



Testimony

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MILITARY PAY

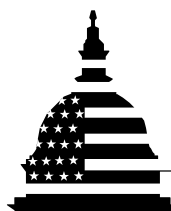
Army National Guard Personnel Mobilized to Active Duty Experienced Significant Pay Problems

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Highlights of [GAO-04-413T](#), a testimony to the Chairman, House Committee on Government Reform

Why GAO Did This Study

In light of the recent mobilizations associated with the war on terrorism, GAO was asked to determine if controls used to pay mobilized Army Guard personnel provided assurance that such pays were accurate and timely. This testimony focuses on the pay experiences of Army Guard soldiers at selected case study units and deficiencies with respect to controls over processes, human capital, and automated systems.

What GAO Recommends

GAO's related report (GAO-04-89) made 24 recommendations to DOD including the following:

- ♦ Establish a unified set of policies and procedures as well as performance measures in the pay area.
- ♦ Evaluate staffing allocation, pay grades, and training at all 54 Army Guard offices.
- ♦ Identify options for improving customer service.
- ♦ Review and resolve GAO identified pay issues at the six case study units.
- ♦ Evaluate the feasibility of automating manual pays and redesigning the leave and earnings statements.
- ♦ In developing the new pay system, consider a complete reengineering effort to include process and human capital.

DOD concurred with GAO's recommendations and described actions recently completed, underway, and planned to correct the noted deficiencies.

www.gao.gov/cgi-bin/getrpt?GAO-04-413T.

To view the full product, click on the link above. For more information, contact Gregory D. Kutz at (202) 512-9095 or Kutzg@gao.gov.

MILITARY PAY

Army National Guard Personnel Mobilized to Active Duty Experienced Significant Pay Problems

What GAO Found

The existing processes and controls used to provide pay and allowances to mobilized Army Guard personnel are so cumbersome and complex that neither DOD nor, more importantly, the mobilized Army Guard soldiers could be reasonably assured of timely and accurate payroll payments. Weaknesses in these processes and controls resulted in over- and underpayments and late active duty payments and, in some cases, large erroneously assessed debts, to mobilized Army Guard personnel. The end result of these weaknesses is to severely constrain DOD's ability to provide active duty pay to these personnel, many of whom were risking their lives in combat in Iraq and Afghanistan. In addition, these pay problems have had a profound impact on individual soldiers and their families and may adversely impact on decisions to stay in the Army Guard. For example, many soldiers and their families were required to spend considerable time, sometimes while the soldiers were deployed in remote, hostile environments overseas, seeking corrections to active duty pays and allowances.

Pay Problems at Six Case Study Locations

Army Guard unit	Soldiers with pay problems	Comments
Colorado Special Forces	62 of 62	34 soldiers were erroneously assessed debts averaging \$48,000 each.
Virginia Special Forces	64 of 65	Injured soldiers experienced problems receiving entitled active duty pay and related medical benefits.
West Virginia Special Forces	86 of 94	Sergeant came under enemy fire during 4-day trip to deliver pay records to correct errors.
California Military Police	50 of 51	Majority of soldiers experienced delays in starting active duty pays.
Maryland Military Police	83 of 90	Pays for 13 soldiers continued for 6 weeks after early release from active duty.
Mississippi Military Police	105 of 119	88 soldiers were mistakenly paid for 2 types of hardship duty pay.
Total	450 of 481	94 percent of soldiers had pay problems

Source: GAO analysis.

The pay process, involving potentially hundreds of DOD, Army, and Army Guard organizations and thousands of personnel, was not well understood or consistently applied with respect to determining (1) the actions required to make timely, accurate pays to mobilized soldiers, and (2) the organization responsible for taking the required actions. With respect to human capital, we found weaknesses including (1) insufficient resources allocated to pay processing, (2) inadequate training related to existing policies and procedures, and (3) poor customer service. Several systems issues were also significant factors impeding accurate and timely payroll payments to mobilized Army Guard soldiers, including (1) nonintegrated systems, (2) limitations in system processing capabilities, and (3) ineffective system edits.

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to discuss controls over payroll payments to mobilized Army National Guard (Army Guard) soldiers. Our related report¹ issued in November 2003 details weaknesses in the processes, human capital, and automated systems that impaired prompt and accurate Army Guard payroll payments.

In response to the September 11 attacks, many Army Guard soldiers were activated to federal duty. A reported 93,000 Army Guard soldiers—accounting for about a third of all mobilized reserve forces—were activated as of March 2003. These forces were deployed on various important missions across the United States and overseas in support of Operations Noble Eagle and Enduring Freedom, including search and destroy missions against the Taliban and al Qaeda; guarding al Qaeda prisoners held at Guantanamo Bay; providing security at the Pentagon and military bases; and carrying out military police functions in Iraq. Particularly given the critical and continuing roles Army Guard 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. In addition, there are indications that these pay problems are beginning to have an adverse effect on the Army's ability to retain these valuable Army Guard personnel.

Because current DOD operations used to pay mobilized Army Guard 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 six Army Guard units as case studies to provide a detailed perspective on the nature of payroll deficiencies with respect to Army Guard soldiers. As requested, we also conducted a limited review of one unit currently deployed in Iraq to identify any evidence of continuing pay problems. Further details on our scope and methodology and the results of the case studies can be found in our related report.²

¹ 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).

² [GAO-04-89](#). See appendixes I-VII.

Today, I will summarize the results of our work with respect to (1) the extent of pay problems we identified at our case study units, (2) deficiencies in the three key control areas of processes, people, and automated systems, and (3) recommended actions for addressing these issues.

Summary

Internal control weaknesses in the processes, human capital, and automated systems resulted in significant pay problems at all six Army Guard units we audited. Overall, 450 of the 481 (94 percent) Army Guard soldiers from our six case study units had at least one pay problem associated with their mobilization. In addition, our limited review of the pay experiences of the soldiers in the Colorado Army Guard's 220th Military Police Company, who are currently deployed to Iraq, indicated that some of the same types of pay problems that we found in our six case study units continued to occur.

Until DOD improves the cumbersome and complex processes used to pay mobilized Army Guard personnel, the Army, the Defense Finance and Accounting Service (DFAS), and, most importantly, the mobilized Army Guard soldiers, cannot be reasonably assured of timely and accurate payroll payments. These processes, involving potentially hundreds of Department of Defense (DOD), Army, and Army Guard organizations and thousands of personnel, were not well understood or consistently applied with respect to determining (1) the actions required to make timely, accurate pays to mobilized soldiers, and (2) the organization responsible for taking the required actions. In addition, we found several instances of outdated and conflicting DOD and Army regulations and guidance in the pay and allowance area.

With respect to human capital, we found weaknesses including (1) insufficient resources allocated to pay processing, (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 Guard soldiers.

Automated systems issues—nonintegrated systems, limitations in system processing capabilities, and ineffective system edits—further constrained

DOD's ability to provide a most basic service to these personnel, many of whom were risking their lives in combat. 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 less than 30 days of annual active duty, or for training—is now used to pay Army Guard 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 constraints, which further compound the human capital issues. Overall, we found the current stove-piped, nonintegrated systems were labor-intensive and require extensive error-prone manual data entry and reentry. Despite DOD plans to implement system improvements in this area, the department will be required to operate within existing system constraints for at least several more years.

The consequences of inaccurate, late, and, missing pays, and associated erroneous debts had a profound financial impact on individual soldiers and their families. One soldier's spouse had to obtain a grant to pay bills while her husband was in Afghanistan. Soldiers and their families were required to spend considerable time, sometimes while the soldiers were deployed in remote, hostile environments overseas, continually addressing concerns over their pay and allowances. Further, pay-related problems can have an adverse effect on the Army's ability to retain these valuable personnel.

