

**AVOIDING “FINANCIAL FRIENDLY FIRE”: A  
REVIEW OF EFFORTS TO OVERCOME ARMY  
NATIONAL GUARD PAY PROBLEMS**

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**HEARING**  
BEFORE THE  
**COMMITTEE ON  
GOVERNMENT REFORM**  
**HOUSE OF REPRESENTATIVES**  
ONE HUNDRED EIGHTH CONGRESS

SECOND SESSION

JANUARY 28, 2004

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## **AVOIDING “FINANCIAL FRIENDLY FIRE”: A REVIEW OF EFFORTS TO OVERCOME ARMY NATIONAL GUARD PAY PROBLEMS**

**WEDNESDAY, JANUARY 28, 2004**

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON GOVERNMENT REFORM,  
*Washington, DC.*

The committee met, pursuant to notice, at 10:02 a.m., in room 2154, Rayburn House Office Building, Hon. Tom Davis (chairman of the committee) presiding.

Present: Representatives Tom Davis, Shays, Lewis, Platts, Putnam, Schrock, Turner, Waxman, Lantos, Maloney, Cummings, Tierney, Van Hollen, Ruppertsberger, and Norton.

Staff present: Peter Sirh, staff director; Melissa Wojciak, deputy staff director; Jennifer Safavian, chief counsel for oversight and investigations; David Young, counsel; David Marin, director of communications; Grace Washbourne, professional staff member; Teresa Austin, chief clerk; Brien Beattie, deputy clerk; Corinne Zaccagnini, chief information officer; Ryan Kelly, legislative correspondent; Kristin Amerling, minority deputy chief counsel; Anna Laitin, minority communications and policy assistant; Karen Lightfoot, minority communications director/senior policy advisor; David McMillen and Andrew Su, minority professional staff members; Earley Green, minority chief clerk; Jean Gosa, minority assistant clerk; and Cecelia Morton, minority office manager.

Chairman TOM DAVIS. Good morning.

A quorum being present, the Committee on Government Reform will come to order.

I want to welcome everybody to today's hearing on the state of the Department of Defense's and the Department of the Army's efforts to correct the current inadequacies in payroll processes that are negatively affecting Army National Guard members mobilized on active duty status.

This hearing is the first quarterly review promised the committee by DOD last year. We look forward to hearing about the steps it has taken and proposed to correct problems uncovered in the November 2003 GAO study. The study outlined the scope and severity of the pay problems, and it was not a pretty sight. We are talking about soldiers being erroneously billed debts close to \$50,000 each. We are talking about injured soldiers being denied active duty pay because medical extensions were not processed. We are talking about 3-month delays in active duty pays. We are even talking

about a soldier who came under enemy fire during a 4-day trip he had to make to deliver records to fix payments errors.

The traditional concept of Guardsmen serving 1 weekend a month and 2 weeks a year to perform state disaster relief and train for Federal service was shattered after September 11, 2001. These men and women are no longer “weekend warriors.” Today, members of the Army National Guard fight side by side with regular armed forces members in combat throughout the world. Approximately 100,000 Army National Guard members are currently called to active duty for mobilization to Iraq and Afghanistan. Since September 11, close to 140,000 have seen action in Operation Enduring Freedom, Operation Noble Eagle and Operation Iraqi Freedom. As of today, 23 Army National Guard personnel have been killed in action in service to our country.

The fact is, today we are relying on the National Guard as never before—to support the regular armed forces in combat, to protect the homeland, and to provide emergency and security response for each State. With all that we expect of the Guard, ensuring that each member receives accurate and timely pay and allowances for job performance and risk of life should be a top priority for Congress and the administration. If we do not make the investments needed to remedy this problem, we will be guilty of that old saw about knowing the price of everything and the value of nothing.

I am sure that virtually all members of the committee have heard from Guard members and their families about the effects of increased mobilizations and increased mission responsibilities. In my State of Virginia, Sergeant First Class Curtis Dunn of the Virginia National Guard, B Company, 3rd Battalion, 20th Special Forces knows well the frustration and heartache caused by an inept pay system. At a press conference this past November, where we released the GAO study under discussion today, Sergeant Dunn gave us this picture: “Picture a soldier, sitting at a firebase, in the middle of nowhere Afghanistan. The heat is oppressive, and they have been out on patrol all day, sucking dust. He has potentially had a few shots taken at him, or watched a couple of rockets head toward him out of the night sky. It is finally his turn for the few minutes of satellite phone usage that each soldier is allotted for the week, and he calls home. He would like to spend that precious time reassuring his family, telling his wife and children how much he loves and misses them. Instead he has to utilize the majority of the time discussing finances and trying to determine if he has been paid correctly and making sure his family has enough money to pay bills.”

Or the March 23, 2002 letter from Sergeant Dan Romero to his fellow sergeant in the Colorado Army National Guard, which Major Chavez will mention in his testimony today: “Are they really fixing pay issues, are they putting them off until we return? If they are waiting then what happens to those who (God forbid) don’t make it back?” Sergeant Romero was killed in action 23 days later in Afghanistan, and I would really like to hear today that his family isn’t wasting their time and energy fixing errors in his pay.

Today’s hearing is the Government Reform Committee’s first in reviewing areas of concern with the National Guard. We have followup studies in the works on Army Reserve pay issues, medical

extensions and readiness, and travel reimbursements. This committee has also asked GAO to look at National Guard readiness and the effects of increased mission and mobilization. The study will focus on the resources available to the Guard in an effort to evaluate if they are receiving the direction, equipment and training they need. This study will be complete in April this year.

It has also come to the committee's attention that military personnel are being blocked from enrolling in supplemental life insurance programs. This is troublesome. I don't understand why such an anti-competitive, anti-freedom of choice policy is being implemented, and we are going to look at this more closely.

The challenge of integrating pay systems and processes is not singular to the Department of the Defense, nor is it a problem that cropped up over night. We are certain that all the Department's witnesses here today are committed to fixing Guard payroll problems. To their credit, DOD, the Army and the National Guard Bureau have been working diligently to correct the problems identified in the GAO report. Certainly the integration of payroll systems in such a massive department will be a long and difficult process, but there is much that can be done in the short term to mitigate the problem.

We will be hearing today from Assistant Secretary of the Army, Mr. Ernest Gregory; Mr. Patrick Shine, Director of the Defense Finance and Accounting Service; and Lieutenant General Roger Schultz, Director of the Army National Guard. I also welcome several representatives from the General Accounting Office who worked on this study. We are especially pleased to hear from Major Kenneth Chavez, Unit Commander, B Company, 5th Battalion, 19th Special Forces, Colorado Army National Guard, who has come here to represent his unit by sharing firsthand accounts of the problems they are encountering.

As promised, the Department has mapped out immediate and long-range milestones and has made progress in effecting changes. I know we all look forward to hearing what has been done to date, and what we can expect in the weeks and months to come.

I was an Army National Guardsman for 8 years. I stayed in over the 6 years that we had to serve. For the life of me, with these problems, I think we are going to have a recruitment problem over the long term when these stories get back if we don't fix them.

[The prepared statement of Chairman Tom Davis follows:]

Opening Statement  
Chairman Tom Davis  
Government Reform Committee Hearing  
on National Guard Pay Problems  
January 28, 2004

I would like to welcome everyone to today's hearing on the state of the Department of Defense and Department of the Army's efforts to correct the current inadequacies in payroll processes that are negatively effecting Army National Guard members mobilized to active-duty status.

This hearing is the first quarterly review promised the Committee by DOD last year, and we look forward to hearing about the steps it has taken and proposed to correct the problems uncovered in the November 2003 General Accounting Office study.

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The fact is, today we are relying on the National Guard as never before -- to support the regular armed forces in combat, to protect the homeland, and to provide emergency and security response for each State. With all that we expect of the Guard, ensuring that each member receives accurate and timely pay and

allowances for job performance and risk of life should be a top priority for Congress and the Administration.

If we do not make the investments needed to remedy this problem, we will be guilty of that old saw about knowing the price of everything and the value of nothing.

I am sure that virtually all Members of the Committee have heard from Guard members and their families about the effects of increased mobilizations and increased mission responsibilities.

In my State of Virginia, Sergeant First Class Curtis Dunn of the Virginia National Guard, B Company, 3<sup>rd</sup> Battalion, 20<sup>th</sup> Special Forces knows well the frustration and heartache caused by an inept pay system. At a press conference this past November, where we released the GAO study under discussion today, Sergeant Dunn gave us this picture:

*“Picture a soldier, sitting at a firebase, in the middle of nowhere Afghanistan. The heat is oppressive, and they’ve been out on patrol all day, sucking dust. He’s potentially had a few shots taken at him, or watched a couple of rockets head toward him out of the night sky. It’s finally his turn for the few minutes of satellite phone usage that each soldier is allotted for the week, and he calls home. He’d like to spend that precious time reassuring his family, telling his wife and children how much he loves and misses them... Instead he has to utilize the majority of the time discussing*

*finances and trying to determine if he's been paid correctly and making sure his family has enough money to pay bills."*

Or the March 23, 2002 letter from Sergeant Dan Romero to his fellow Sergeant in the Colorado Army National Guard, which Major Chavez will mention in his testimony today:

*"Are they really fixing pay issues, are they putting them off until we return? If they are waiting then what happens to those who (God forbid) don't make it back?"*

Sergeant Romero was killed in action 23 days later in Afghanistan, and I would really like to hear today that his family isn't wasting their time and energy fixing errors in his pay.

Today's hearing is the Government Reform Committee's first in reviewing areas of concern with the National Guard. We have follow-up studies in the works on Army Reserve Pay issues, medical extensions and readiness, and travel reimbursements. This Committee has also asked GAO to look at National Guard readiness and the effects of increased mission and mobilization. The study will focus on the resources available to the Guard in an effort to evaluate if they are receiving the direction, equipment and training they need. This study will be complete in April this year.

It has also come to the Committee's attention that military personnel are being blocked from enrolling in supplemental life insurance programs. This is troublesome. I don't understand why such an anti-competitive, anti-freedom of choice policy is being implemented, and we're going to look at this more closely.

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We will be hearing today from Assistant Secretary of the Army, Mr. Ernest Gregory; Mr. Patrick Shine, Director of the Defense Finance and Accounting Service; and Lieutenant General Roger Schultz, Director of the Army National Guard. I also welcome several representatives from the General Accounting Office who worked on this study. We are especially pleased to

hear from Major Kenneth Chavez, Unit Commander, B Company, 5th Battalion, 19<sup>th</sup> Special Forces, Colorado Army National Guard, who has come here to represent his unit by sharing firsthand accounts of the problems they're encountering.

