. And the opposite of that as well. Some soldiers were not paid month after month after month after month, which I think caused them great harm financially at home. And I am hoping—that may have been discussed earlier, but I am praying to goodness that got solved as well.

Mr. SHINE. That is an unacceptable standard. And that is what the safety net that I discussed earlier, sir, was put in place, with the intention of trying to prevent those types of situations from occurring.

General HELMLY. May I add one point?

Mr. SCHROCK. Yes, sir.

General HELMLY. While we are here focused on pay, the facts are that we in the Army Reserve Command find that our most accurate data—and this may be shared—regarding who is mobilized for what length of time, and the number of soldiers mobilized actually

comes from the DFAS data base. We do that for two reasons. First, if soldiers are not getting paid, they are going to complain. And, second, we have such a confused labyrinth of orders, etc., in the mobilization process that we are simply almost incapable of getting accuracy regarding personnel accountability. And so we get our most accurate data regarding Army Reserve personnel accountability and numbers, etc., from DFAS.

Mr. SCHROCK. Thank you, Mr. Chairman.

Mr. PLATTS [presiding]. Thank you, Mr. Schrock, and I appreciate your standing in as the ranking member and I had to manage a bill on the floor dealing with financial accountability with the Department of Homeland Security. So I appreciate your working with Mrs. Blackburn and running the hearing in our absence.

Mr. SCHROCK. Well, Mrs. Blackburn really did it, and I came in and she yielded.

Mr. PLATTS. I will be sure to let Marsha know you gave her appropriate credit.

I want to thank each of you belatedly for your participation here today and your testimonies, and also your patience in getting started and us having to run in and out of the hearing. And, also, both General Helmly, your service in uniform and your two colleagues on the civilian side, all of you, your service to our Nation is much appreciated. And we know you are doing your best to do right by all the men and women in uniform. That is certainly what we are all about.

I will try to gather my thoughts and not duplicate too much what has already been addressed by other members and the staff we are working with. Let me start with one of the issues that I think it was Major Riggins and his recommendations that would help cut through, and this deals kind of with any entity where you are dealing with clients. And I will say for the soldier being a client, in the sense of if they are not being paid right and they are coming to the Department, to whichever branch, for assistance and the customer service, he described what I would characterize as an ombudsman's office, where there is kind of a one-stop shop. Where does that stand? I know we are trying to, like the Cleveland center, to consolidate. But where does the trouble shooting office stand right now as far as troops who have difficulties?

Mr. GREGORY. Sir, if I may.

Mr. PLATTS. Yes.

Mr. GREGORY. We will take both sides of our reserve component. In the National Guard Bureau, as a result of Congressman Shay's recommendation, at the hearing, at the committee hearing, full committee hearing, he recommended the ombudsman be established, and that has been established in the National Guard Bureau and the ombudsman office. And there has been a bunch of 800 numbers established, and that has been propagated into information and in pamphlets, and every soldier gets to see that and carries a trifold, a little item that he gets and tells them, if you have a pay problem here is where you go.

Now, at the same time, I would tell you that the U.S. Army Reserve has had a central place to go. It wasn't called an ombudsman's shop, but it is a central place to go, and that is the element that exists at Fort McCoy, WI. And, in effect, I would tell you that

the U.S. Army Reserve led that, because they have had that established even before we had our hearing and before these findings come out. But as a result of doing it in the Guard, we have worked with the Army Reserve, and the Army Reserve is going to establish at Fort McCoy, WI with the facility they have an ombudsman, and to make sure that ombudsman has all the communication lines they need so that a soldier or family member, a spouse that has problems can go forward and say, hey, I am so and so, and I have this problem. Help me.

Mr. PLATTS. Is the existing office with the Guard and the Reserve and this kind of more formalizing I guess this ombudsman's office with the Reserve, is it something that is 24 hours a day, you know; in other words, anticipating the troops deploy at different times around the world, their ability that when it is their morning, it is night here, or vice versa, you know. Is there going to be not just numbers or e-mail but actually—

Mr. GREGORY. Mr. Chairman, I am going to be honest with you. I can't tell you what the hours of operation or availability are. I will find that out and certainly submit it in writing for the record.