In our related report, we recommended a series of 24 actions to improve the accuracy and timeliness of payroll payments to mobilized Army Guard soldiers. In its response to our report, DOD concurred with our recommended actions and stated that it is already taking action to correct the noted deficiencies.

Case Studies Illustrate Significant Pay Problems

We found significant pay problems at the six Army Guard units we audited related to processes, human capital, and systems. The six units we audited, including three special forces and three military police units, were:

- Colorado B Company, 5th Battalion, 19th Special Forces
- Virginia B Company, 3rd Battalion, 20th Special Forces
- West Virginia C Company, 2nd Battalion, 19th Special Forces
- Mississippi 114th Military Police Company

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- California 49th Military Police Headquarters and Headquarters Detachment
 - Maryland 200th Military Police Company

These units were deployed to help perform a variety of critical domestic and overseas mission operations, including search and destroy missions in Afghanistan against Taliban and al Qaeda forces, guard duty for al Qaeda prisoners in Cuba, and providing security at the Pentagon shortly after the September 11, 2001, terrorist attacks.

For the six units we audited, we found significant pay problems involving over \$1 million in errors. These problems consisted of underpayments, overpayments, and late payments that occurred during all three phases of Army Guard mobilization to active duty. For the 18-month period from October 1, 2001, through March 31, 2003, we identified overpayments, underpayments, and late payments at the six case study units estimated at \$691,000, \$67,000, and \$245,000, respectively.³ In addition, for one unit, these pay problems resulted in largely erroneous debts totaling \$1.6 million. Overall, we found that 450 of the 481 soldiers (94 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.

³As a result of the lack of supporting documents, we likely did not identify all of the pay problems related to the active duty mobilizations of our case study units. However, for the pay problems we identified, we defined over- and underpayments as those pays or allowances for mobilized Army Guard soldiers during the period from October 1, 2001, through March 31, 2003, 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 \$135,000 in collections against identified overpayments through March 31, 2003. 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.

Table 1: Pay Problems at Six Case Study Units

Army Guard unit	Soldiers with pay problems		
	Mobilization	Deployment	Demobilization
Colorado Special Forces	56 of 62	61 of 62	53 of 62
Virginia Special Forces	31 of 65	63 of 65	60 of 65
West Virginia Special Forces	36 of 94	84 of 94	66 of 94
California Military Police	48 of 51	41 of 51	0 of 51
Maryland Military Police	75 of 90	64 of 90	3 of 90
Mississippi Military Police	21 of 119	93 of 119	90 of 119

Source: GAO analysis.

Some of the pay problems we identified included the following.

- DOD erroneously billed 34 soldiers in a Colorado National Guard Special Forces unit an average of \$48,000 each in payroll-related debt—most of which was erroneous. While we first notified DOD of these issues in April and sent a follow-up letter in June 2003, the largely erroneous total debt for these soldiers of about \$1.6 million remained unresolved at the end of our audit in September 2003.
- As a result of confusion over responsibility for entering promotion-related transactions associated with a Colorado soldier's promotion, the soldier's spouse had to obtain a grant from the Colorado National Guard to pay bills while her husband was in Afghanistan.
- Some soldiers did not receive payments for up to 6 months after mobilization and others still had not received some of their active duty pays by the conclusion of our audit.
- Ninety-one of 100 members of a Mississippi National Guard military police unit deployed to Guantanamo Bay, Cuba, did not receive the correct amount of Hardship Duty Pay.
- One soldier from the Mississippi unit was paid \$9,400 in active duty pay during the 3 months following an early discharge for drug-related charges.
- Forty-eight of 51 soldiers in a California National Guard military police unit received late payments because the unit armory did not have a copy machine available to make copies of needed pay-related documents.

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- Four Virginia Special forces soldiers injured in Afghanistan, unable to resume their civilian jobs, experienced problems in receiving entitled active duty pays and related health care.
 - Pays for 13 soldiers continued for 6 weeks after early release from active duty.
 - 88 soldiers were mistakenly paid for 2 types of hardship duty pay.

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 issues. Further, these problems may adversely affect the Army's ability to retain these valuable personnel.

Pay Problems Continue with Unit Currently Deployed to Iraq

Our limited review of the pay experiences of the soldiers in the Colorado Army Guard's 220th Military Police Company, which was mobilized to active duty in January 2003, sent to Kuwait in February 2003, and deployed to Iraq on military convoy security and highway patrol duties in April 2003, indicated that some of the same types of pay problems that we found in our six case study units continued to occur. Of the 152 soldiers mobilized in this unit, our review of available records identified 54 soldiers who were either overpaid, underpaid, or received entitled active duty pays and allowances over 30 days late, or for whom erroneous pay-related debts were created. We found that these pay problems could be attributed to control breakdowns similar to those we found at our case study units, including pay system input errors associated with amended orders, delays and errors in coding pay and allowance transactions, and slow customer service response. For example, available documentation and interviews indicate that while several soldiers submitted required supporting documentation to start certain pays and allowances at the time of their initial mobilization in January 2003, over 20 soldiers were still not receiving these pays in August 2003. This unit remained deployed in Iraq as of January 2004.

Mobilized Army Guard Pay Process, Human Capital, and Systems Deficiencies

Deficiencies in three key areas—process, human capital, and systems—were at the heart of the pay problems we identified. Processes were not well understood or consistently applied and were outdated in several instances. Insufficient resources, inadequate training, and poor customer service impaired the human capital operations in this area. Further, the automated systems supporting pays to mobilized Army Guard soldiers were ineffective because they were (1) not integrated and (2) constrained by limited processing capabilities and ineffective system edits.

Process Deficiencies

A substantial number of payment errors we found were caused, at least in part, by unclear procedural requirements for processing active duty pay and allowance entitlements to mobilized Army Guard soldiers. Complex, cumbersome processes, developed in piecemeal fashion over a number of years, provide numerous opportunities for control breakdowns. The DOD Financial Management Regulation guidance on pay and allowance entitlements alone covered 65 chapters. Procedural requirements, particularly in light of the numerous organizations issuing guidance applicable to this area, and potentially hundreds of organizations and thousands of personnel involved in implementing this guidance, were not well understood or consistently applied with respect to determining (1) the actions required to make timely, accurate active duty pays to mobilized Army Guard soldiers and (2) the component responsible, among Army Guard, active Army, and DFAS, for taking the required actions. For example, within the Army Guard, 54 state-level personnel and another 54 state-level pay offices—United States Property and Fiscal Offices (USPFOs) are integrally involved in the process to pay mobilized Army Guard soldiers. Further, we found instances in which existing guidance was out of date—some of which still reflected practices in place in 1991 during Operation Desert Storm.

Procedural Requirements Not Clear

Unclear procedural requirements for processing active duty pays contributed to erroneous and late pay and allowances to mobilized Army Guard soldiers. We found existing policies and procedural guidance were unclear with respect to amending active duty orders, stopping active duty pays for early returning soldiers, and extending active duty pays to injured soldiers.

At two of our case study locations, military pay technicians using vague guidance made errors in amending existing orders. One of these errors

resulted in 34 soldiers being billed a largely erroneous total debt of about \$1.6 million.

Procedural guidance was not clear regarding how to carry out assigned responsibilities for soldiers returning from active duty earlier than their unit. DFAS-IN guidance provides only that “the supporting USPFO will be responsible for validating the status of any soldier who does not return to a demobilized status with a unit.” The guidance did not state how the USPFO should be informed of soldiers not returning with their unit, or what means the USPFO should use to validate the status of any such soldiers. One USPFO informed us that they became aware that a soldier had returned early from a deployment when the soldier appeared at a weekend drill while his unit was still deployed. In four of six case study units, we found instances in which Army Guard soldiers’ active duty pays were not stopped at the end of their active duty tour when they were released from active duty earlier than their units. One Mississippi Army Guard soldier was paid \$9,400 in active duty pay during the 3 months following an early discharge for drug-related offenses.