As promised, the Department has mapped out immediate and long-range milestones and has made progress in effecting changes. I know we all look forward to hearing what has been done to date, and what we can expect in the weeks and months to come.

Chairman TOM DAVIS. I now yield to my ranking member, Mr. Waxman, for his opening statement.

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

I want to commend you on your opening statement. I thought it was an excellent presentation of the issue. I want to thank you for holding this hearing and calling attention to this important issue.

For over 350 years the Army National Guard has played a significant role in ensuring our national security at home and abroad. Today, tens of thousands of National Guard soldiers are putting their lives at risk fighting terrorism within the United States and serving in Iraq and other hostile places around the world. As active U.S. troops are rotated out of Iraq, the brunt of the dangerous work will lie with the National Guard and Reserve troops who are called up and sent overseas to replace them.

Yet in many ways National Guard soldiers are treated as second class citizens compared to their Army counterparts. While their training is shorter, their deployment has often been longer, and their equipment missing or inferior. Today we will more closely examine an additional and unacceptable injustice: a cumbersome and antiquated payroll system has been shortchanging and delaying Guard members' paychecks.

GAO's recent study of Guard pay problems shows that the situation is abysmal. Ninety-four percent of National Guard members activated into U.S. Army units reported errors in their pay statements, many of which were repeated or compounded in subsequent pay statements. National Guard members have received deductions on their statements without any explanations, orders have been lost, and overwhelmed financial specialists from both the Army National Guard and active Army have blamed each other over basic data entry responsibilities.

In fact, GAO's review showed that some National Guard members even lost money for housing allowances or medical coverage for themselves and their families despite service in recent conflicts. This situation is also remarkable in that history is repeating itself. Similar payroll problems occurred in the Army after the Persian Gulf war in the early 1990's, and were never properly fixed.

Our Nation will be increasingly reliant on Army National Guards. If we cannot provide basic pay in return for their patriotic service, the Army National Guard will have serious morale, troop retention, and recruitment problems on their hands.

I want to thank the witnesses for appearing today. In particular, I would like to thank GAO for their investigative work, and welcome Major Kenneth Chavez of the Colorado National Guard for testifying today. I thank you all who are going to make presentations to us.

Mr. Chairman, as often happens here on the Hill, there are conflicts in our schedule and I won't be able to be present for the hearing itself but the fact we are holding this hearing, that a transcript will be prepared that will be shared with our colleagues, my staff behind will also be here to look over the testimony and listen to the answers to the questions, will allow both the chairman and I to pursue this issue further. I appreciate your leadership on the matter, Mr. Chairman.

[The prepared statement of Hon. Henry A. Waxman follows:]

**Statement of Rep. Henry A. Waxman  
Ranking Minority Member  
Committee on Government Reform  
Hearing on "Avoiding 'Financial Friendly Fire': A Review of  
Efforts to Overcome Army National Guard Pay Problems"  
January 28, 2004**

I'm pleased that the Committee is examining disturbing problems with Army National Guard pay, and I want to thank Chairman Davis and Rep. Shays for their work on calling attention to this important issue.

For over 350 years the Army National Guard has played a significant role in ensuring our national security at home and abroad. Today, tens of thousands National Guard soldiers are putting their lives at risk fighting terrorism within the United States and serving in Iraq and other hostile places around the world. And as active U.S. troops are rotated out of Iraq, the brunt of the dangerous work will lie with the National Guard and Reserve troops who are called up and sent overseas to replace them.

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Our nation will be increasingly reliant on Army National Guards. If we cannot provide basic pay in return for their patriotic service, the Army National Guard will have serious morale, troop retention, and recruitment problems on their hands.

I want to thank the witnesses for appearing today. In particular, I would like to thank GAO for their investigative work, and welcome Major Kenneth Chavez of the Colorado National Guard for testifying today. I hope he finally is able to get his unit's pay problem resolved. I look forward to listening to the testimony this morning.

Chairman TOM DAVIS. Thank you and thank you for your statement.

Do any other Members wish to make opening statements?

The gentlelady from the District of Columbia.

Ms. NORTON. I very much want to make an opening statement. I feel obligated to do so. I very much appreciate your work, Mr. Chairman, and that of Mr. Waxman in calling this hearing so that this matter can get aired and perhaps yet faster treatment.

The reason I say I feel obligated to do so is that the District of Columbia has lost three good men, all of them members of the Reserves or the National Guard. I asked my legislative assistant to compare our losses with the losses of other States and I was simply astonished. This is a jurisdiction of 600,000 people and yet many States far larger have lost fewer or about the same number, if I could give you an idea of what we mean and why we feel so deeply about this. Maine has lost, including regular Army and Guard, I believe, two; Maryland has lost five; Minnesota has lost three, the Iraqi war only; Nevada has lost three. I am purposely staying away from the States that are of the same population as the District of Columbia. West Virginia has lost one; Utah has lost four. These folks have gone without any vote, without equal representation, with no voting in the House or no one who can vote in the Senate. The Washington Post has run an article indicating that after 10 months in Iraq, it names the District of Columbia as one of the jurisdictions that has paid disproportionately in casualties in this war. So you can imagine that I would feel deeply if there is unequal treatment here. Gentlemen, that is what I think it is.

The Army Reserve, the Army tooled up very fast to get extended hours from these young men. They haven't tooled up nearly as fast to pay them for those hours. What bothers me is the chronic nature of this problem, that it is longstanding, that the GAO says it doesn't see any relief in sight and yet, it looks like the Armed Forces in Iraq will shortly be—at about 40 percent—more and more dependent on these young people.

I am among many other Members who have sponsored a bill just to get pay equity for Federal reservists who go into the Armed Forces and we can't even get that through this Congress, even though many Fortune 500 companies and many States just as a matter of patriotism and of gratitude to these young people automatically do that. The Federal Government doesn't even do that.

We have seen these young people everywhere. We have seen them at Reagan after September 11 where we used them. We used them here over and over visibly since September 11. Now we don't see them as often because they are in disproportionate numbers fighting in Iraq.

I just think, Mr. Chairman, we have to give the Army a deadline for getting hold of this problem and for reporting back to us in the very near future that at the very least those members of the Armed Services on whom we are now disproportionately dependent are receiving equal treatment from the Army of the United States.

Thank you, Mr. Chairman.

Chairman TOM DAVIS. Thank you very much.

Do any other Members wish to make statements? If not, we are going to move to our first panel of witnesses.

We have with us, Mr. Gregory D. Kutz, Director, Financial Management & Assurance, U.S. General Accounting Office, accompanied by Mr. Geoff Frank and Mr. John Ryan. We have the Honorable Ernest J. Gregory, Acting Assistant Secretary of the Army; Mr. Patrick T. Shine, Director, Defense Finance and Accounting Service; and we have Lieutenant General Roger C. Shultz, Director, Army National Guard. We thank you for your presence today. I also recognize Colonel James Leonard, Director, Defense Finance and Accounting Service, Indianapolis Office, who is accompanying Mr. Shine.

It is the policy of this committee that all witnesses and those accompanying them be sworn before they testify.

[Witnesses sworn.]

Chairman TOM DAVIS. We have your total testimony as a part of the record. In order to move things and get to questions, we would like to try to keep it to 5 minutes. There is a light in front; it is green. After 4 minutes, it turns orange and after 5 minutes, it turns red. That will be a guide. When it is red, if you could move to try to summarize. I won't gavel you but it just makes things go more smoothly.

I think we will start with Mr. Kutz and then go to General Schultz and back to Mr. Gregory and Mr. Shine if that order is acceptable.

Mr. Kutz, thanks for your work and thanks for being with us.

**STATEMENTS OF GREGORY D. KUTZ, DIRECTOR, FINANCIAL MANAGEMENT & ASSURANCE, U.S. GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY GEOFF FRANK, ASSISTANT DIRECTOR, FINANCIAL MANAGEMENT & ASSURANCE; JOHN RYAN, ASSISTANT DIRECTOR, OFFICE OF SPECIAL INVESTIGATIONS, U.S. GENERAL ACCOUNTING OFFICE; ERNEST J. GREGORY, ACTING ASSISTANT SECRETARY OF THE ARMY, FINANCIAL MANAGEMENT AND COMPTROLLER; PATRICK T. SHINE, DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE, MILITARY AND CIVILIAN PAY SERVICES, ACCOMPANIED BY COLONEL JAMES L. LEONARD, DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE, INDIANAPOLIS; AND LIEUTENANT GENERAL ROGER C. SHULTZ, DIRECTOR, ARMY NATIONAL GUARD**

Mr. KUTZ. Mr. Chairman and members of the committee, thank you for the opportunity to be here to discuss pay problems at the Army National Guard.

The recent success of our forces in Iraq has shown once again that our military forces are second to none. However, that same level of excellence is not evident in many DOD business processes, including its financial management. DOD's high risk financial management leaves it vulnerable to fraud, waste and abuse. Unfortunately, the abuse that I will be telling you about today is of mobilized Army National Guard soldiers and their families.

My testimony has three parts. First, examples of pay problems. Second, the causes of these pay problems. And third, our ongoing work in this area. First, as shown on the poster board to my right, 94 percent of the 481 soldiers from our six case study units had pay problems. Although the 450 soldiers with pay problems are

counted only once, many experienced numerous errors. These errors included overpayments, underpayments and late payments. Further, our review of a unit currently deployed to Iraq indicated similar problems.

Examples of the pay problems include 34 soldiers erroneously assessed debts averaging \$48,000 each which remain unresolved today, nearly 14 months after the original error; injured soldiers were denied active duty pay and medical benefits; significant delays receiving pay when initially mobilized for 48 soldiers from a California military police unit. These are just a few of the hundreds of errors totaling nearly \$2.5 million that we identified for only 481 soldiers. The soldiers told us that lingering pay problems distracted them from their mission. Further, for some of these units, pay issues are negatively impacting retention.

This brings me to my second point, the causes of the pay problems. We found that these problems were caused by a combination of people, processes and systems. One primary cause are the complex, cumbersome processes used to pay soldiers. These pay operations have evolved over time to the point that few, if any, in the department fully understand them. With respect to human capital, we found weaknesses including insufficient personnel, inadequate training and poor customer service. Several issues concerning error-prone automated systems were a significant factor, including stovepiped systems, limited processing capabilities, and ineffective system edits.

Third, at your request, we are now beginning a review of the pay experiences of Army Reserve soldiers mobilized to active duty. In addition, we have two other ongoing pay-related studies for this committee relating to mobilized soldiers. These studies relate to travel reimbursements for Army Guard soldiers and pay issues for Army Guard and Reserve soldiers who were injured or became ill. We plan to complete these studies and report back to you later this year.