Mr. PLATTS. My reason for asking is we are making this as easy as possible, especially for those deployed troops that, you know, on their schedule, their timeframe, that we are available to trouble shoot. Because I think financial stress is a key challenge for any family. And especially when you have family members serving in harm's way, adding financial stress, is really a deadly mix.

Mr. GREGORY. Yes, Mr. Chairman. I would like to also say, because of referring to Major Riggins' comment where, no matter who he called and no matter where he went to in customer service, he was sent back to the first place. And, sir, I would refer to you in here and to our corrective action plan, you will see that one of the actions that we have taken is to train and advise and to bring and to make responsible as part of our mobilization, demobilization standard operating procedure, is that no matter where you go as a soldier, whatever finance office you go to, wherever it may be, that finance office becomes responsible to solve your problem.

Mr. PLATTS. So no passing of the buck?

Mr. GREGORY. That is correct, sir.

Mr. PLATTS. That is great to hear, and it has to be frustrating. You know, you are trying to get resolution and you are sent back, kind of like that perpetual customer service desk where you are just in the loop, you never actually get any assistance. And, again, especially for our troops deployed, they don't get passed along, but that somebody really does take responsibility.

I do commend the Department in response to the GAO report last November and the hearing in January with the Guard and a lot of which we realize carries over to the Reserves, that the Department is being very proactive in moving forward with those recommendations and even other actions that weren't part of the recommendations, to address these very serious problems, that we do right by each and every man and woman in uniform.

You referenced what the Guard is doing with an ombudsman. One of the things that I was interested in that came out of the GAO report is the guard booklet, which is a one-stop shop in print for the troops on where to go. I do notice that this is for the Guard

specifically, in the way it is marketed. Is there an equivalent for the Reserve?

Mr. GREGORY. Sir, the items that were found that were as a result of GAO's report on the U.S. Army Reserve versus—or in addition to the National Guard, we have taken all of those other type of findings, different things. There are things that we have opened. And certainly the best ideas we intend to bring to the U.S. Army Reserve, and to do that, to make sure that is done. There is already an information pamphlet that is out from the U.S. Army Reserve, but we intend to make sure that same information is available to the U.S. reservists.

Mr. PLATTS. It is not yet in this format? Because this seems like a very good, user friendly format: Here it is. If you have any questions, here is who to call, here is what to do.

Mr. GREGORY. Mr. Chairman, the outcome of this review that was expanded to the Reserve with the corrective actions will include that.

Mr. PLATTS. I am glad to hear that. But, General, if could just—why it took a followup inquiry on the Reserve versus—

Mr. GREGORY. Sir, the difference was that in the Guard, the Guard was 54 separate entities and is 54 separate entities as opposed to the U.S. Army Reserve, which took the initiative to establish a single point of contact at Fort McCoy, WI.

So our question was, was it necessary? Was it required? Once we found—and notwithstanding it is a great idea, but once we understood that, hey, we have a similar problem with the Army Reserve notwithstanding the initiative that the Reserves took, then we are going to act on it.

Mr. PLATTS. Great.  
General.

General HELMLY. Congressman, two aspects. The handbook deals with soldier and family information as to entitlements, processes, systems, redress, procedures, etc. In addition, we have just published—and I hold in my hand—the first of June, standing operating procedures which guide and try to discipline those in the provision chain, all the way from unit administrators to the people working input stations and mobilization stations. This was coordinated with both DFAS and Mr. Gregory's office, because those—they govern the systems and processes. We have established out of St. Louis a citizen Web site. It is new. It provides accurate Web-based information response. We have put I won't say hundreds of millions, but millions of dollars into modernizing the pay support center at Fort McCoy as well as St. Louis on the personnel side, trying to provide the modernized technology for recording for immediate response interface between voice and e-mail and data bases. All of those are new.

I must tell you part of this is culture change. Those processes and bureaucracies have in the past not been sensitive to soldier and family requirements, and so a large part of our effort is on putting starch in that, if you will, with command emphasis. And, where necessary, I must tell you—you spoke to the issue of over—or Congressman Schrock did, I apologize, to overpayments. Similar to that higher in the chain of command you go, we initiate the dis-

ciplinary actions to try to send a message that the old days of sloppiness, inaccuracy, and insensitivity are over. They are just gone.