We also found a lack of specific procedures to ensure timely processing of active duty medical extensions for injured Army Guard soldiers. Even though Army regulations provide that Army Guard soldiers with active duty medical extension status are entitled to continue to receive active duty pays, allowances, and medical benefits, we found that four soldiers from the Virginia 20th Special Forces, B Company, 3rd Battalion in that status experienced significant pay problems and related problems in obtaining needed medical services to treat injuries or illnesses incurred while on active duty in part as a result of a lack of clearly defined implementing procedures in this area.

Individual Case Illustration: Unclear Regulations for Active Duty Medical Extension

Four soldiers who were injured while mobilized in Afghanistan for Operation Enduring Freedom told us that customer service was poor and no one was really looking after their interest or even cared about them. These problems resulted in numerous personal and financial difficulties for these soldiers.

- *“Not having this resolved means that my family has had to make greater sacrifices and it leaves them in an unstable environment. This has caused great stress on my family that may lead to divorce.”*
- *“My orders ran out while awaiting surgery and the care center tried to deny me care. My savings account was reduced to nearly 0 because I was also not getting paid while I waited. I called the Inspector General at Walter Reed and my congressman. My orders were finally cut. In the end, I was discharged 2 weeks before my care should have been completed because the second amendment to my orders never came and I couldn’t afford to wait for them before I went back to work. The whole mess was blamed on the ‘state’ and nothing was ever done to fix it.”*
- One sergeant was required to stay at Womack, the medical facility at Fort Bragg, North Carolina, while on medical extension. His home was in New Jersey. He had not been home for about 20 months, since his call to active duty. While he was recovering from his injuries, his wife was experiencing a high-risk pregnancy and depended upon her husband’s medical coverage, which was available while he remained in active duty status. Even though she lived in New Jersey, she scheduled her medical appointments near Fort Bragg to be with her husband. The sergeant submitted multiple requests to extend his active duty medical extension status because the paperwork kept getting lost. Lapses in obtaining approvals for continued active duty medical extension status caused the sergeant’s military medical benefits and his active duty pay to be stopped several times. He told us that because of gaps in his medical extension orders, he was denied medical coverage, resulting in three delays in scheduling a surgery. He also told us he received medical bills associated with his wife’s hospitalization for the delivery of their premature baby as a result of these gaps in coverage.

**Organizational Responsibilities
Not Clear**

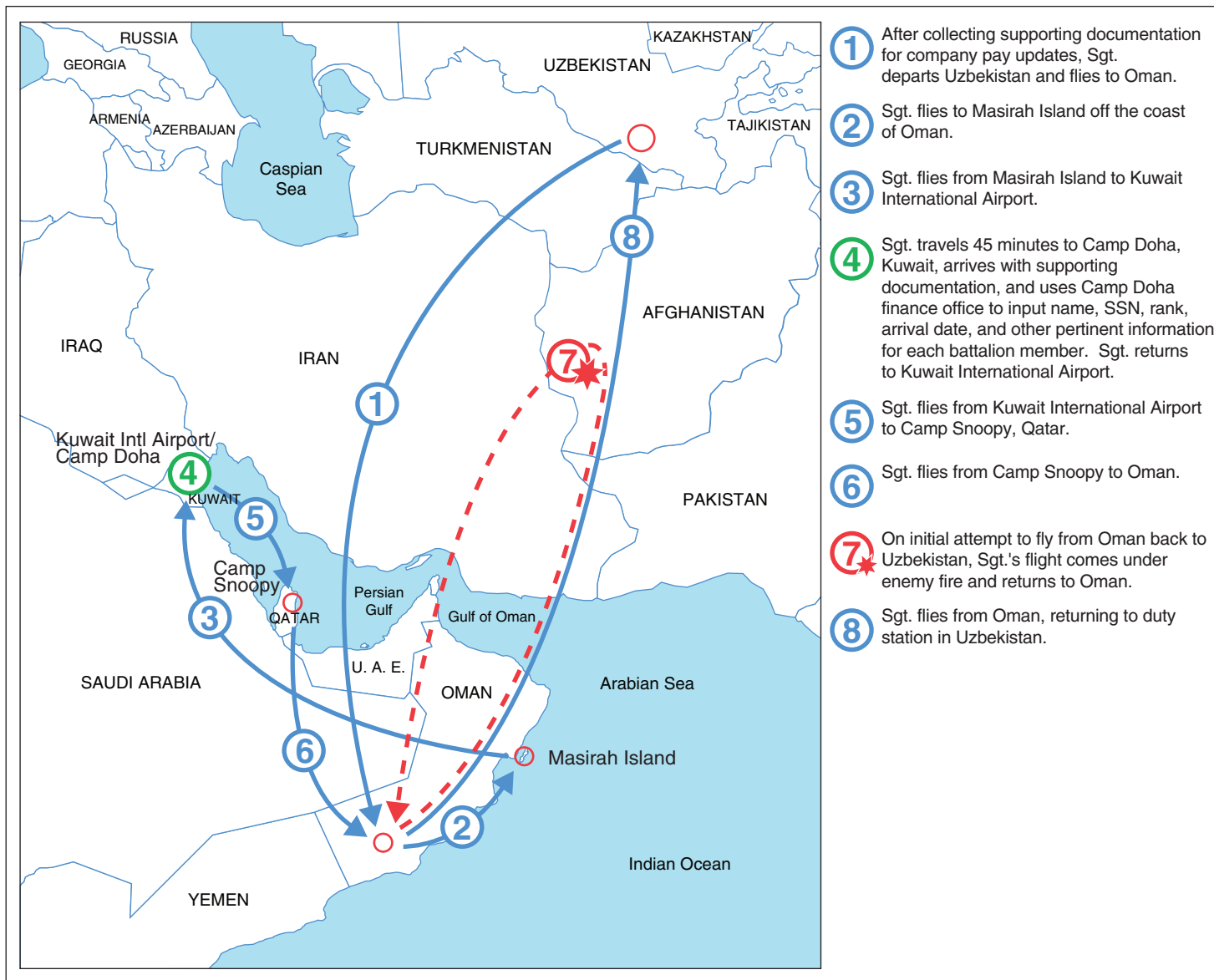
We also found that existing policies and procedures were vague with respect to organizational responsibilities. Confusion centered principally on the lack of clear guidance with respect to responsibility and accountability for Army Guard personnel as they move from state control to federal control and back again. To be effective, current processes rely on close coordination and communication between state (Army Guard unit and state-level command organizations) and federal (active Army finance locations at mobilization/demobilization stations and at area servicing finance offices) organizations. However, we found a significant number of instances in which critical coordination requirements were not clearly defined. For example, at one of our case study locations, we found that, in

part because of confusion over responsibility for starting location-based pays, a soldier was required to carry out a dangerous multiday mission to fix these pays.

Individual Case Illustration: Difficulty in Starting In-Theatre Pays

A sergeant with the West Virginia National Guard Special Forces unit was stationed in Uzbekistan with the rest of his unit, which was experiencing numerous pay problems. The sergeant told us that the local finance office in Uzbekistan did not have the systems up and ready, nor available personnel who were familiar with DJMS-RC. According to the sergeant, the active Army finance personnel were only taking care of the active Army soldiers' pay issues. When pay technicians at the West Virginia USPFO attempted to help take care of some of the West Virginia National Guard soldiers' pay problems, they were told by personnel at DFAS-Indianapolis not to get involved because the active Army finance offices had primary responsibility for correcting the unit's pay issues.