In closing, I want to read part of a letter we received from a newlywed Florida National Guard soldier that sums up our findings: "I feel as though the system has failed me and many others greatly. Our country asks many sacrifices of us as soldiers, all of which we have given, but there must be an equal give and take relationship. I have a wife to take care of back home and I need to know that she has the means to pay our bills. How can we be asked to leave our families, our jobs and basically our entire lives behind when we are not even paid correctly? I have suffered through some of the worst days of my life over here but I fear I will suffer more when I redeploy and find that the Army does not care enough about us soldiers to pay us the money we have earned with our sweat, our blood and our pain." Special Agent Ryan gave me this letter last night. It was written on January 21, 2004 from Baghdad, Iraq.

Mr. Chairman, this ends my statement. Special Agent Ryan, Mr. Frank and I will be happy to answer questions.

[The prepared statement of Mr. Kutz follows:]

United States General Accounting Office

GAO

Testimony

Before the House Committee on Government Reform,  
House of Representatives

For Release on Delivery  
Expected at 10 a.m. EST  
Wednesday, January 28, 2004

## MILITARY PAY

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

Statement of

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





Highlights of GAO-04-413T, a testimony to the Chairman, House Committee on Government Reform

January 2004

MILITARY PAY

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

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](http://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](mailto:kutzg@gao.gov).

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.
<b>Total</b>	<b>450 of 481</b>	<b>94 percent of soldiers had pay problems</b>

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.

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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 report<sup>1</sup> 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.<sup>2</sup>

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<sup>1</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).

<sup>2</sup> GAO-04-89. See appendixes I-VII.

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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.

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## 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 220<sup>th</sup> 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

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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.

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### 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.<sup>3</sup> 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.

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<sup>3</sup>As 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.

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**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.

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### 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.

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### 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

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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 20<sup>th</sup> Special Forces, B Company, 3<sup>rd</sup> 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

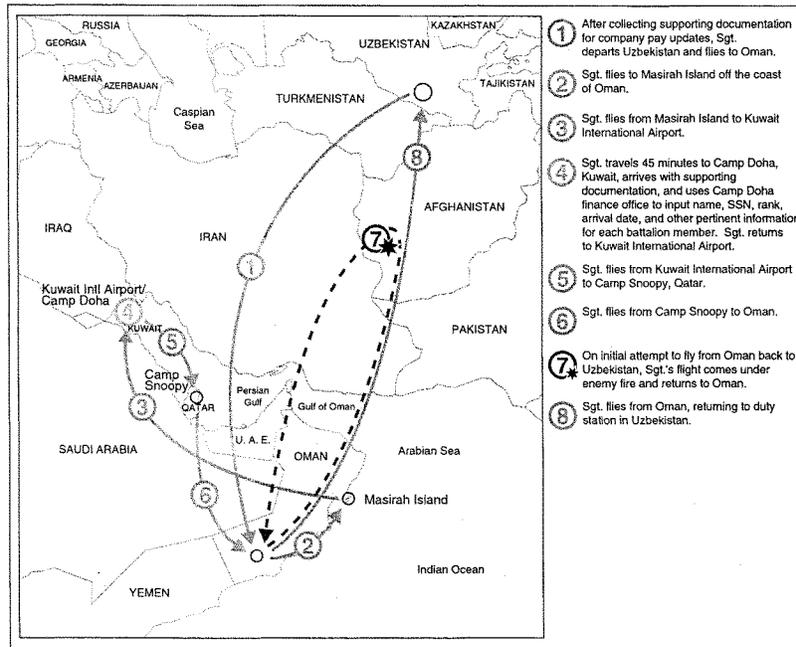
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part because of confusion over responsibility for starting location-based pays, a soldier was required to carry out a dangerous multiday mission to fix these pays.

***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.



- ① After collecting supporting documentation for company pay updates, Sgt. departs Uzbekistan and flies to Oman.
- ② Sgt. flies to Masirah Island off the coast of Oman.
- ③ Sgt. flies from Masirah Island to Kuwait International Airport.
- ④ Sgt. travels 45 minutes to Camp Doha, Kuwait, arrives with supporting documentation, and uses Camp Doha finance office to input name, SSN, rank, arrival date, and other pertinent information for each battalion member. Sgt. returns to Kuwait International Airport.
- ⑤ Sgt. flies from Kuwait International Airport to Camp Snoopy, Qatar.
- ⑥ Sgt. flies from Camp Snoopy to Oman.
- ⑦\* On initial attempt to fly from Oman back to Uzbekistan, Sgt.'s flight comes under enemy fire and returns to Oman.
- ⑧ Sgt. flies from Oman, returning to duty station in 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

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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.

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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 USPFOS 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

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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

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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, USPFPO 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.

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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.<sup>4</sup> Similarly, of the 45 soldiers responding to our question on customer support following demobilization, 5 indicated satisfaction while 29 indicated dissatisfaction.<sup>5</sup> 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.

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

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

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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														
NAME LAST, FIRST, MI		DOC	SEC	NO	GRADE	PAY	DATE	TRF	STG	STG	BRANCH	ORGANIZATION	PERIOD	COVERED
DJE JOHN		000	00	0000	104	11111	11	021109	LEAD	2570	018	DT	030307	
ENTITLEMENTS					DEDUCTIONS					ALLOTMENTS				
TYPE	AMOUNT	TYPE	AMOUNT	TYPE	AMOUNT	SUMMARY								
BASIC PAY	372.80	FED INC TAX	21.91			-AMT FWD								
INCENTIVE PAY	26.00	FICA TAX	78.00			-TOT DET	397.89							
		STATE INC TAX	21.00			-TOT ALMT	372.78							
		DEBT PAYMENT	210.12			-NET AMT	105.04							
						-CR FWD								
						-LOW PAY								
TOTAL					397.80	397.78								
LEAVE		ST BAL	USED	CR BAL	ST BAL	USED	CR BAL	ST BAL	USED	CR BAL				
TELETYPE		WAGE PERIOD	SEC	WAGE YTD	SOC TAX YTD	MDN WAGE YTD	MDN TAX YTD	STAT	ST	WAGE PERIOD	WAGE YTD	MISER	ADJL TAX	TAX YTD
		372.80	3728.00	211.14	3728.00	54.08	397.80	3978.89	M 11	3978.89	128.00			
PAY DATA		W REF	ISSUE	ISSUE	ISSUE	ISSUE	ISSUE	ISSUE	ISSUE	ISSUE	ISSUE	ISSUE	ISSUE	ISSUE
		00	00	00	00	00	00	00	00	00	00	00	00	00
REMARKS		YTD ENTITLE 5819.21 YTD DEDUCT 886.43												
<p>YOUR CHECK WAS SENT TO: USAA FEDERAL SAVINGS BANK 000000000</p> <p>ACCOUNT NUMBER: 1008 1008 ACCOUNT TYPE: CHECKING</p> <p>COMPANY CODE: DIRECT DEPOSIT DATE: 03/07/00</p> <p>* AS OF 15 MAY 02, 103 NICH TRPO DEPLOYMENT DATE ACCRUED</p> <p>* SINCE 01 OCT 02, SINCE ENROLLING MILITARY SERVICE</p> <p>PAY &amp; ALLOW DEBT 0000 DEBT BALANCE \$0.00</p> <p>BASIC PAY ORIGINAL DEBT \$9,999.99 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 \$9,999.99</p> <p>PAY &amp; ALLOW DEBT 0000 DEBT BALANCE \$0.00</p> <p>BASIC PAY ORIGINAL DEBT \$2,480.20 01 OCT 02 31 DEC 02</p> <p>BASIC PAY DEBT BALANCE \$2,480.20</p> <p>PAY &amp; ALLOW DEBT 0000 DEBT BALANCE \$0.00</p> <p>BASIC PAY ORIGINAL DEBT \$2,480.20 01 OCT 02 31 DEC 02</p> <p>BASIC PAY DEBT BALANCE \$2,480.20</p> <p>BASIC PAY ORIGINAL DEBT \$2,480.20 01 OCT 02 31 DEC 02</p> <p>BASIC PAY DEBT BALANCE \$2,480.20</p> <p>UNPAID DEBT BALANCE *TOTAL* : \$39,489.28</p>														

Source: Individual Leave and Earnings Statement.

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**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.

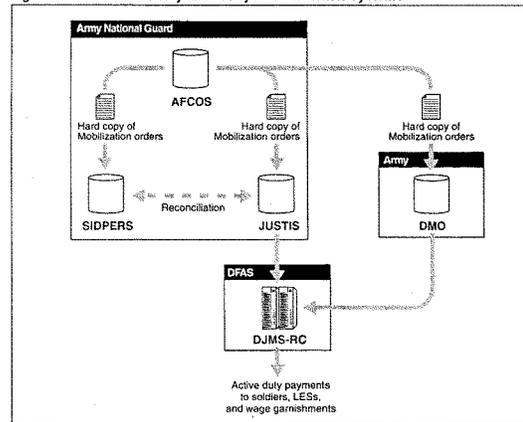
Our systems findings were consistent with issues raised by DOD in its June 2002 report<sup>6</sup> to the Congress on its efforts to implement an integrated military pay and personnel system. Specifically, DOD's report acknowledged that major deficiencies with the delivery of military personnel and pay 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 4 provides an overview of the five systems currently involved in processing Army Guard pay and personnel information.

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<sup>6</sup>U.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 DIMS-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.

**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 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.

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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 20<sup>th</sup> 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

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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 2, 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.



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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.

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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.

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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.

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- 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.

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#### 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 USPFOS 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

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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.

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## 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

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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.

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### 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

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- 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.

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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 Paul S. Begnaud, Amy C. Chang, Mary Ellen Chervenik, Francine M. DeVecchio, 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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Chairman TOM DAVIS. Thank you very much.

General Schultz, thanks for being with us.

General SCHULTZ. Chairman Davis, members of the committee, thanks for the opportunity to appear before you today. I want to say I appreciate your interest in the well being of our soldiers.

Mr. Chairman, the Army Guard has met every mission. Our soldiers have been up to every task and 97,000 of our soldiers today are on mobilized, active status. In Iraqi Freedom, the mission in Iraq and Kuwait, we have 26,700 soldiers on duty today. If you go to the Balkans today, you will find an Army Guard-led rotation in the Bosnia and Kosovo area. If we go to Sinai today, that mission is a Guard-led rotation. If we go to Afghanistan today, you will find soldiers from the Army Guard leading the training effort for the Afghan National Army.