Mr. PLATTS. And I am glad to hear that, and I think that is a very important message to be sent, that these are serious issues and deserve everyone's full attention. Again, I appreciate the proactive approach that is now going and Chairman Davis and Chairman Shays and others, who have been part of this effort in helping to push that effort, because it's somewhat frustrating when you look at the GAO report of 1993 that showed after the Desert Storm what happened; and as we went through the 1990's and knew we were relying more and more on Guard and Reserve, and are seeing that with the existing numbers of deployed, over 150,000 Guard and Reserve who are active now. All the more that this has to be a priority because it is the way our force structure is set up, and it is going to continue to be the way of doing business.

So I have some other questions, but I want to yield to my ranking member, the gentleman from New York, Mr. Towns.

Mr. TOWNS. Thank you very much, Mr. Chairman.

Let me also apologize. I was a part of the bill that they have on the floor, and I am not sure whether these questions that I am going to raise have been asked already. But the point is I was not here. So I would be happy that you repeat at least for my understanding and for the record as well just in case.

Mr. Gregory, for the past 10 years DOD has been on GAO's watchlist. Why, after 10 years, has DOD been unable to successfully modernize its military pay system so that our soldiers are not subject to the errors and details to the first panel's testimony in terms of all kind of mistakes have been made? Why haven't we been able to move along and show some improvement over the past 10 years?

Mr. GREGORY. Congressman Towns, I would say that there has been change over the last 10 years, but it has been marginal and incremental. We have been brought to an understanding because of the engagements we are currently involved in and the level of engagements, and how that really has impacted our reserve component that, as General Helmly said, we need a sea change, and we haven't done a sea change. We are doing a sea change now. We are in the middle right now of looking at—and I would tell you that it is certainly needed. We have the need and we have identified the need to do integrated processes with personnel. Personnel actions drive pay. And it is because of those that we are looking for and have been in development of an integrated personnel and payroll system for many years, I would say at least seven. But because it is a joint system, not just serving the Army, not just serving Army reservists, but the whole department, Army, Navy, Marine Corps—and I would tell you, too, that the Coast Guard intends that once we have it developed that they intend to adopt it. Sir, I would tell you that getting all of the individual requirements of the individual services, getting all of those nuances that exist together into an integrated process that will result in proper pay actions, timely and accurate pay actions has taken an awful long time. But, sir, it wasn't because we were denying the problem. We just haven't gotten there.

Mr. TOWNS. Do you have a timetable as to when you might get there?

Mr. GREGORY. Sir, I was asked previously. But right now at the Defense Integrated Military Human Resource System, which is the integrated personnel and payroll system, is to be available for our use and have people on the system in the Army—because the Army will be first and the Reserve component in the Army will be first. It is now targeted and scheduled for March 2006.

Mr. TOWNS. That is good to know. That is good news. Lieutenant General Helmly, let me ask you. I guess from a morale standpoint, I am concerned that the problems being experienced by our reservists will discourage them from continuing to serve in the future. Can you provide us with any statistics on the number of reservists who are not re-signing once their term expires because they are just sort of fed up with the fact that there is a lot of confusion around the pay and it has created hardships for their family? Do you have any statistics on this?

General HELMLY. Congressman, first of all, let me state this, and I state not for advertisement. The most frustrated soldier in the Army Reserve regarding the antiquity of the personnel, personnel bureaucracy and the policies is myself. On any given date I have the dubious honor of being asked to leave some of the finer offices in the Pentagon for just raising the devil about some of the changes we have put forth with regard principally to policies.

I must say with regard to pay, on those, with the leadership of Mr. Gregory, we have seen marked cooperation and support for reform of pay systems. What we have not seen is an equal amount of energy with regard to modernization of personnel policies.