Eventually, the sergeant was ordered to travel to the finance office at Camp Doha, Kuwait, to get its assistance in fixing the pay problems. As illustrated in the following map. This trip, during which a soldier had to set aside his in-theatre duties to attempt to resolve Army Guard pay issues, proved to be not only a major inconvenience to the sergeant, but was also life-threatening. At Camp Doha (an established finance office), a reserve pay finance unit was sent from the United States to deal with the reserve component soldiers' pay issues. The sergeant left Uzbekistan for the 4-day trip to Kuwait. He first flew from Uzbekistan to Oman in a C-130 ambulatory aircraft (carrying wounded soldiers). From Oman, he flew to Masirah Island. From Masirah Island he flew to Kuwait International Airport, and from the airport he had a 45-minute drive to Camp Doha. The total travel time was 16 hours. The sergeant delivered a box of supporting documents used to input data into the system. He worked with the finance office personnel at Camp Doha to enter the pertinent data on each member of his battalion into DJMS-RC. After 2 days working at Camp Doha, the sergeant returned to the Kuwait International Airport, flew to Camp Snoopy in Qatar, and from there to Oman. On his flight between Oman and Uzbekistan, the sergeant's plane took enemy fire and was forced to return to Oman. No injuries were reported. The next day, he left Oman and returned safely to Uzbekistan.



Source: GAO.

Guidance Outdated

We found several instances in which existing DOD and Army regulations and guidance in the pay and allowance area were outdated and conflict with more current legislation and DOD regulations. Some existing guidance reflected pay policies and procedures dating back to Operations Desert Shield and Desert Storm in 1991. While we were able to associate

pay problems with only one of these outdated requirements, there is a risk that they may also have caused as yet unidentified pay problems. Further, having out-of-date requirements in current regulations may contribute to confusion and customer service issues.

Human Capital Issues

With respect to human capital, we found weaknesses including (1) insufficient resources allocated to pay processing, (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 Guard soldiers. GAO's *Standards for Internal Control in the Federal Government* state that management should take steps to ensure that its organization has the appropriate number of employees, and that appropriate human capital practices, including hiring, training, and retention, are in place and effectively operating.

Insufficient Numbers of Military Pay Processing Personnel

Our audit identified a lack of knowledgeable personnel dedicated to entering and processing active duty pays and allowances to mobilized Army Guard soldiers. As discussed previously, both active Army and Army Guard military pay personnel play key roles in this area. Army Guard operating procedures provide that the primary responsibility for administering mobilized Army Guard soldiers' pay rests with the 54 USPFOs. These USPFOs are responsible for processing pay for drilling reservists along with the additional surge of processing required for initiating active duty pays for mobilized soldiers.

Our audit work identified concerns with USPFO military pay sections operating at less than authorized staffing levels and recruiting and retention challenges due to the positions being at a lower pay grade level. In addition, few of the military pay technicians on board at the six locations we audited had received formal training on pay eligibility and pay processing requirements for mobilized Army Guard personnel.

Although the Army and DFAS have established an agreement that in part seeks to ensure that resources are available to provide appropriately skilled pay personnel at mobilization stations to support surge processing, no such contingency staffing plan exists for the USPFOs. As discussed previously, pay problems at the case study units were caused in part by

USPFO military pay sections attempting to process large numbers of pay transactions without sufficient numbers of knowledgeable personnel.

Lacking sufficient numbers of personnel undermines the ability of the USPFO pay functions to carry out established control procedures. For example, our audits at the six case study units showed that, for the most part, proposed pay transactions were not independently reviewed as required by DJMS-RC operating procedures before they were submitted for processing. USPFO officials told us that because of the limited number of available pay technicians, this requirement was often not followed. For example, one Chief of Payroll told us that because they were understaffed, the current staff worked 12 to 14 hours a day and still had backlogs of pay start transactions to be processed.

Training on Pay Entitlements and Processing Requirements Critical

We identified instances in which the personnel at military pay offices at both the USPFOs and the active Army finance offices did not appear to be knowledgeable about the various aspects of the extensive pay eligibility or payroll processing requirements. There are no DOD or Army requirements for military pay personnel to receive training on pay entitlements and processing requirements associated with mobilized Army Guard soldiers or for monitoring the extent to which personnel have taken either of the recently established training courses in the area. Such training is critical given that military pay personnel must be knowledgeable with respect to the existing extensive and complex pay eligibility and processing requirements. We also found that such training is particularly important for active Army pay personnel who may lack knowledge in the unique procedures and pay transaction entry requirements to pay Army Guard soldiers. As a result, we identified numerous instances in which military pay technicians at both the USPFOs and active Army finance office locations made data coding errors when entering transaction codes into the pay systems. Correcting these erroneous transactions required additional labor-intensive research and data entry by other more skilled pay technicians.

While the Army Guard began offering training for their military pay technicians in fiscal year 2002, we found that there was no overall monitoring of training the Army Guard pay personnel had taken and no requirement for USPFO pay technicians to attend these training courses. At several of the case study locations we audited, we found that Army Guard pay technicians relied primarily on on-the-job-training and phone calls to the Army Guard Financial Services Center in Indianapolis or to

other military pay technicians at other locations to determine how to process active duty pays.

In addition, unit commanders have significant responsibilities for establishing and maintaining the accuracy of soldiers' pay records. U.S. Army Forces Command Regulation 500-3-3, Reserve Component Unit Commander's Handbook (July 15, 1999), requires unit commanders to (1) annually review and update pay records for all soldiers under their command as part of an annual soldier readiness review and (2) obtain and submit supporting documentation needed to start entitled active duty pay and allowances based on mobilization orders. However, we saw little evidence that commanders for our case study units carried out these requirements. We were told that this was primarily because unit commanders have many administrative duties and without additional training on the importance of these actions, they may not receive sufficient priority attention.

The lack of unit commander training on the importance of these requirements may have contributed to pay problems we identified at our case study units. For example, at our Virginia case study location, we found that when the unit was first mobilized, USPFO pay personnel were required to spend considerable time and effort to correct hundreds of errors in the unit's pay records dating back to 1996. Such errors could have been identified and corrected during the preceding years' readiness reviews. Further, we observed many cases in which active duty pays were not started until more than 30 days after the entitled start date because soldiers did not submit the paperwork necessary to start these pays.

Customer Service Concerns

We found indications that many Army Guard soldiers were displeased with the customer service they received. None of the DOD, Army, or Army Guard policies and procedures we examined addressed the level or quality of customer service that mobilized Army Guard soldiers should receive concerning questions or problems with their active duty pays. We found that not all Army Guard soldiers and their families were informed at the beginning of their mobilization of the pays and allowances they should receive while on active duty. This information is critical to enable soldiers to determine if they were not receiving such pays and therefore require customer service. We also found that the documentation provided to Army Guard soldiers—primarily in the form of leave and earnings statements—concerning the pays and allowances they received did not facilitate customer service.

Consistent with the confusion we found among Army Guard and active Army finance components concerning responsibility for processing pay transactions for mobilized Army Guard soldiers, we found indications that the soldiers themselves were similarly confused. Many of the complaints we identified concerned confusion over whether mobilized Army Guard personnel should be serviced by the USPFO because they were Army Guard soldiers or by the active Army because they were mobilized to federal service.