Since September 11, we have mobilized 175,700 soldiers from our units. If I could just put this in perspective, the payroll system that we now are operating under was prepared and created for a very different time, a very different set of circumstances, so when we talk about normal weekend drills—as you are familiar, it is a weekend a month typically, 15 days of training some time during the year—those days have long since passed. And so what we found, given our experience over the last couple of years, our systems are way out of synch, out of cycle with the demands that we now have placed before us. So in some respects, I am a customer of the process and yet I can share in the responsibility here from the GAO reports to what we have done inside the Army and inside the Defense and Finance Accounting system.

Mr. Chairman, I appreciate your interest in our soldiers. Thank you.

[The prepared statement of General Schultz follows:]

STATEMENT BY

LIEUTENANT GENERAL ROGER C. SCHULTZ

DIRECTOR, ARMY NATIONAL GUARD

Chairman Davis, distinguished Members of the Committee, I appreciate the opportunity to appear before you today to discuss the efforts we have undertaken to improve pay processes and procedures for our soldiers currently mobilized for the war fight.

Within the Army National Guard, we have been actively working to ensure that our soldiers' pay is correct and timely. We established Standing Operating Procedures (SOP) that explicitly explains each step that our finance personnel must accomplish during all phases of mobilization. Along with the SOP, we have increased our finance training opportunities by converting our existing resident training to distance learning. Instead of conducting two ARNG resident finance mobilization courses each year reaching 75 finance technicians - in 2004, we will offer over 20 training opportunities reaching over 250 finance technicians. In addition to this training, we are developing new distance learning courses designed specifically for commanders and soldiers that have been alerted for mobilization. This training focuses on soldier readiness, finance documentation required upon mobilization, explanation of entitlements, leadership and soldier responsibilities.

We have also made improvements to our own finance systems. We have modified edits to reduce the risk of erroneous transactions and we have made it mandatory that finance clerks enter descriptive remarks that will appear on soldiers' leave and earning statements explaining miscellaneous payments and collections. We

are also in the process of developing an automated procedure that will automatically pay the incentive and special pays that must be manually entered into the pay system each month.

We are also focusing on improving customer service. To resolve pay issues expeditiously, we have a liaison located in Kuwait with whom we work closely to resolve issues as they occur. Additionally, we have established an e-mail address that allows finance technicians worldwide to contact us for processing assistance. Soldiers can also contact us via this e-mail. We are working closely with the Defense Finance and Accounting Service and the U.S. Army Finance Command by providing training or individual site attention to ensure pay problems are not only resolved quickly, but that they do not occur in the future.

In closing, Mr. Chairman, the development of a military pay system that jointly handles both active and reserve accounts will greatly increase the timeliness and accuracy of reserve component soldiers' pay. We are working closely with the Defense Finance and Accounting Service in the development of a new pay and personnel system which will eliminate the problems identified by the GAO report. In the interim, I want to assure you that the ARNG will continue to work closely with members of DFAS and the USAFINCOM team to refine our business processes to overcome the challenges of DJMS-RC. Preventing pay problems for our soldiers is a top priority, and I remain committed to doing whatever is necessary to support this very important effort.

Mr. Chairman and distinguished panel members, this concludes my formal remarks. Thank you for providing me with the opportunity to address this committee.

Chairman TOM DAVIS. Thank you very much.

Mr. Gregory, thanks for being with us.

Mr. GREGORY. Thank you, Chairman Davis.

Distinguished members of the committee, my name is Ernie Gregory. I serve 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.

The execution of this mission is a shared responsibility between the active and reserve components of the military departments and the Defense Finance and Accounting Service. DFAS owns, operates, manages, and maintains the pay system, known as the Defense Joint Military Payroll System. 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 status and/or duty location. To the degree that either of the partners fails, soldiers' pay will be wrong.

From my vantage point, there are two key problems at the heart of military pay inaccuracies and mistakes. The Department of Defense has been actively working to correct both. Changes to soldiers' status and/or entitlements originate with personnel transactions. Most, if not all, changes to a soldier's status and/or entitlements affect pay. Problem No. 1 is, DOD does not have an integrated personnel and payroll process supported by an integrated system solution. This means that personnel transactions for individual soldiers have to pass through a separate process and system in order to have the required effect on pay. The process is manual, labor intensive, mistake-prone, and does not produce immediate results. The DOD solution to this problem is the Defense Integrated Military Human Resource System. As its name suggests, this system will integrate and make simultaneous personnel and pay processes. Problem No. 2 is, separate military payroll systems for our active and reserve components. These separate systems were developed and exist to serve the two components, active and reserve, in two different environments, which require distinct functionality. However, circumstances have changed. Today active and reserve soldiers serve together and their pay and personnel systems need the same functionality.

Currently, pay technicians are trained only on their component's system and are therefore adept at serving only their component's soldiers. The U.S. Army worked with DFAS to address this problem in the mid-1990's and produced a partial solution: a "front-end" application for DJMS called the Defense Military Payroll Office. DMO provides both active and reserve component pay technicians a uniform set of pay/data input screens so that the challenges of learning and interacting with two different systems are minimized. The split-system problem should be resolved completely when DIMHRS is implemented; it will include an integrated pay module that will eliminate the two separate pay systems.

I thank the General Accounting Office for its audit. Its results are important to us and form one of the bases for a corrective action plan. We have fixed the pay-mission execution errors the auditors found and we remain dedicated to preventing their recurrence.

Accurate and timely pay to all of our soldiers and their families is of paramount importance to the Army. To address the GAO's findings and to conform to the Department of Defense "way ahead," we have established and provided to Congressman Shays' subcommittee staff our joint corrective plan in advance of DIMHRS' full operational capability.

Mr. Chairman, we have provided as a result of the hearing a package for all committee members that includes our October 29 memorandum to Congressman Shays, the chairman of the subcommittee, our December 19 update to Congressman Shays' staff, and then, recently, our matrix of corrective actions that were updated since the December 19 input and also a set of briefing slides that we had prepared for what we planned on doing yesterday, a briefing and an update to you and all the committee members on our corrective action plan. We made copies of that package and provided them for each member.

In closing, Mr. Chairman, taking care of our soldiers is our ultimate mission. Developing a quality, integrated solution for a world-class military pay service has been challenging. Yet, the Department of Defense has made significant strides in achieving the required results. We are not done, but we are well on the way. This concludes my formal remarks and I await your questions.

[The prepared statement of Mr. Gregory follows:]

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

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

The execution of this mission is a shared responsibility between the active and reserve components of the military departments and the Defense Finance and Accounting Service (DFAS). DFAS owns, operates, manages and maintains the pay system, known as the Defense Joint Military Payroll System (DJMS). 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 status and/or duty location. To the degree that either of the partners fails, soldiers' pay will be wrong.

From my vantage point, there are two key problems at the heart of military pay inaccuracies and mistakes. The Department of Defense (DoD) has been actively working to correct both. Changes to soldiers' status and/or entitlements originate with personnel transactions. Most, if not all, changes to a soldier's status and/or entitlements affect pay.

Problem No. 1 is: DOD does not have an integrated personnel and payroll process supported by an integrated system solution. This means that personnel transactions for individual soldiers have to pass through a separate process and system in order to have the required effect on pay. The process is manual, labor intensive, mistake-prone and does not produce immediate results. The DOD solution to this problem is the

Defense Integrated Military Human Resource System (DIMHRS). As its name suggests, this system will integrate, and make simultaneous, personnel and pay processes.

Problem No. 2 is: separate military payroll systems for our active and reserve components. These separate systems were developed and exist to serve the two components, active and reserve, in two different environments, which require distinct functionality. However, circumstances have changed. Today active and reserve soldiers serve together and their pay and personnel systems need the same functionality.

Currently, pay technicians are trained only on their component's system and are therefore adept at serving only their component's soldiers. The U.S. Army worked with DFAS to address this problem in the mid 1990s and produced a partial solution: a "front-end" application for DJMS called the Defense Military Payroll Office (DMO). DMO provides both active and reserve component pay technicians a uniform set of pay-data input screens so that the challenges of learning and interacting with two different systems are minimized. The split-system problem should be resolved completely when DIMHRS is implemented; it will include an integrated pay module that will eliminate the two separate pay systems.

I thank the General Accounting Office (GAO) for its audit. We have fixed the pay-mission execution errors the auditors found and we remain dedicated to preventing their recurrence. Accurate and timely pay to all of our soldiers and their families is of paramount importance. To address the GAO's findings and to conform to the Department of Defense "way ahead," we have established and provided to the subcommittee staff our joint corrective plan in advance of DIMHRS full operational capability.

In closing, Mr. Chairman, taking care of our soldiers is our ultimate mission. Developing a quality, integrated solution for a world-class military pay service has been challenging. Yet, the Department of Defense has

made significant strides in achieving the required results. We are not done, but we are well on the way. This concludes my formal remarks and I await your questions.

Chairman TOM DAVIS. Thank you very much.

Mr. SCHROCK. Mr. Chairman?

Chairman TOM DAVIS. Yes?

Mr. SCHROCK. I have not seen that report, I don't know if any other Members have but I would certainly like to have it.

Chairman TOM DAVIS. It should be in the folder. If you look in there, it should be in there. If it is not, I will make sure staff gets it to you immediately.

Mr. Shine.

Mr. SHINE. Chairman Davis, distinguished members of the committee, my name is Pat Shine and I am the Acting Director of the Defense Finance and Accounting Service. Prior to this, I was the Director of Military and Civilian Pay Services Business Line for DFAS. Thank you for the opportunity to discuss our role in paying Army National Guard personnel.

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. Currently, DFAS maintains two separate payroll systems for the Army, Navy and Air Force. The two systems are Defense Joint Military Pay System, Active Component, and DJMS, Reserve Component. DJMS-AC is designed to pay active duty servicemembers. Once entitlements for pay and allowances are entered into this system, they continue until input is made to terminate the entitlement. In contrast, DJMS, Reserve Component, was designed to pay Reserve and Guard members for monthly drill pay. It is a positive reporting system, which requires input to be made each month by the soldier's unit to certify drill attendance to initiate payment. In addition, most active duty pay entitlements that a Reserve and Guard soldier are authorized will pay automatically once input is made into DJMS-RC, but some entitlements will not. Certain combat zone entitlements must be input monthly by the Army finance office in the deployed area and others must be input monthly by the home station.

In the 1991 Gulf war, the Army transferred the pay accounts of Reserve and Guard soldiers who were mobilized from the DJMS-RC system to the DJMS-AC 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, the Army made the decision in 1995 to keep Reserve and Guard soldiers on DJMS-RC when mobilized in the future. That business practice remains in effect today. It is a sensible practice, given the lack of integration between the DJMS-AC and DJMS-RC systems.