Specifically to the issue, I am unable at this time to provide you any specific quantifiable decrease in retention. That is all the more amazing, considering the kinds of problems that we are facing here today. Our overall, both first term and career retention rates today are at about 98.4 percent of goal. Our recruiting is also amazingly, if you will, off the street, on target. I must tell you, though, that I believe there is a potential tsunami of a problem. That is because the intensity of the war continues.

Second, we are now in the era where this large number of soldiers we mobilized for what we are calling OIF I, approximately 72,000 soldiers has now been redeployed and is entering the window of demobilization and the period of time in which stop loss is effective. I have done my best to try to normalize our statistics to exclude a what I call artificial retention imposed by stop. We are plowing brand new ground. We have never before engaged in this level or volume of mobilization over this extended period with the frequency and intensity and, add to that, the casualty rates that we are enjoying. By enjoying, I mean having happen to us. Certainly none of us are enjoying them in a positive sense.

So that is part of the frustrating problem, is, in my judgment, we are facing a potential, not crisis but problem. But as I approach asking for certain authorities and changes in regulation and policy as regards retention capabilities and authorities, I am often told: Well, you don't have a problem, General. We don't understand why you are asking for that if you don't have a problem.

That is a mindset that has to change. We have to get ahead of this in order to ensure that the integrity of our all volunteer force is maintained. And so I accept very well your concern. I have no statistics to sit here and say I need this, I need that, based on a statistical challenge because I don't see that. But I believe that it is there; it is simply masked from view today, and we will know more within the first quarter of the next fiscal year as this first cohort for OIF I has the opportunity to then either ETS, take a 20-year inactive duty retirement, or some just exit the force.

Mr. TOWNS. Thank you. Mr. Chairman, let me just ask one very quick question, maybe two, for Mr. Shine.

You know, in the first group of witnesses a statement was made that if you had been overpaid, trying to pay it back becomes almost an impossible task. I mean, that was said twice. Now, but why, if I am overpaid, that me trying to pay it back creates impossible tasks? I mean, could you explain that to me? Because I heard it twice, and I turned to staff and I said, did they say that you can't pay it back even when you try? And of course the answer from the staff was yes as well. So I guess I heard that.

Mr. SHINE. Sir, the answer to your question is a very easy one: There is no excuse for it. It never should have happened. And I have already apologized to Major Riggins for it, because there is no excuse for the type of customer service treatment that he received. Once an overpayment has been identified, simply contacting the proper government official to effect the repayment is all that should be necessary. What happened was unconscionable and never should have happened.

Mr. TOWNS. Thank you very much, Mr. Chairman. I yield back.

Mr. PLATTS. Thank you, Mr. Towns.

Mr. Shine, I appreciate that approach. And as I said with the first panel, I am planning on following up with those that were part of that panel, Major Riggins being one in specific, I guess, said does 14 months after demobilizing still have an ongoing case, which is just somewhat disconcerting. And I appreciate your agreeing and trying to make sure it is—you know, one case at a time. But if we track down each one of those cases, eventually we will get them all, and that we do right by him and all of his fellow men and women in uniform.

And that relates to one question, that in Sergeant DeLain's testimony she talked about—and I guess they demobilized—I'm looking for a date here—sometime last spring, if I remember correctly. I am looking for the right timeframe. August of last year. That, as recently as she had been last Friday contacted by a captain who had a debt collector calling that they owed \$500. How is, if there is still an unpaid balance—and I distinguish between somebody who was deployed, was doing what they were supposed to be doing and just got paid wrongly versus someone who wasn't deployed to active duty and knew they were getting active duty pay. But that person who was deployed, how do we treat? I mean, this reads like there is an outside debt collection firm saying, hey, you owe us money. How do we handle those cases in general?