Individual Case Illustration: Poor Customer Service

One soldier told us that he submitted documentation on three separate occasions to support the housing allowance he should have received as of the beginning of his October 2001 mobilization. Each time he was told to resubmit the documentation because his previously submitted documents were lost. Subsequently, while he was deployed, he made additional repeated inquiries as to when he would receive his housing allowance pay. He was told that it would be taken care of when he returned from his deployment. However, when he returned from his deployment, he was told that he should have taken care of this issue while he was deployed and that it was now too late to receive this allowance.

Data collected from Army Guard units mobilized to active duty indicated that some members of the units had concerns with the pay support customer service they received associated with their mobilization—particularly with respect to pay issues associated with their demobilization. Specifically, of the 43 soldiers responding to our question on satisfaction with customer support at mobilization, 10 indicated satisfaction, while 15 reported dissatisfaction.⁴ Similarly, of the 45 soldiers responding to our question on customer support following demobilization, 5 indicated satisfaction while 29 indicated dissatisfaction.⁵ Of the soldiers who provided written comments about customer service, none provided any positive comments about the customer service they received, and several had negative comments about the customer service they received, including such comments as “non-existent,” “hostile,” or “poor.” A company commander for one of our case study units characterized the customer service his unit received at initial mobilization as time-consuming and frustrating.

⁴ The remaining 18 respondents indicated they were either as satisfied as not or had no basis to judge.

⁵ The 11 remaining respondents were either as satisfied as not or had no basis to judge.

In addition, procedures used to notify soldiers of large payroll-related debts did not facilitate customer service. Under current procedures, if a soldier is determined to owe the government money while on active duty, he is assessed a debt and informed of this assessment with a notation for an “Unpaid Debt Balance” in the remarks section of his leave and earnings statement. One such assessment showing a \$39,489.28 debt is shown in figure 1.

Figure 1: Sample Leave and Earnings Statement with Large Debt Balance

DEFENSE FINANCE AND ACCOUNTING SERVICE MILITARY LEAVE AND EARNINGS STATEMENT														
ID	NAME (LAST, FIRST, MI)		SOC. SEC. NO.	GRADE	PAY DATE	YRS SVC	ETS	BRANCH	ADSN/DSSN	PERIOD COVERED				
	DOE JOHN		000 00 0000	E05	911113	11	071109	ARNG	5570	CHK DT 030307				
ENTITLEMENTS			DEDUCTIONS			ALLOTMENTS			SUMMARY					
TYPE AMOUNT			TYPE AMOUNT			TYPE AMOUNT			+AMT FWD					
BASIC PAY 372.80			FED INC TAX 21.52						+TOT ENT 397.80					
INCENTIVE PAY 25.00			FICA TAX 28.52						-TOT DED 292.76					
			STATE INC TAX 12.60						-TOT ALMT					
			SGLI 20.00						+NET AMT 105.04					
			DEBT PAYMENT 210.12						-CR FWD					
									+EOM PAY					
									DIEMS RET PLAN					
TOTAL 397.80			292.76											
LEAVE			FICA TAXES			WAGE PERIOD			WAGE YTD			M/S EX ADD'L TAX TAX YTD		
BF BAL ERND USED CR BAL ETS BAL LV LOST LV PAID USE/LOSE			397.80 3978.00 M 1 .00 215.17											
WAGE PERIOD			SOC WAGE YTD			SOC TAX YTD			MED WAGE YTD			MED TAX YTD		
372.80 3728.00 231.14 3728.00 54.06														
STATE TAXES			CD			397.80 3978.00 M 01 126.00								
BAQ TYPE BAQ DEPN VHA ZIP RENT AMT SHARE STAT JFTR DEPNS 2D JFTR			BAS TYPE CHARITY YTD TPC FACIDN											
W DEP SPOUSE 000000			RIKNA											
BASE PAY RATE BASE PAY CURRENT SPEC PAY RATE SPEC PAY CURRENT INC PAY RATE INC PAY CURRENT BONUS RATE BONUS PAY CURRENT														
0% .00 0% .00 0% .00 0% .00 0% .00														
TSP YTD DEDUCTIONS DEFERRED EXEMPT														
.00 .00 .00														
REMARKS YTD ENTITLE 5819.25 YTD DEDUCT 896.49														
<p>YOUR CHECK WAS SENT TO: USAA FEDERAL SAVINGS BANK 000000000</p> <p>ACCOUNT NUMBER: AMOUNT: \$105.04</p> <p>COMPANY CODE: DIRECT DEPOSIT DATE: 03/07/03</p> <p>* AS OF 13 MAY 02, 163 HIGH TEMPO DEPLOYMENT DAYS ACCRUED</p> <p>SINCE 1 OCT 00 (OR SINCE ENTERING MILITARY SERVICE)</p> <p>PAY & ALLOW DEBT(D003) DEBT BALANCE \$9,443.68</p> <p>ORIGINAL DEBT \$9,653.80 01 MAR 02 30 SEP 02</p> <p>BASIC PAY DEBT BALANCE \$9,999.99</p> <p>ORIGINAL DEBT \$9,999.99 01 MAR 02 30 SEP 02</p> <p>BASIC PAY DEBT BALANCE \$4,413.51</p> <p>ORIGINAL DEBT \$4,413.51 01 MAR 02 30 SEP 02</p> <p>PAY & ALLOW DEBT(D003) DEBT BALANCE \$3,880.20</p> <p>ORIGINAL DEBT \$3,880.20 01 OCT 02 31 DEC 02</p> <p>BASIC PAY DEBT BALANCE \$6,330.60</p> <p>ORIGINAL DEBT \$6,330.60 01 OCT 02 31 DEC 02</p> <p>PAY & ALLOW DEBT(D003) DEBT BALANCE \$2,066.10</p> <p>ORIGINAL DEBT \$2,066.10 01 JAN 03 15 FEB 03</p> <p>BASIC PAY DEBT BALANCE \$3,355.20</p> <p>ORIGINAL DEBT \$3,355.20 01 JAN 03 15 FEB 03</p> <p>UNPAID DEBT BALANCE *TOTAL*: \$39,489.28</p> <p>TOTAL PERFORMANCE FY 03: UTA 05 AFIP 00 --ET--00 ATA 00</p> <p>JPT 00 AAUTA 06 AANT 00 RMA 00 SUP IDT TNG 00</p> <p>MOOFT 00 RMAM 00</p> <p>INACTIVE DUTY TRAININ</p> <p>INACTIVE DUTY TRAININ</p> <p>YOUR CURRENT STATE CL</p> <p>SERVICEMEMBER GROUP LIFE INSURANCE COVERAGE 00000000</p>														
<p>UNPAID DEBT BALANCE *TOTAL*: \$39,489.28</p> <p>-YOUR 2002 FED'L & STATE INCOME TXS ARE DUE! FOR FREE TAX ASSISTANCE & ELECTRONIC FILING, VISIT YOUR INSTALLATION TAX ASSISTANCE CTR OR SUPPORTING LEGAL ASSISTANCE OFFICE.</p> <p>-MINIMUM HOLDING PERIOD FOR SERIES EE/I BONDS ISSUED AS OF FEBRUARY 2003 IS NOW 12 MONTHS.</p> <p>-RC 2002 W-2S ARE NOW AVAILABLE ON HTTPS://MYPAY.DFAS.MIL</p>														

Source: Individual Leave and Earnings Statement.