The long-term 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 Department of Defense solution has been the establishment of the Defense Integrated Mili-

tary Human Resource System Program [DIMHRS], under the lead of the Office of the Secretary of Defense, Personnel and Readiness.

To help mitigate some of the problems experienced by Reserve and Guard soldiers during mobilization until DIMHRS is fielded, DFAS has taken several positive steps. First, DFAS has developed a Windows-based input system known as Defense Military Pay Office [DMO]. DMO uses common input screens and data for both DJMS-AC and DJMS-RC, relieving some of the burden associated with dealing with two separate pay systems. Second, DFAS has pursued opportunities to add functionality to DJMS-RC to address specific problems encountered during mobilization and demobilization. For example, DJMS-RC has been enhanced to add leave accrual for Reserve and Guard soldiers while they are on active duty. Hardship duty pay-location will be added in April 2004.

Another major effort by DFAS is a single payroll system to replace DJMS, known as Forward Compatible Payroll System [FCP]. FCP is designed to be an interim solution until DIMHRS is fielded. FCP will eliminate the two legacy DJMS payroll systems in effect today. These aged legacy systems are very difficult to change to reflect new or modified pay entitlements. As a result, DJMS today has numerous manual workarounds to compute items of pay, introducing both delay and potential errors into the payroll process. FCP will automate these pay computations and thus eliminate manual workarounds, speeding delivery of more accurate and complete payments to our servicemembers.

In closing, Mr. Chairman, I want to assure you that DFAS is committed to partnering with the Army and the Army National Guard to continue improving and providing quality pay and customer services to all the members of the U.S. Armed Forces and their families. They deserve the very best.

Colonel James Leonard, Director, Army Military Pay, DFAS, is sitting behind me and has no written statement, but will be available to answer any questions, along with myself, that the committee may have. This concludes my formal remarks.

[The prepared statement of Mr. Shine follows:]

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COMMITTEE ON GOVERNMENT  
REFORM  
U.S. HOUSE OF REPRESENTATIVES

**STATEMENT OF**  
**MR. PATRICK T. SHINE**  
**ACTING DIRECTOR**  
**DEFENSE FINANCE AND ACCOUNTING SERVICE**

**BEFORE THE**  
**COMMITTEE ON GOVERNMENT REFORM**  
**UNITED STATES HOUSE OF REPRESENTATIVES**  
**ON**  
**“AVOIDING ‘FINANCIAL FRIENDLY FIRE’:**  
**A REVIEW OF EFFORTS TO OVERCOME ARMY**  
**NATIONAL GUARD PAY PROBLEMS”**

**JANUARY 28, 2004**

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COMMITTEE ON GOVERNMENT REFORM  
U.S. HOUSE OF REPRESENTATIVES

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Secondly, DFAS has pursued opportunities to add functionality to DJMS-RC to address specific problems encountered during mobilization and demobilization. For example, DJMS-RC has been enhanced to add leave accrual for reserve and guard soldiers while they are on active duty. Hardship duty pay-location (HDP-L) will be added in April 2004.

Another major effort by DFAS is a single payroll system to replace DJMS, known as Forward Compatible Payroll system (FCP). FCP is not designed to be a competitor to DIMHRS. It is being developed using the same modern Commercial-off-the-Shelf software that DIMHRS will use to develop the future integrated pay and personnel database. FCP will eliminate the two legacy DJMS payroll systems. These aged legacy systems are very difficult to change to reflect new or modified pay entitlements. As a result, DJMS today has numerous manual workarounds to compute items of pay, introducing both delay and potential errors into the payroll process. FCP will automate these pay computations and thus eliminate manual workarounds, speeding delivery of more accurate and complete payments to our service members.

In closing, Mr. Chairman, I want to assure you that DFAS is committed to partnering with the Army and the Army National Guard to continue improving and providing quality pay and customer services to all the members of the United States Armed Forces and their families. They deserve the very best. Colonel James Leonard, Director, Army Military Pay, DFAS, is sitting behind me and has no written statement, but will be available to answer any questions along with myself that the Committee may have. This concludes my formal remarks.

Chairman TOM DAVIS. Thanks to all of you and I will have some questions in a moment.

I am going to start with Mr. Putnam and then go to Ms. Norton, then Mr. Schrock, and then I will get in.

Mr. PUTNAM. Thank you very much, Mr. Chairman, and I appreciate your calling this hearing. Certainly Florida has contributed a tremendous share of the Guard and Reservists serving in Afghanistan and Iraq and it is a very important topic.

I have only been in Congress a very short period of time, 3 years, and in that time, I have lost count of the number of hearings that either the Shays subcommittee or the former Davis subcommittee or my Subcommittee on Technology, Information Policy, International Relations and the Censes—the former Horn subcommittee—has held on the bureaucracy of the Pentagon and its repeated failure to serve its men and women in uniform.

The impression that I have had is that you really don't care what the GAO reports say. You endure them and endure one or two fairly painful committee hearings and then we move on but nothing has changed. There are dozens of legacy systems in the Pentagon for purchasing, for payroll, for HR, for personnel, for accounting. The IG didn't even submit a report to be in compliance with FISMA, to have a scorecard on what IT assets you even have that could then be implemented to correct payroll mistakes, to correct HR mistakes, to avoid overbilling people.

I have struggled with how outstanding our military is in expanding global reach and identifying targets and hitting those targets with precision munitions that were developed with the brightest and the best research and minds this country can collectively put together in one laboratory and how lousy the bureaucracy can be. It is the most interesting organization I have ever observed and how it can be the best at so much of what it does and so bad at all of the logistics that make the other things possible.

I say all that to lead into these questions. Four of the Virginia Guard Special Forces soldiers were injured in Afghanistan and had major problems with their pay and medical benefits extended beyond the end of their original mobilization orders. It would seem the Army ought to go out of its way to make sure that we take care of all our soldiers but particularly those who have been injured fighting for this country. Is there a process in place, an ombudsman, a liaison to deal with injured soldiers and their families to make sure they are not burdened by these mix-ups on payroll and personnel issues? We will begin there. I suppose the GAO would be the best suited to answer that.

Mr. KUTZ. I can start, Congressman. There is a process; it is a documented process. It was revised, I believe, in February 2003, but it is a complex process where numerous people have to sign off to get what is called an active medical extension. With the four soldiers in Virginia, I think we found they were able to get their initial extension but then, because the process takes so long to fill out the paperwork, they kept getting dropped off the system and not only losing their pay but their medical benefits also.

So it is a process, it is complex, cumbersome, and we are looking at that as an additional study for this committee to try to find the root causes and see if there are some short-term and long-term rec-

ommendations to fix it. I believe that it is a human capital and process issue, not necessarily an automated systems issue from what we have seen.

Mr. PUTNAM. You read a letter from a Florida National Guardsman and the Virginia Guard soldiers were able to contact you. What process is in place for them to know how to give some type of feedback? How did they know to contact you and what process did you use to followup with those individual soldiers?

Mr. KUTZ. They can contact us at what is called fraudnet@gao.gov. It is kind of a hotline that we have that soldiers or anybody in the government that identifies fraud, waste and abuse or other issues can contact us, so some of these e-mails and letters have come in through what is called our Fraudnet.

Special Agent Ryan manages that process and we will contact these people, call them, e-mail them, if they are willing to talk to us and possibly build cases for purposes of studies such as the one we are doing right now for this committee with respect to the active duty medical extensions. We have several dozen of those e-mails that we are following up right now. That was one that just came last week as I mentioned that I thought was quite compelling.

Mr. PUTNAM. I see that my time has expired, Mr. Chairman. Thank you very much.

Chairman TOM DAVIS. Thank you very much.

Ms. Norton.

Ms. NORTON. Thank you very much, Mr. Chairman.

I would note that my colleague has indicated there have been numerous hearings and, therefore, I want to once again thank the chairman for bringing this to the full committee level. I don't know if that matters or if that helps. Usually shining the spotlight on problems like this helps.

Mr. Chairman, may I ask that the January 18 article that talks about the disproportional loss be added to the record?

Chairman TOM DAVIS. Without objection.

[The information referred to follows:]



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**HEADLINE:** After 10 Months in Iraq, U.S. Marks 500th Military Death;  
Blast Outside Occupation Headquarters Kills at Least 12

**BYLINE:** R. Jeffrey Smith, Washington Post Staff Writer

**BODY:**

The U.S. military death toll after 10 months of engagement in Iraq reached 500 yesterday, roughly matching the number of U.S. military personnel who died in the first four years of the U.S. military engagement in Vietnam.

The death toll in Iraq, which had been 497 on Friday, rose by three when a remote-controlled bomb made of two artillery rounds packed with explosives detonated beneath a Bradley Fighting Vehicle carrying five U.S. soldiers and at least two Iraqi civil defense personnel in cane fields north of Baghdad.

Military officials said the blast occurred near the town of Taji during a search for buried land mines and roadside bombs, which previously claimed lives in the area.

In Baghdad early Sunday morning, a car bomb detonated outside the main gate to the U.S. occupation headquarters, killing at least 12 people and setting several vehicles on fire, according to witnesses and a U.S. military spokesman.

The cumulative toll of 500 U.S. deaths was reached in Vietnam in 1965, the year when the U.S. deployment there rose from 23,300 to 184,300 troops. In Iraq, in contrast, the United States is rotating forces with the goal of reducing the total from 130,000 to 105,000 by June and also sharply scaling back its military presence in Baghdad.

Yesterday, Brig. Gen. Mark Kimmitt, a military spokesman in Iraq, dismissed the significance of reaching the threshold of 500 deaths. "I do not believe that any arbitrary . . . figure is going to cause any soldiers to lose their will or their focus," Kimmitt said.

But Steven Kull, director of the University of Maryland's Program on International Policy Attitudes, said the rising death toll eventually could erode the popularity of President Bush and support for his handling of the conflict.

Noting that many Americans polled before the war began said they anticipated about 1,000 combat deaths, Kull said, "There are no signs of the population going toward a Vietnam-style response, in which a large minority or even a majority says, 'pull out.'" That goal has steady support among 15 to 17 percent of the public.

He said the public continued to be led by a consensus among elites in support of continued U.S. military engagement in Iraq. "There is a lot of controversy about whether we should have gone in," but even among the Democratic presidential candidates, only Rep. Dennis J. Kucinich (Ohio) favors a U.S. withdrawal, Kull noted.

Most Americans believe there is little alternative to staying in Iraq, given the risks of creating a breeding ground for terrorism if U.S. troops leave too soon. Nonetheless, he said, the rising death toll has increased the "cost" of the war at the same time its benefits "have gotten muddier" because of the failure to find weapons of mass destruction or clear Iraqi links to al Qaeda terrorists.