Mr. SHINE. Mr. Chairman, it wasn't specifically addressed in today's hearing, but it was one of the items that was discussed at the January hearing. And that is, that when an individual isn't deter-

mined to be in an overpaid status and has a debt, we have an obligation by law to make sure they are afforded proper due process. And this was one of the things that we recognized was a deficiency in some of the overpayments that had been processed. And, again, it is one of those—when I talked about some of the safety net issues that we have recently established, it was not in place unfortunately at the time that Sergeant DeLain's unit demobilized. It is in place now. We do have a procedure where we get a management report each month that identifies individuals that are in debt, and we then make an attempt to make sure that either through DFAS or through the unit administrator that the individual is notified of the debt so they have the right to due process. In some cases, these people have now already left service, in which case we have a specific organization inside of DFAS that deals with what we call out of service debt. At that time, they are again afforded a due process. It is an official process where they are notified in writing, they have the option then of either repaying the debt, providing substantiating documents to show that the debt has already been repaid. Or, another procedure, which is to apply for a waiver or remission of the indebtedness. And there is a specific adjudication process that follows if in fact that happens.

As a matter of fact, you may recall there were some individuals from the hearing in January who are still pursuing that adjudication process. Once an individual decides to pursue that, we suspend the debt until complete adjudication is decided. So while I can't comment specifically on the individual captain with Sergeant DeLain, I will be happy to get with her after the hearing so we can make sure we followup on it. The normal procedure is that only in a circumstance where we have tried to collect the debt, the individual had either chosen not to choose the waiver option or just said I'm not going to pay it, there are cases depending on the size of the debt. If it is not economically cost justified to pursue it, we will end up doing a write-off. But if it is, we will sometimes turn it over, and it will get reported against the private credit companies as a bad debt.

Mr. PLATTS. And it comes—my understanding from what you just said it is after they have been given every opportunity to have their case heard, and if they believe they are not in debt, to make that case. So that adjudication process runs its course before there is an actual debt collection effort?

Mr. SHINE. That is exactly the way it should work. And of course, like I said, I will followup to see if in fact we had a problem with the individual that Sergeant DeLain referenced.

Mr. PLATTS. That would be great. Thank you. Related to that first panel, we talked a little bit about Major Riggins and the efforts of better educating, whether it be Reserve or Guard, or in this case Reserve. He was part of the Individual Ready Reserve. And we saw recently over 5,000 troops in that category being called upon. So they are not—if I understand it correctly, if they are not really part of a specific unit, how would they be educated? He talked about the fact that his case was unique. But it sounds like we are going to have several thousand unique cases where they are not necessarily a part of a unit deployment so they may not get as detailed or lengthy of an upbriefing. How are you going to try to

ensure that these pay issues are addressed even for those Individual Ready Reserve members?

General HELMLY. Congressman, I will take that, if I may. First, the current chain of command, the human resources command in St. Louis has shown an impressive degree of sensitivity toward these soldiers and their families and a recognition that they are not a part of the Selected Reserve in a unit.

Second, they will go to a mobilization station. Those stations are in the process of being identified where they will go through a soldier readiness processing, including a complete physical and a determination of their capability for active duty service, because they are by definition in a more personally unready state not being a part of the managed force today. That mobilization station has the input capabilities, the counseling, and they will go through virtually, if anything, a stronger post mobilization readiness check briefings, the information sessions, etc., than our Selected Reserve soldiers.

And, third, I just today spoke to our USARP, Army Reserve Command sergeant major and our OCARP Command sergeant major about promotion force, these soldiers, etc. And I OK'ed their approval, since there had been some resistance, and will begin directing tomorrow that these soldiers will be treated as an integral part. The vast majority of these soldiers were justified against Army Reserve specific shortages in units for OIF 3. And we will make a matter of exerted command emphasis to ensure at every turn awards, decorations, family readiness, information, pay, etc., and that they are treated no differently than soldiers who were already a part of the units. We will place maximum emphasis on that. I have told both command sergeants major my intent is to do a good enough job that these soldiers, once demobilized, wish to remain a part of the Selected Reserve rather than revert to the Individual Ready Reserve.

Mr. PLATTS. That is a commendable approach, and I appreciate that determination on your part to see that happens, and that understanding of recognition that they are in a unique circumstance because of their status versus the Selected Reserve.

General HELMLY. Unique circumstance, but they are no less the soldier. And we are going to treat them in every way. Certainly we are treating them that way from the operational perspective and the decision to mobilize them that way and send them forward. We carry a complete responsibility to ensure we carry with that in spirit and intent and action all of those things that we care for our Active Duty, Reserve, or National Guard soldiers.