Systems Problems

Several systems issues were significant factors impeding accurate and timely payroll payments to mobilized Army Guard soldiers, including

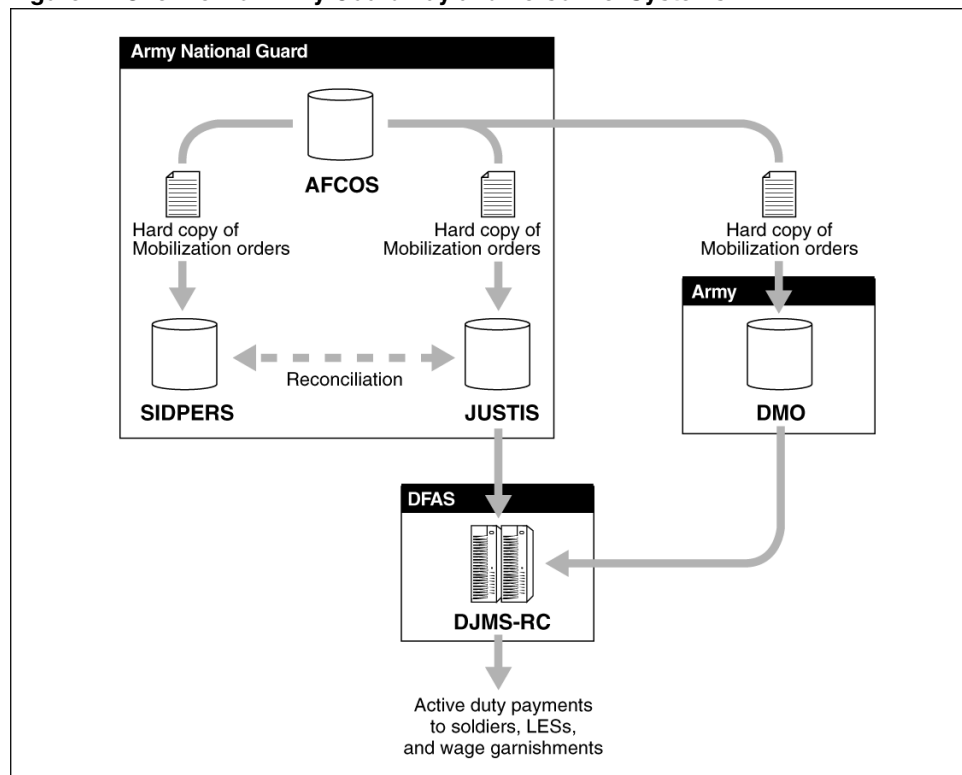
- the lack of an integrated or effectively interfaced pay system with both the personnel and order-writing systems;
- limitations in DJMS-RC processing capabilities; and
- ineffective system edits for large payments and debts.

Our systems findings were consistent with issues raised by DOD in its June 2002 report⁶ to the Congress on its efforts to implement an integrated military pay and personnel system. Specifically, DOD's report acknowledged that major deficiencies with the delivery of military personnel and pay services were the direct result of the inability of a myriad of current systems with multiple, complex interfaces to fully support current business process requirements. DOD has a significant system enhancement project underway, but it is likely that the department will operate with many of its existing system constraints for a number of years.

Figure 2 provides an overview of the five systems currently involved in processing Army Guard pay and personnel information.

⁶U.S. Department of Defense, *Report to Congress: Defense Integrated Military Human Resource System (Personnel and Pay)*, (Washington, D.C. June 2002).

Figure 2: Overview of Army Guard Pay and Personnel Systems



Source: GAO.

Lack of Integrated Systems

The five key DOD systems (see fig. 4) involved in authorizing, entering, processing, and paying mobilized Army Guard soldiers were not integrated. Lacking either an integrated or effectively interfaced set of personnel and pay systems, DOD must rely on manual entry of data from the same source documents into multiple systems. This error-prone, labor-intensive manual data entry caused various pay problems—particularly late payments.

In our case studies, we found instances in which mobilization order data that were entered into SIDPERS were either not entered into DJMS-RC for several months after the personnel action or were entered inconsistently. Consequently, these soldiers either received active duty pays they were not entitled to receive—some for several months—or did not timely receive active duty pays to which they were entitled.

Individual Case Illustration: Overpayment due to Lack of Integrated Pay and Personnel Systems

A soldier with the Mississippi Army National Guard was mobilized in January 2002 with his unit and traveled to the mobilization station at Fort Campbell. The unit stayed at Fort Campbell to perform post security duties until June 2002. On June 14, 2002, the E-4 specialist received a "general" discharge order from the personnel office at Fort Campbell for a drug-related offense. However, he continued to receive active duty pay, totaling approximately \$9,400, until September 2002. Although the discharge information was promptly entered into the soldier's personnel records, it was not entered into the pay system for almost 4 months. This problem was caused by weaknesses in the processes designed to work around the lack of integrated pay and personnel systems. Further, the problem was not detected because reconciliations of pay and personnel data were not performed timely. Specifically, it was not until over 3 months after the soldier's discharge, through its September 2002 end-of-month reconciliation, that the Mississippi Army National Guard USPFO identified the overpayment and took action on October 2, 2002, to stop the individual's pay. However, collection efforts on the \$9,400 overpayment did not begin until July 2003, when we pointed out this situation to USPFO officials.

A soldier with the Mississippi Army National Guard was mobilized in January 2002 with his unit and traveled to the mobilization station at Ft. Campbell. The unit stayed at Ft. Campbell to perform post security duties until June 2002. On June 14, 2002, the E-4 specialist received a "general" discharge order from the personnel office at Ft. Campbell for a drug-related offense. However, he continued to receive active duty pay, totaling approximately \$9,400, until September 2002. Although the discharge information was promptly entered into the soldier's personnel records, it was not entered into the pay system for almost 4 months. This problem was caused by weaknesses in the processes designed to work around the lack of integrated pay and personnel systems. Further, the problem was not detected because reconciliations of pay and personnel data were not performed timely. Specifically, it was not until over 3 months after the soldier's discharge, through its September 2002 end-of-month reconciliation, that the Mississippi Army National Guard USPFO identified the overpayment and took action on October 2, 2002, to stop the individual's pay. However, collection efforts on the \$9,400 overpayment did not begin until July 2003, when we pointed out this situation to USPFO officials.

Pay System Has Limited Active
Duty Pay Processing Capabilities

DOD has acknowledged that DJMS-RC was not designed to process payroll payments to mobilized Army Guard soldiers for extended periods of active duty. Consequently, it is not surprising that we found a number of “workarounds”—procedures intended to compensate for existing DJMS-RC processing limitations with respect to Army Guard active duty pays. Such manual workarounds are inefficient and create additional labor-intensive, error-prone transaction processing.

Because of limited DJMS-RC processing capabilities, the Army Guard USPFO and in-theatre active Army area servicing finance office pay technicians are required to manually enter transactions for nonautomated pay and allowances every month. DJMS-RC was originally designed to process payroll payments to Army Reserve and Army Guard personnel on weekend drills, or on short periods of annual active duty (periods of less than 30 days in duration) or for training. With Army Guard personnel now being paid from DJMS-RC for extended periods of active duty (as long as 2 years at a time), DFAS officials told us that the COBOL/mainframe-based system was now being stretched to the limits of its functionality. In several of the case study units we audited, we found a number of instances in which soldiers were underpaid their entitled pays that must be entered each month manually (such as foreign language proficiency, special duty assignment, or hardship duty pays) because pay technicians did not enter the monthly manual transaction input required to initiate those pays every month.

In addition, we found a significant number of soldiers were overpaid when they were demobilized from active duty before the stop date specified in their original mobilization orders. This occurred because pay technicians did not update the stop date in DJMS-RC necessary to terminate the automated active duty pays when soldiers leave active duty early. For example, the military finance office in Kuwait, responsible for paying Virginia 20th Special Forces soldiers in the fall of 2002, did not stop hostile fire and hardship duty pays as required when these soldiers left Afghanistan in October 2002. We found that 55 of 64 soldiers eligible for hostile fire pay were overpaid for at least 1 month beyond their departure from Afghanistan.