As a result, nearly half of those polled already say the war has not been "worth it," and support for Bush's handling of the war dropped from 75 percent in April to 47 percent in October; it rose to the mid-50s in December, after the capture of former Iraqi president Saddam Hussein, Kull noted.

The populous states of California, Texas and Pennsylvania have experienced the most deaths of their citizens in Iraq, totaling 123, according to statistics compiled by military officials and news agencies.

But the death toll has been proportionally highest in American Samoa and the lightly populated states of Montana, Wyoming, North and South Dakota, and Delaware, plus the District of Columbia.

The cities that have lost the most citizens are Los Angeles, Buffalo, Houston and San Diego; the U.S. military base to suffer the highest death toll is Fort Campbell, Ky.

The U.S. military attributes 346 of the U.S. deaths to hostile action and 154 to nonhostile causes. At least 2,497 military personnel have been wounded in Iraq. The casualties remain far lower than those incurred during the 14-year U.S. engagement in Vietnam, when a total of 58,198 troops were killed, including 47,413 combat deaths and 10,785 nonhostile deaths.

Correspondent Daniel Williams in Baghdad and staff researchers Meg Smith and Madonna Lebling contributed to this report.

**LOAD-DATE:** January 18, 2004

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Ms. NORTON. The testimony has been largely a description of the problem and a description of proposed solutions. As outraged as I am about this, I am results-oriented. I certainly understand that you confronted a crossover situation that was difficult, so I will grant you that. This wasn't something that could be handled with, very frankly as I associate it, the usual efficiency of the Armed Forces. I find the Armed Forces far more efficient, for example, than Federal Government, so this really bothers me. It takes from your reputation as far as I am concerned.

You have an interim solution and I wonder if any of you can tell me or report to us any specific improvements that have occurred since any date you will name as a result of the efforts you all say are being made. If you will give me an "x" and then give me a "y." You can give me units, you can give me overall Guard situation but can you report any improvements that are measurable over any period of time that you can name?

Mr. GREGORY. Ma'am, I would tell you that in Mr. Shine's testimony he referred to our experience with the Persian Gulf war. I can tell you that what we had done at that time was with the two existing systems we had, one from the Active component and one for the Reserve component. We would take Reserve component members and we would transfer them from the Reserve component system.

Ms. NORTON. I said measurable. I can understand there have been a lot of machinations. I want to know if you can say even in a single company it was this and now in that company it is that. That is why I say you are telling me about the proposed solutions. I want to know whether there have been any improvements that you can name that are measurable and documentable?

Mr. KUTZ. Representative, I can give you a few from the standpoint of the followup we did to prepare for this hearing. We had a week but we tried to contact all seven units that we looked at before. There are still a lot of the problems that we identified in the fall that have not been corrected. However, there are certain problems that have been corrected. We found hundreds of different pay problems, so some of those I can report, for example, some problems from the West Virginia Army National Guard Company we looked at have been corrected and several from the Colorado 220th Military Police Company have been corrected. However, there are a lot of others that have not and Major Chavez will be telling you probably the most troubling one as part of his opening statement for his panel.

Ms. NORTON. Could we try to get at the reason beyond the technological reasons for the problem with the interim solution? Who are the payroll employees here? Are they members of the Guard themselves, are they civilians, how are they trained? Who are these poor people who have to manage the situation at the gut level during the period of transition, who in the world are they and what assistance are they given since they are the ones who get beat up first? They never get to your level. I would like to know more about them, what assistance or training they are getting? Who are they?

Mr. GREGORY. Ma'am, in the Army the pay technicians can be civilians at U.S. property and fiscal offices in each of the States and territories as in the District of Columbia or they can be folks at our

Reserve Center up in Ft. McCoy. They can be civilians and in tactical units, they can be soldiers, military folks, out in tactical units deployed in Iraq and Afghanistan and other places. They receive training, they receive unit training, they receive organizational training and in addition to that, since 2002, we have a list and we can submit that for the record, as to who has been visited and who has had that training, intensified training over and above the operations that are normal training because as we prepared for these events, both Iraq and Afghanistan, we went out and did additional training. There is training that has been completed from fiscal year 2002 up to now and there is additional training scheduled in 2004.

Ms. NORTON. If there is intense training, how do you account for the continued problems that arise over and over again in these units?

Mr. GREGORY. Ma'am, in one case, and I think that is the case you are going to hear later from the Colorado National Guard, is the fact that a human error was made when the soldiers came back from Afghanistan. Rather than doing an action that is defined as a curtailment of their active duty, which means back into reserve status off active duty.

Ms. NORTON. Is it your testimony that all this is human error?

Mr. GREGORY. Ma'am, my testimony is the example that I am giving you is human error.

Ms. NORTON. But I am after some systemic information here.

Mr. GREGORY. Ma'am, the systemic information is that as I said in my testimony, this is a truncated and stovepiped process that begins with personnel input, personnel transactions in a non-integrated process that then have to be passed to the finance process that affects pay. There are ramifications of that which say it is manual, it is error-prone, and mistakes are made.

Ms. NORTON. My time is up. You are now describing the problem again for me. I am very sympathetic. I want to know if it is personnel. I want to know if it is something. Mr. Kutz.

Mr. KUTZ. As I mentioned in my opening statement, I think it is a combination of people, processes and systems. The error that Mr. Gregory described was initially human but the system exacerbated it in that the debts that I mentioned, the \$48,000 debts that were issued to those soldiers erroneously, there were no system edits in place at DFAS to prevent those from going out, no human being looked to see that this is obviously an erroneous debt and they could have stopped that problem right there.

Ms. NORTON. So once you put it in, it is not checked to see if it is correct?

Mr. KUTZ. In that case, yes.

Ms. NORTON. All I am interested in doing is isolating some of the causes of the difficulty. For example, if one of the things we did was to put people whose job it was to check up the line until you get to the end of it when it is harder to check because the error has then been passed on, we might get toward some kind of remedy here. I am very much interested in remedy rather than countless hearings which beat up on you all. I would ask you to consider the notion of something that we do in other aspects of life in different ways. Computer errors, for example, happen all the time and you are going to find that when you get to DIMHRS, you are going to

find those kind of errors. To the extent there can be people who check all the way up the line, it seems to me that we would be doing a service for those who are injured and for the reputation of the Armed Forces.

Thank you, Mr. Chairman.

Chairman TOM DAVIS. Thank you very much.

Mr. Schrock.

Mr. SCHROCK. Thank you, Mr. Chairman.

First, let me say I want to identify myself with most of the statement by my friend from Florida. I agree with him that we can create the finest weaponry and the finest platforms in the world and let them hit their target with precise accuracy, yet when it comes to the people equation we are sorely lacking. It seems to me that the people skills are abominable right now. That is half of this problem. We can go to war, we can plan and go to war in 3 or 4 months, but we simply cannot put these pay issues behind us. I do have that report, by the way, Secretary Gregory, and it says in here, in the near term 3 to 6 months, mid-term 6 to 36 months, long range, 36 months plus. This is outrageous. This is absolutely nonsense. We could be in three other conflicts by then and to what point are these people going to stay and tolerate this stuff. They are going to get out. We are not only going to have a recruiting problem, we are going to have a retention problem. If I was one of these folks, I would get the heck out because it is not worth it. I almost agree with Mr. Putnam when he says you really don't care. How long does this have to go on? We have had these hearings over and over and over again and something has to happen and it has to happen quickly.

The General is absolutely right. Every single person we send over there on Reserve, Guard and active duty have met the task and they have met it beautifully. I have been privileged to be in Afghanistan once and Iraq twice, and you cannot tell the difference. They are doing exactly what they have been trained to do and they do it better than anybody has in the history of this country.

Why does it take 14 months for a guy to take care of a debt that we said he had that he didn't have? Poor customer service, bad training, why does it take that long? Why does a kid have to get on a plane with a box with his records in it to go get his problem resolved and get shot at at the same time? Gentlemen, that is unsatisfactory and we have to do something about it. We simply cannot allow that to happen. It has taken 2 years to fix accounting problems. Why? No integrated payroll process? Why? Separate payroll systems for both Active and Reserve? There is no reason for that. Frankly, I do thank GAO for this report.

Let me go to the question I have. The General Accounting Office pointed out multiple times in their report potentially hundreds of organizations and thousands of personnel could get involved in adjusting and setting in motion various alterations to the National Guardsman pay status. They also pointed out that the component responsible among active Army, National Guard Army and DFAS for taking the required actions was not clear. I can assure you in my two and a half decades in the Navy, it was always clear to me that I was responsible for the health and well-being of the people

who worked for me and the men and women assigned to me and that ensuring the smooth performance of pay and personnel system issues was critical to their ability to perform. I would suggest that many, if not all, officers and enlisted personnel in the military today agree with me. I certainly didn't have these problems in the 2 years I lived in-country Vietnam and I don't know of anybody that did. They probably did but not to the extent now.

My question is, given the poor performance of this system, who is responsible for ensuring that when a soldier is called up and deploys, that he or she is receiving the correct amount of pay? Who is charged with being an advocate in ensuring the system works? My observation is that until we clearly assign this responsibility, this problem is going to continue. I would appreciate comments from all of you.

Mr. GREGORY. Congressman Schrock, I would say that each and every one of us is accountable and we have a process that is out of whack with reality. We have a process, for example, in the case of a Guardsman, we have the home station and the U.S. Property and Fiscal Office that is responsible to make sure that pay record for that soldier, National Guardsman, who is going to deploy is accurate and has all the information in there with regard to entitlements, and so forth. When that soldier then goes to a mobilization station, there is responsibility at the mobilization station to make sure that the input is made to the pay system to ensure, for example, that certain entitlements kick in when they are supposed to kick in by law. When that soldier moves from that mobilization station to the theater, again, there are entitlements that have to be changed, that have to come into play given time, for example, hazardous duty pay location, and that input has to be made.

Along the way, you start with a National Guardsman, you start with the accountability for that National Guardsman to make that pay input correctly. You then follow with an active duty Army civilian and/or soldier who is responsible to make the input for the entitlements as they move from home station to mobilization station and then to in-theater. At that point in time, DFAS has to receive inputs from those of us who are part of this partnership, the National Guard and the Army. Once that input is provided, then it is DFAS' responsibility to see to it that the pay system reacts to that.

Mr. SCHROCK. Is it a series of people that are providing this information?

Mr. GREGORY. Sir, it is.

Mr. SCHROCK. As I said, thousands of people are getting their hands on this thing and obviously somebody is not competent, obviously somebody is not trained, and obviously they need to have one person working on each person's personnel record, including pay, so that this doesn't happen.