Mr. PLATTS. That captures the message of the full committee and the subcommittee. These men and women are being sent into harm's way to defend our Nation and our citizens, and side by side you are going to have active duty personnel, you are going to have the reservists who have been mobilized. What we are asking of them is going to be the same, yet historically we have treated them differently. Again, I commend the efforts to change that mindset, that they are not treated differently, that they are treated the same.

A couple quick final questions and then we will wrap up, because you have been very patient in your time here with us today and

I appreciate that. One is related to that treatment. In looking through the booklet for the Guard, and this is specific to the Guard versus Reservists, but I assume it is something similar.

The book talks about paying of bills and the ability to have automated payment. In the Guard book it talks about the fact that the Reserve component of DJMS does not have the capability to issue allotments to pay bills automatically. And so I guess actually it's telling me, that is, for Guard and Reserve there is not that ability. Is that something you are looking at when you are talking about trying to treat them the same? Or is it because they are mobilized for such short periods it is harder to have such an automatic payment?

Mr. GREGORY. No, sir. As Mr. Shine said before, you know, when the active component and reserve component versions of DJMS were built, the reserve component was built for a weekend drill person, and it was never expected—and I would also include that what also was not in the reserve component system or wasn't originally in the reserve component system was the accumulation of leave. Forward compatible pay resolves that problem. There—because—

Mr. PLATTS. That is 2006?

Mr. GREGORY. No, sir. March—

Mr. PLATTS. 2005.

Mr. GREGORY. Correct.

Mr. PLATTS. And that will address that?

Mr. GREGORY. Sir, it eliminates two systems and makes them one. Making them one means it doesn't make any difference whether you are reservist or on active.

Mr. PLATTS. And so that type thing, of automatic bill payment, they are all going to have the same opportunity?

Mr. GREGORY. Yes, sir.

Mr. PLATTS. Great.

Mr. GREGORY. To include leave.

Mr. PLATTS. That is a good example of the positive action that you are taking, and where we will look forward to the next spring being as we are treating them all the same. What is the time-frame—I know that FCP is kind of that interim stage and the Defense Integrated Military Human Resource System the long term goal. Is that something—that is the March 2006?

Mr. GREGORY. Correct, sir.

Mr. PLATTS. OK. All right. Get my dates straight, and I think I came in on the middle of that question. That is something that I do want to emphasize. We are definitely moving in the right direction. General, your statements very clearly—and actually all three of you acknowledging the wrongful practices of the past and a dedicated concerted effort to correct those wrongful practices so that they don't repeat themselves in the future. Each of you, as you work with your various units within the military and the Department but also as GAO, with the full committee and this subcommittee, appreciate that partnering that we are all on the same page, trying to move forward in a positive way.

The final question I want to touch on, one of the issues that came forward, I think it was Colonel Campbell talked about the mandatory use of credit cards. Because of the way the systems are in

place, it was almost a given they are going to be paying late unless they paid with their own money. So the late payment fees and, you know, kind of that impact on their own credit and administrative actions being taken against the soldiers. Given that DOD, and I think it is probably several hundred thousand credit cards out there. That is a pretty powerful bargaining position with the credit card companies. What effort is there to get a 45-day instead of a 30-day payment period, a waiver of late fees as long as there is consistently made late payments because of the way the process? What efforts of that nature have occurred or are under way?

Mr. GREGORY. Sir, I will tell you that in the beginning, because we saw this coming, especially with the numbers we knew we had to mobilize—and to the credit of the Bank of America, who is our contractor, they did not apply late fees for a period of I think 6 months, nor did they consider payments delinquent. Now, I think that period of time that the contractor—that we negotiated with the Bank of America was for about a period of 6 months. And then after that they said, hey, we have to go back to our business case and our business plan. So I would have to give credit to the Bank of America, that they did more than what a business could—should be asked to do. And I will tell you, they were very good about that, and they deserve credit for that.

And relative to the situation today that caused Colonel Campbell the problem he did, I will turn that to Pat.