Further, these month-to-month pays and allowances were not separately itemized on the soldiers’ leave and earnings statements in a user-friendly format. Instead, many of these pays appeared as lump sum payments under “other credits.” In many cases these “other credit” pay and allowances appeared with little explanation. As a result, we found

indications that Army Guard soldiers had difficulty using the leave and earnings statements to determine if they received all entitled active duty pays and allowances. Without such basic customer service, the soldiers cannot readily determine whether they received all entitled active duty pays and allowances.

As shown in the example leave and earnings statement extract included in figure 3, an Army Guard soldier who received a series of corrections to special duty assignment pay along with their current special duty assignment payment of \$110 is likely to have difficulty discerning whether he or she received all and only entitled active duty pays and allowances.

Figure 3: Sample Army Guard Leave and Earnings Statement

DEFENSE FINANCE AND ACCOUNTING SERVICE MILITARY LEAVE AND EARNINGS STATEMENT														
ID	NAME (LAST, FIRST, MI)			SOC. SEC. NO.	GRADE	PAY DATE	YRS SVC	ETS	BRANCH	ADSN/DSSN	PERIOD COVERED			
	DOE JACK A			000 00 0000	E07	840330	18	060501	ARNG	5570	CHK DT 021030			
ENTITLEMENTS				DEDUCTIONS				ALLOTMENTS				SUMMARY		
TYPE		AMOUNT		TYPE		AMOUNT		TYPE		AMOUNT		+AMT FWD		
OTHER CREDITS		716.31		FED INC TAX		.45						+TOT ENT 716.31		
												-TOT DED .45		
												-TOT ALMT		
												+NET AMT 715.86		
												-CR FWD		
												+EOM PAY		
												DIEMS		
												RET PLAN		
TOTAL		716.31				.45								
LEAVE	BF BAL	ERND	USED	CR BAL	ETS BAL	LV LOST	LV PAID	USE/LOSE	FED TAXES	WAGE PERIOD	WAGE YTD	M/S EX	ADD'L TAX	TAX YTD
									716.31	16044.48	S 0		.00	1651.02
FICA TAXES	WAGE PERIOD	SOC WAGE YTD	SOC TAX YTD	MED WAGE YTD	MED TAX YTD	STATE TAXES	ST WAGE PERIOD	WAGE YTD	M/S EX	TAX YTD				
	.00	28181.34	1747.24	28181.34	408.65	VA	716.31	16044.48	S 00	649.50				
PAY DATA	BAQ TYPE	BAQ DEPN	VHA ZIP	RENT AMT	SHARE	STAT	JFTR	DEPNs	2D JFTR	BAS TYPE	CHARITY YTD	TPC	PACIDN	
	W DEP	SPOUSE	000000							STANDA				
Thrift Savings Plan (TSP)	BASE PAY RATE	BASE PAY CURRENT	SPEC PAY RATE	SPEC PAY CURRENT	INC PAY RATE	INC PAY CURRENT	BONUS PAY RATE	BONUS PAY CURRENT						
	0%	.00	0%	.00	0%	.00	0%	.00						.00
	TSP YTD DEDUCTIONS				DEFERRED		EXEMPT							
	.00				.00		.00							
REMARKS	YTD ENTITLE 48781.26				YTD DEDUCT 7661.86									
<p>YOUR CHECK WAS SENT TO: FEDERAL CREDIT UN 000000000</p> <p>ACCOUNT NUMBER: AMOUNT: \$715.86</p> <p>ACCOUNT TYPE: CHECKING</p> <p>COMPANY CODE: DIRECT DEPOSIT DATE: 10/30/02</p> <p>* AS OF 19 APR 02, 036 HIGH TEMPO DEPLOYMENT DAYS ACCRUED</p> <p>SINCE 1 OCT 00 (OR SINCE ENTERING MILITARY SERVICE)</p> <p>TOTAL PERFORMANCE FY 03: UTA 00 AFTP 00 ET 00 ATA 00</p> <p>JPT 00 AXUTA 00 AANT 00 RMA 00 SUP IDT TNG 00</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$3.67 980501 980501</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$7.33 980301 980302</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$7.33 980901 980902</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$7.33 011130 011130</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$11.00 980201 980203</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$11.00 990601 990603</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$14.67 010301 010304</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$14.67 010701 010704</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$14.67 990201 990201</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$14.66 011117 011118</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$18.33 010201 010205</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$18.33 010401 010405</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$18.33 010601 010605</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$18.33 990501 990505</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$21.99 011201 011203</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$22.00 000501 000506</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$40.33 010501 010511</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$55.00 980601 980615</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$66.67 990701 990719</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$66.67 990801 990819</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$69.67 980901 980919</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$84.33 980801 980823</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$110.00 020901 020930</p> <p>YOUR CURRENT STATE CLAIMED IS: VIRGINIA</p>														

Source: Individual Leave and Earnings Statement.

In yet another example, one sergeant, apparently having difficulty deciphering his leave and earnings statement, wrote a letter to a fellow service member asking, "Are they really fixing pay issues or are they putting them off till we return? If they are waiting, then what happens to those who (god forbid) don't make it back?" This sergeant was killed in action in Afghanistan on April 15, 2002, before he knew if his pay problems were resolved.

System Edits Do Not Prevent Large Payments or Debts

While DJMS-RC has several effective edits to prevent certain overpayments, it lacks effective edits to reject large proposed net pays over \$4,000 at midmonth and over \$7,000 at end of month before their final processing. We found several instances in our case studies where soldiers received large lump sum payments, possibly related to previous underpayments or other pay errors, with no explanation. Further, the lack of preventive controls over large payments poses an increased risk of fraudulent payments.

Similarly, DJMS-RC does not have system edits to prevent large debts from being assessed without review and approval prior to being processed and does not require the leave and earnings statement to include an explanation of pay-related debt assessments. Such was the case for the following Army Guard soldier

Individual Case Illustration: System Edits Do Not Prevent Large Payments and Debts

A sergeant with the Colorado Army National Guard, Special Forces, encountered numerous severe pay problems associated with his mobilization to active duty, including his deployment to Afghanistan in support of Operation Enduring Freedom. The sergeant's active duty pay and other pay and allowances should have been stopped on December 4, 2002, when he was released from active duty. However, because the sergeant's mobilization orders called him to active duty for 730 days and not the 365 days that he was actually mobilized, and the Army area servicing finance office at the demobilization station, Fort Campbell, did not enter the release from active duty date into DJMS-RC, the sergeant continued to improperly receive payments, as if he were still on active duty, for 2 and a half months after he was released from active duty totaling over \$8,000. The sergeant was one of 34 soldiers in the company whose pay continued after their release from active duty. In an attempt to stop the erroneous payments, in February 2003, pay personnel at the Colorado USPFO created a transaction to cancel the tour instead of processing an adjustment to amend the stop date consistent with the date on the Release from Active Duty Order. When this occurred, DJMS-RC automatically processed a reversal of 11 months of the sergeant's pay and allowances that he earned while mobilized from March 1, 2002, through February 4, 2003, which created a debt in the amount of \$39,699 on the soldier's pay record; however, the reversal should have only been from December 5, 2002, through February 4, 2003. In April 2003, at our request, DFAS-Indianapolis personnel intervened in an attempt to correct the large debt and to determine the actual amount the sergeant owed. In May 2003, DFAS-Indianapolis erroneously processed a payment transaction instead of a debt correction transaction in DJMS-RC. This created a payment of \$20,111, which was electronically deposited to the sergeant's bank account without explanation, while a debt of \$30,454 still appeared on his Leave and Earnings Statement. About 9 months after his demobilization, the sergeant's unpaid debt balance was reportedly \$26,559, but the actual amount of his debt had not yet been determined as of September 2003.