Mr. GREGORY. Sir, I agree with you.

Mr. SCHROCK. Then why isn't it happening?

Mr. GREGORY. Sir, it is happening.

Mr. SCHROCK. Why isn't it getting fixed?

Mr. GREGORY. Sir, we are working to get it fixed. I would tell you that when we started to get rid of all of the people involved in this process, the numerous, various people from different organizations

and different places—the issue has to be that you need an integrated process and an integrated system to support it. That means when soldier whatever, Major Mendez, for example, gets activated to get deployed.

Mr. SCHROCK. I think it is Chavez.

Mr. GREGORY. Chavez. Excuse me. When that happens, bringing him on active duty happens from a personnel order transaction. At that time, the personnel and the process and the system supporting that action, when it happens to personnel that kicks off what happens in the pay system. You can get rid of the people and the training requirement and all the hands involved in that process. We recognized this several years ago and the Department of Defense has granted and has started the effort with the Defense Integrated Military Human Resources that is going to affect all services, all components in all services, that would result in that input coming from a single transaction that initiated the personnel transaction of starting Major Chavez on his active duty.

Mr. SCHROCK. But you know, Mr. Secretary, little more than 2 years ago, September 11 had not even happened. Afghanistan hadn't happened. Iraq hadn't happened. Now they have all happened and successfully. Yet the pay system for the kids that have made this work are still screwed this work and I think that is unconscionable, I think that is unforgivable and I think that is incompetency at some level, somewhere, and simply has to be fixed.

I am sorry, Mr. Chairman. I am out of time but I have a lot more.

Mr. KUTZ. Can I add one more thing to that?

Mr. SCHROCK. You can.

Mr. KUTZ. I got to meet a lot of the soldiers down at Fort A.P. Hill which is near Fredericksburg, as you are aware. One of the things they told me, I may butcher this the way I say it, but each of the soldiers there and I think in Colorado, and Major Chavez can tell you this too, carries what they call an "I love me" file or something like that which they feel it all falls upon them at the end of the day and that the soldier is the one responsible and until this process is fixed.

Mr. SCHROCK. But it shouldn't be.

Mr. KUTZ. I know it shouldn't be but I am just trying to answer your question. Right now, I think that is where we are today, that the soldier feels they are responsible at the end of the day and they have to carry around this "I love me" file with them to make sure all their pays are done correctly. So that is why we need to get this fixed.

Mr. SCHROCK. As you can tell, I am passionate about this but I lived in a uniform for two and a half decades so I understand the process. This stuff never happened to me or anybody I ever knew. We are in times now unlike any when I was active duty. These kids are put in harms way in a greater way than I ever was and we have to make sure this gets fixed or we are going to lose them.

Thank you, Mr. Chairman.

Chairman TOM DAVIS. Thank you very much.

The gentleman from Massachusetts, Mr. Tierney.

Mr. TIERNEY. Thank you, Mr. Chairman.

I think the Members who have already spoken have pretty much encapsulated what many of us probably feel and want to say. It strikes me that this need for resources in the area of personnel and for IT is a little bit ironic since even our own Secretary Rumsfeld has noted he thinks the size of our Department of Defense budget right now and one time he expressed a need to terminate cold war systems that were no longer directed to 21st century challenges, redundant systems and things of that nature. The money certainly is there within the overall DOD budget to put some of it over to the support and systems that would support the men and women doing the job.

The only question I have that might add something to what we have already heard is, can any of you tell me what might have been done since the release of this November 2003 GAO report on the customer service end of things? How are our members of our National Guard who may be experiencing a problem today being better served in terms of taking some of that anxiety out of their own, their spouses' and families' lives when an issue does arise?

General SCHULTZ. What we have done inside the Guard, as already mentioned is we have increased our training. Some of these are soldiers', some of these are civilians but we have taken on this issue of understanding a complex pay system, looking after the soldier in the process. Customer care is the topic of the question and my sense is that through the Adjutants General, NTSA, the States, territories, and the District of Columbia, what we have said is, this is a priority for us. In spite of the fact the system is not friendly, we are going to have to work our way through this until an in-State or a target kind of software application comes to be. We have taken that one on and each of the States has had increased training and awareness on the processes of the activity you asked about.

Mr. TIERNEY. What is your feeling for how that is progressing?

General SCHULTZ. Progress, but slow.

Mr. TIERNEY. Mr. Shine.

Mr. SHINE. I would just like to add that I think the best customer service we can provide would be obviously not having the problem to begin with. What we are trying to do, and I actually agree with your statement that it is almost unconscionable that the systems are not able to keep pace with modern events today. The reality is when we first started seeing large numbers of reserve component soldiers, sailors and airmen being mobilized during the Bosnia-Croatia conflict, we recognized then that the system was not up to what it needed to be. The Department's solution was going to be the DIMHRS program, the Integrated Pay and Personnel Program. When that didn't come along as fast as we wanted, we fully recognized we needed to do something.

There are two things we are doing. First of all, we developed the interim system that we call Forward Compatible Pay and we are very, very optimistic that is going to be up within about a year. While we would like to see it come sooner, the reality is it is probably going to take that time to develop a system of this magnitude but we can input the Active and Reserve component into one system, we can produce a pay statement that is understandable. The GAO found that the statements in many cases are unreadable. The

statement will be very readable for these individuals. We feel that is a very positive step.

The second thing we tried to do is while the current system is going to be with us for a while, it is manually intensive. That means it is a high risk proposition and that increases the possibility of human error. As Mr. Gregory described a few minutes ago, there are a lot of people that have to touch it as the soldier goes through the process. While I understand that is one of the weaknesses of the system, I think we also need to keep in mind that it is also one of the strengths. By that I mean soldiers are in a very dynamic, fluid situation today. They don't know if they are going to be doing drill training in their home State this month, if they are going to be on active duty training the following month, if they are going to be deployed overseas the following month. Because of that, I think it is important that we have a system that allows them to be able to be serviced as they move through those various stages of either training or deployments. So the system was designed to do that but it does spread the responsibility over a large frame.

General Schultz, Mr. Gregory and I have joined together in partnership. You see displayed over here the 49 action items that we have agreed on that we are going to work and we have already started to make some changes to the system in effect today, notwithstanding it is fraught with complications. The training we have already done to the people at the mobilization and demobilization stations which is really the genesis of fixing pay problems, and also the additional training, we partnered with the Army and sent people over to the theater in Iraq and Kuwait to train members there and also people from Afghanistan who came down and received that training. Some of the situations the GAO found where the reserve component soldiers were actually turned away from the Finance Office's example because people were not trained to handle reserve component entitlements. We think those things are a thing of the past because of the positive things we have done here in just the last few months.

Mr. TIERNEY. Who was contracted to do the hardware aspect of any of the changes being made in terms of getting the proper technology that you need and who is doing the actual training? Is it being done in-house or is it being outsourced?

Mr. SHINE. We are doing the training ourselves. We have subject matter experts in that. It is just a matter of making sure the people at the site, whether a mobilizationsite, a demobilizationsite or an in-theater deployed tactical finance office, the people are there, we just needed to make sure they had the proper training to do what they needed to do.

In terms of the system that we operate today, the Defense Joint Military Payroll System, that is a Government-operated system. We have Government civilians who actually do the software. For the Forward Compatible Payroll System, we are actually using what is known as commercial off-the-shelf software. We are having to make some updates to it because of the unique requirements imposed on us because of the unique military requirements.

In the DIMHRS system, our ultimate system, we have also bought commercial off-the-shelf software and we have hired a com-

mercial contractor to be the developer/integrator to implement and field that in the Department of Defense.

Mr. TIERNEY. Who would that be?

Mr. SHINE. Northrop-Grumman was hired as a developer/integrator, sir.

Mr. TIERNEY. Thank you.

Mr. GREGORY. Congressman Tierney, to your questions about customer service, I would like to also add that in the Army Reserve, a couple of items dealing directly with customer service. In the Army Reserve, they have the central facility at Ft. McCoy and what they have done is establish two separate help lines. These are DSN help lines that can be called from anywhere in the world. One is an individual customer, the soldier question or the dependent or the family member can call this help line and get questions answered. They have also established a help line from a technical standpoint so that the technicians or the individual doing the pay input or questions if they had questions about that, they could also get the technical assistance from this help line.

In addition, we developed a standard flyer and it is a front to back and I believe that is included in the package we provided you and if it is not, we will make sure you see it, and it is also sent to his unit and his leadership like the First Sergeant and so forth would have ready access to what their entitlements are. For example, if you are in this location, these are the entitlements you have a right to, to keep them informed and keep them advised.

The Defense Finance and Accounting Service also provide our pay account access called MyPay and so through the Internet anywhere in the world, they can get in and see their pay account and have access to it. In addition, the individual's family member, spouse, whatever, also has a read-only access to that same MyPay customer kind of question.

Mr. TIERNEY. Thank you.

Mr. SHAYS [assuming Chair]. I thank the gentleman.

Mr. Lantos, you have the floor.

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

Before I ask some questions, let me pay public tribute to you for the extraordinary series of hearings you have been holding as our chairman. You have performed an enormous public service and I want you to know how much many of us appreciate it.

Mr. SHAYS. Thank you.

Mr. LANTOS. The report we are considering raises serious concerns about the ability of the brave men and women of the National Guard to receive their proper paychecks when they have been activated to service in the defense of our country. I am particularly concerned about the findings that the California Army National Guard Military Police had experienced delays in active duty pay for up to 3 months. This is unfortunate and I am pleased we all agree it is unacceptable.

This report obviously details problems members of the National Guard have experienced with the active duty pay system but it also highlights the problems that the pay gap can cause to the families of the Guard. It is bad enough that many activated National Guardsmen and women suffer a loss in family income when their spouse is activated but it is unconscionable that these same fami-

lies are not even able to receive the military paycheck that their spouse is often risking his or her life for.

As some of you may know, I have legislation pending to close the pay gap. I have a number of questions and I would first like to direct one to General Schultz, if I may. Sir, you have a long record of commendable service to our country that has involved duty as active military and as activated National Guard. I am curious to learn your thoughts about the following situation.

Suppose you had two E-3s in Iraq, one was National Guard and the other active duty military. If the employer of the National Guardsman has decided to pay his employee the difference between his civilian salary and the salary of an E-3 as over 400 employers to date have decided to do, is it your opinion this would cause tension between the Guardsman and the full-time military soldiers?

General SCHULTZ. My sense is it would not cause tension.

Mr. LANTOS. I appreciate that, sir. A second question. There have been numerous reports that the Reserve components will suffer from retention and recruitment problems. What is your opinion of the immediate retention of the National Guard and do you think that any retention problems are directly connected to the pay problems being experienced?