Mr. SHINE. And basically just sort of echoing what Mr. Gregory said, we actually did get caught a little bit behind there. And with the Bank of America's help, that gave us, if you will, a cushion. During that cushion time, there were two very significant events that happened. One was we recognized that the number of huge travel reimbursements that were going to be required because of the war on terror far exceeded our capability to handle. And with the Army's assistance, we brought on a corps of about 250 contractors.

The second event, which actually came mostly out of General Helmly's organization was we activated—in addition to reservists that actually deploy, we activated five separate finance units out of the U.S. Army Reserve and Guard that actually came—who were actually trained to do this kind of work, and came and augmented that work for us. So by the time the cushion—if I can use that term—that the Bank of America gave us had expired, we had that turnaround time down to what we considered to be—our normal turnaround time is to process all vouchers ready to pay within 8 business days. And I was talking to Colonel Campbell at one of the breaks there, we hit that 90 percent of the time. And obviously on the 10 percent we don't, our customers tell us—and rightfully so—you all didn't hit the mark. But I think at 90 percent, with the volume we are dealing with, we are literally talking hundreds of thousands of vouchers now per month. I think it has been a real partnership between the Army and DFAS to try to get people paid so that when their credit card bill is due they have the money in their hand with which to make the payments.

Mr. PLATTS. Great news. I appreciate that effort. And I am glad you had that 6-month cushion. As we are going forward in a posi-

tive way, you won't need it in the future because of the system being better and better.

Mr. Towns, did you have any other questions?

Mr. TOWNS. No. I would just like to thank the witnesses, Mr. Chairman, and to say that, you know, as we look at this I am thinking about the many soldiers whose credit has been really messed up as a result of this, and that creates a problem for them, you know, in terms of life, going on to purchase whatever it is, because once that is on your record it takes a certain amount of time to get it off even though it was not really their fault for it to be on there. So I think this is a very serious issue, and I appreciate the fact that you are addressing it in a very serious fashion, that you are now prepared to give it a date certain that you think that you will be able to correct the most of this. I think that is very encouraging.

So I want to thank all three of you for your testimony.

On that note, I yield back, Mr. Chairman.

Mr. PLATTS. Thank you, Mr. Towns.

I want to thank each of you again for participating today and for your efforts day in and day out on behalf of our Nation, and especially our men and women in uniform. As I said to the first panel and General Helmly, you know, what I do pales in comparison to you and all who are wearing the uniform. You set the example for all of us Americans and what it means to give back to one's country. So I thank you for your service. I am not sure, Mr. Gregory, Mr. Shine, if you either have prior military service. You both do? My thanks to each of you as well. It is something that I feel in my heart, I hope if the good that came from the terrible date of September 11th was a better appreciation of those who wear the uniform and a better expression of that appreciation day in and day out. So I personally thank you. And I would tell you that your efforts are truly critically important, not just in the sense of doing right by the men and women in uniform, from a general standpoint that is the right thing to do, but from a mission performance. Having had the privilege of visiting troops in Iraq, Afghanistan, Bosnia, it has been an honor to go out in the field to convey my thanks personally. A common—two common messages I hear or see. One is just a pride of service. We are so blessed as a nation by those serving who are in harm's way and proud to wear the uniform and to be serving their Nation.

The second, is, if you ask soldiers what they worry about, it is to take care of family at home. I think it came through loud and clear that the better we do by the troops and their families, the more they can focus on their mission and do their job and do it so well as they always do, and not have the stress of any distraction, especially financial stress.

Your work is so important to each of those individuals and to our Nation's security overall. I appreciate your efforts. I am very glad we are here where we are today versus where we were January at the full committee hearing and how the lessons from the Guard study and now the Reserve study are being built upon and we are learning what is working and what is not and moving forward in a positive way. That is a great message for those men and women in uniform.

So, again, my thanks. We will continue to work with you, and I want to thank the staff on both sides of the committee who are working with members of your staff and GAO, and that partnership continues. At the end of the day we just simply do right by those serving our Nation in uniform. We will keep the record open for 2 weeks for any additional submissions. This hearing stands adjourned. Thank you.

[Whereupon, at 6:10 p.m., the subcommittee was adjourned.]