DOD has a system enhancement project underway for which one of the major expected benefits is the improvement of military pay accuracy and timeliness. However, the effort to replace over 80 legacy personnel, pay, training, and manpower systems (including DJMS-RC) has been underway for over 5 years and DOD has encountered challenges fielding the system. In the nearer term, the department reported that it expected to field a system to replace the current DFAS system used to process pays to mobilized Army Guard soldiers by March 2005. However, given that the pay system is only one of several non-integrated systems the department currently relies on to authorize and pay mobilized Army Guard soldiers, it is likely that the department will continue to operate with many of the existing system constraints for at least several more years.

Actions to Improve Accuracy and Timeliness of Army Guard Pay

While it is likely that DOD will be required to rely on existing systems for a number of years, a complete and lasting solution to the pay problems we identified will only be achieved through a complete reengineering, not only of the automated systems, but also of the supporting processes and human capital practices in this area. However, our related report ([GAO-04-89](#)) detailed immediate actions that can be taken in these areas to improve the timeliness and accuracy of pay and allowance payments to activated Army Guard soldiers. The need for such actions is increasingly imperative in light of the current extended deployment of Army Guard soldiers in their crucial role in Operation Iraqi Freedom and anticipated additional mobilizations in support of this operation. To help ensure that the Army Guard can continue to successfully fulfill its vital role in our national defense, immediate steps are needed to at least mitigate the most serious problems we identified.

Accordingly, we made the following short-term recommendations to the Secretary of Defense to address the issues we identified with respect to the existing processes, human capital, and automated systems relied on to pay activated Army Guard personnel.

Process

- Establish a unified set of policies and procedures for all Army Guard, Army, and DFAS personnel to follow for ensuring active duty pays for Army Guard personnel mobilized to active duty.
- Establish performance measures for obtaining supporting documentation and processing pay transactions (for example, no more than 5 days would seem reasonable).
- Establish who is accountable for stopping active duty pays for soldiers who return home earlier than their units.
- Clarify the policies and procedures for how to properly amend active duty orders, including medical extensions.
- Require Army Guard commands and unit commanders to carry out complete monthly pay and personnel records reconciliations and take necessary actions to correct any pay and personnel record mismatches found each month.

-
- Update policies and procedures to reflect current legal and DOD administrative requirements with respect to active duty pays and allowances and transaction processing requirements for mobilized Army Guard soldiers.

Human Capital

- Consider expanding the scope of the existing memorandum of understanding between DFAS and the Army concerning the provision of resources to support surge processing at mobilization and demobilization sites to include providing additional resources to support surge processing for pay start and stop transaction requirements at Army Guard home stations during initial soldier readiness programs.
- Determine whether issues concerning resource allocations for the military pay operations identified at our case study units exist at all 54 USPFOs, and if so, take appropriate actions to address these issues.
- Determine whether issues concerning relatively low-graded military pay technicians identified at our case study units exist at all 54 USPFOs, and if so, take appropriate actions to address these issues.
- Modify existing training policies and procedures to require all USPFO and active Army pay and finance personnel responsible for entering pay transactions for mobilized Army Guard soldiers to receive appropriate training upon assuming such duties.
- Require unit commanders to receive training on the importance of adhering to requirements to conduct annual pay support documentation reviews and carry out monthly reconciliations.
- Establish an ongoing mechanism to monitor the quality and completion of training for both pay and finance personnel and unit commanders.
- Identify and evaluate options for improving customer service provided to mobilized Army Guard soldiers by providing improved procedures for informing soldiers of their pay and allowance entitlements throughout their active duty mobilizations.
- Identify and evaluate options for improving customer service provided to mobilized Army Guard soldiers to ensure a single, well-advertised

source for soldiers and their families to access for customer service for any pay problems.

- Review the pay problems we identified at our six case study units to identify and resolve any outstanding pay issues for the affected soldiers.

Systems

- Evaluate the feasibility of using the personnel-to-pay interface as a means to proactively alert pay personnel of actions needed to start entitled active duty pays and allowances.
- Evaluate the feasibility of automating some or all of the current manual monthly pays, including special duty assignment pay, foreign language proficiency pay, hardship duty pay, and HALO pay.
- Evaluate the feasibility of eliminating the use of the “other credits” for processing hardship duty (designated areas), HALO pay, and special duty assignment pay, and instead establish a separate component of pay for each type of pay.
- Evaluate the feasibility of using the JUSTIS warning screen to help eliminate inadvertent omissions of required monthly manual pay inputs.
- Evaluate the feasibility of redesigning Leave and Earnings Statements to provide soldiers with a clear explanation of all pay and allowances received so that they can readily determine if they received all and only entitled pays.
- Evaluate the feasibility of establishing an edit check and requiring approval before processing any debt assessments above a specified dollar amount.
- Evaluate the feasibility of establishing an edit check and requiring approval before processing any payments above a specified dollar amount.

With regard to a complete and lasting solution to the pay problems we identified, our related report included the following long-term recommendations_

- As part of the effort currently under way to reform DOD’s pay and personnel systems—referred to as DIMHRS—incorporate a complete

understanding of the Army Guard pay problems as documented in this report into the requirements development for this system.

- In developing DIMHRS, consider a complete reengineering of the processes and controls and ensure that this reengineering effort deals not only with the systems aspect of the problems we identified, but also with the human capital and process aspects.

Concluding Comments

The extensive problems we identified at the case study units vividly demonstrate that the controls currently relied on to pay mobilized Army Guard personnel are not working and cannot provide reasonable assurance that such pays are accurate or timely. The personal toll that these pay problems have had on mobilized soldiers and their families cannot be readily measured, but at least with two of our case study units there are already indications that these pay problems have begun to have an adverse effect on reenlistment and retention. It is not surprising that cumbersome and complex processes and ineffective human capital strategies, combined with the use of a system that was not designed to handle the intricacies of active duty pay and allowances, would result in significant pay problems. To its credit, DOD concurred with the recommendations included in our companion report and outlined some actions already taken, others that are underway, and further planned actions with respect to our recommendations.

We did not assess the completeness and adequacy of DOD's actions directed at improving controls over pays to mobilized Army Guard soldiers. However, pays to mobilized Army Reserve soldiers rely on many of the same processes and automated systems used to pay mobilized Army Guard soldiers. At your request, we will be reviewing the pay experiences of mobilized Army Reserve soldiers, and we will be assessing the effectiveness of any relevant DOD actions taken as part of that review.

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 support our Army Guard and Reserve forces will be essential in bringing about comprehensive and lasting improvements to many decades-old, entrenched problems. For example, in addition to our ongoing review of the pay experiences of mobilized Army Reserve soldiers, we now have related engagements ongoing that you requested concerning

-
- controls over pays and related medical benefits for mobilized Army Guard soldiers who elect to have their active duty tours extended to address injuries or illnesses incurred while on active duty,
 - controls over travel reimbursements to mobilized Army Guard soldiers,
 - utilization of Army Guard forces since September 11, 2001, and
 - the impact of deployments on DOD's ability to carry out homeland security missions.

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.

Contacts and Acknowledgments

For further information about this testimony, please contact Gregory D. Kutz at (202) 512-9095 or kutzg@gao.gov. Individuals making key contributions to this testimony include Paul S. Begnaud, Amy C. Chang, Mary Ellen Chervenik, Francine M. DelVecchio, Dennis B. Fauber, Geoffrey B. Frank, Jennifer L. Hall, Charles R. Hodge, Julia C. Matta, Jonathan T. Meyer, Sheila D. Miller, and John J. Ryan, Patrick S. Tobo.

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