General SCHULTZ. Across the Army National Guard today, the units with the lowest turnover are those that have already been deployed and are back home. Units with the highest retention in the Army Guard today are in fact those that have deployed. I wouldn't even suggest that all is well and we can get through the next year without some concern about the retention of the soldiers that are now in Iraq, Afghanistan and stationed around the world. So retention is an ongoing item of interest for us, for me personally an item of concern, and the issues of pay, soldier well-being, family well-being, no doubt is on the top of their list as it reasonably should be. We have not seen retention concerns in terms of unit readiness to date.

Mr. LANTOS. Let me pursue that because I don't think your answer is as clear as I think it should be. When you have an individual called up and sent to Iraq, this represents family disruption along many lines, we agree on that?

General SCHULTZ. We agree.

Mr. LANTOS. If the income of that family drops by 70 percent, does that add to the pressures, does that add to the problems that the family faces?

General SCHULTZ. Yes, it does.

Mr. LANTOS. So closing that gap would improve the moral of the individual involved?

General SCHULTZ. In my opinion, yes.

Mr. LANTOS. Thank you, sir.

If I may turn to Mr. Shine. The report outlines many of the difficulties that members of the National Guard have encountered in getting their proper paycheck. In your opinion, how likely is it given the current system that the DFAS could provide the total salary base military pay allowances and special pay so that any employer who wanted to pay his activated National Guard the difference between their military and civilian salaries would be able to determine if any pay gap existed?

Mr. SHINE. DFAS in fact does have the capability to provide that information either electronically or in hard copy. We would have to investigate if there are any privacy issues that would result from it being released outside the Department of Defense but we have the capability to answer your question.

Mr. LANTOS. So your testimony is that if I am an employer who is civilized enough and far-sighted enough and patriotic enough that I wish to close the pay gap, you can provide me with the information so my employee now on duty can continue receiving his pre-activation salary?

Mr. SHINE. We have that capability, sir, but like I said, I would just add the other caveat that I would have to explore to determine if there are privacy issues in releasing that information to a private employer. But to answer your specific question, the capability does exist, yes, sir.

Mr. LANTOS. I appreciate your answer and General Schultz's answer.

Let me just say, Mr. Chairman, I very much look forward to your co-sponsoring my legislation which is the most non-partisan legislation introduced in this session of Congress. Our National Guardsmen and Guardswomen and Reservists are Republicans and Democrats or Independents. We are calling on them to make a major sacrifice as they are activated. We are calling on their families to make a major sacrifice and to add to the obvious complexities and difficulties that activation means for families, to add a financial burden on top of that, I think, is unconscionable. I intend to see Secretary Rumsfeld and the President on this issue and I hope we can move in a bipartisan fashion because this is the least we can do for our military.

Thank you, Mr. Chairman.

Mr. SHAYS. I might add that you will have a better chance seeing them than I will.

Mr. Schrock.

Mr. LANTOS. Let me try and arrange an appointment as well.

Thank you, Mr. Chairman. [Laughter.]

Mr. SHAYS. Thank you.

Mr. Schrock, I am going to go back to you. I have some questions but I am going to wait.

Mr. SCHROCK. Let me thank my friend from California. I really enjoyed those questions. The only problem is those people who are self-employed have a real difficulty because they don't have an employer to make up that difference. I know of a couple in Westerville, OH, he owned two restaurants, she was an accountant. He is a Sergeant Major in the Reserves. He has been in Iraq for over a year and is being extended. When I talked to his wife last, they had put the businesses on the market and are about ready to put their house on the market because they are going under. That is a huge problem and that is something we should not allow to happen in this country, but I appreciate what you are doing.

Mr. LANTOS. May I respond to my friend?

Mr. SHAYS. Absolutely.

Mr. LANTOS. I fully agree with my good friend and I would be delighted to work with him to improve my pending legislation to make provisions at some reasonable level for the self-employed. I

think you have raised an extremely important point and I appreciate your interest in this issue.

Mr. SCHROCK. Thank you. Let me ask one more quick line of questions.

Observations in the GAO report that both military pay offices and U.S. property and fiscal offices charged with adjusting Guard pay accounts in preparation for deployment were not adequately trained on the extensive pay eligibility or payroll processing requirements used to provide accurate and timely pays to Army Guard soldiers. While this is an administrative matter, their poor performance leads not just to creating havoc in the personal lives of these soldiers and their families when they do not get paid but erodes their operations and performance as we know by distracting them. If we are going to rely on a total force concept, this must become a readiness issue.

We kind of addressed this earlier but I would like to go into more detail. Are the correct people charged with getting our Guardsmen paid? If not, should National Guard systems be merged with active duty systems and handled by a single organization to which training can be focused? Otherwise, a simple administrative requirement will become a hindrance to readiness. I know it was touched on but I would like to know what your thoughts are.

Mr. GREGORY. The first reaction I would have is with regard to the National Guard. Each one of the 54 individual States, territories and the District of Columbia has that responsibility today for their own people. I don't know that centralizing that, given today's environment, would make things better. I don't believe it would. As a matter of fact, I think it would slow the already slow process down even more.

In the future, with what is already working as far as the Forward Compatible Pay System that will come on board before DIMHRS and being designed so that it comes on before DIMHRS and then the DIMHRS process, I would say within the Guard each one of the States and territories initiates its own personnel actions. I would say once that process changes so that each one of the 54 States and territories and the District is providing their individual personnel input data into the system which is integrated and will cause the same transaction to happen in pay, I think it is better off at the PFOs.

Mr. SCHROCK. I probably know the answer to this but active duty, we are not having that pay problem with them?

Mr. GREGORY. You have less of a problem but I would tell you that what GAO found with regard to the current pay processing system also happens and also affects the active duty. It does to a lesser degree because there is less fluctuation, less change, there is not a "mob" and "demob" kind of process.

Mr. SCHROCK. When it comes to combat pay or hazardous duty pay, those issues may get goofed up a little bit in the active duty as they do with the Reserves?

Mr. GREGORY. Yes, sir, because a soldier at Ft. Campbell doesn't get hazardous duty pay when he is at Ft. Campbell but when he deploys, and I am sure the GAO will support, when he deploys we have to make sure that change happens and it is going to happen in-theater because of when the change has to happen.

Mr. SCHROCK. Thank you, Mr. Chairman.

Mr. SHAYS. Thank you.

I think I will recognize myself and then Mr. Turner, I will recognize you.

I would like to read part of my statement and then I have some questions. I don't intend to read all my statement. I will say, I don't think we had an idea that the Pentagon's Byzantine, leaky financial supply lines would stretch from Bridgeport to Baghdad but today with the Guard and Reserve units playing indispensable roles in Afghanistan, Iraq and here at home, fixing pay and allowance calculations is no mere bookkeeping challenge. Timely, accurate compensation is now a critical element of readiness, retention and morale. I think you gentlemen understand that.

When you talk about fully 94 percent of the soldiers in the six National Guard units audited by GAO encountered problems with earning calculations during one or more steps of their mobilization, deployment or demobilization, that is not just a significant rate of error, it is a virtual systematic meltdown of critical support function that will be tested to meet the demands of the massive troop rotation now underway. Army units cannot wait for the deployment of grand strategies and global computer architectures, solutions have to fix problems today and build today the simpler, integrated systems envisioned for the long term and I think your testimony recognizes that.

The men and women of the Guard don't serve for the money but paying them for what has been promised is a debt of honor we owe to those who volunteer to do democracy's most dangerous work. If you feel the passion on the part of Members, I think we feel we have a role to play which is an understatement—we sent them there.

Inaccurate deployment pay is just one way the Army of One does not always fight as one army. Shortages of mission-critical equipment like armored vehicles limit access to training facilities and prolong deployments, undermine the unquestioned determination and zeal Guard and Reserve units bring to the fight.

I have to tell you I have constituents who have described literally the challenge they have right now getting their Humvees to have armor and knowing that 26 Army National Guard have lost their lives, I just am haunted by wondering if some of them lost their lives because they didn't have the proper equipment that others in the military have. I could understand that the National Guard would be hand-me-downs when it came to what they trained in in the days that they weren't sent off to battle but now, I am also haunted by the fact that we have literally treated them as a different Army. So I think this pay issue is symbolic of something that goes much deeper.

I would like to ask how representative of the six units in the GAO of all Army Guard personnel pay problems is this 94 percent pay statement inaccuracy in the rest of the Guard?

Mr. KUTZ. I don't think anyone knows that. We found the overseas deployments had more errors and the duty folks in common if they would concur that would be more systematic but the process they are operating under is broken in many ways and the Department recognizes that, so similar types of errors are occurring. As

I mentioned earlier, we are continuing to get e-mails and talking to people as part of our subsequent work, seeing that many of these problems persist today.

This is a systematic problem, there are lots of errors out there and those errors sometimes linger. One small human error such as the one that Major Chavez is going to describe in his statement can cause a chain reaction of something that now has taken 14 months and has not been resolved.

Mr. SHAYS. Let me say to all of you, we know you are dedicated public employees and we know you don't like this any more than we like it but I think we believe that it has not gotten the attention it deserves because other things have been given higher priority. Hopefully that will have ended.

Why were these problems not uncovered through Department of Army oversight? Why did it take GAO?

Mr. GREGORY. I would say that GAO certainly added definition and scope to the problem. I would say we did know we had those problems. I would say that because we started corrective actions before we even had the GAO report. I would tell you that the problems specifically in the GAO report are just that, very specific. We know we have had problems. Back in the mid-1990's, we knew we had a major problem with the fact that we had two separate pay systems. We knew we had a problem with the fact that we had separate, stovepiped, non-integrated personnel and payroll systems that caused manual input of many people at many locations which meant generically errors and slowness and responsiveness to give the right pay timely to every soldier. We knew that.

I will tell you honestly, there are different priorities for different things. We suffer sometimes with that difference in priorities and there are things we would love to get to and love to get to quicker and we don't. I would also tell you that before DIMHRS, which is now a very important process that, because of its complexity, has experienced 3 years of delay. In lieu of and in recognition of that delay, that is why the Army and the National Guard and the Defense Finance and Accounting System got together to pre-work on the Forward Compatible Pay System.

Mr. SHAYS. We have had Guardsmen who have been bounced around from one unit to another. Who can I tell a Guardsman to call when they have problems knowing they will be helped immediately by someone who has access to all their relevant paperwork?

Mr. GREGORY. For all their relevant paperwork.

Mr. SHAYS. If we get a call from a Guardsman and we want to help them, who can we tell them to call or who can a Member of Congress call?

Mr. GREGORY. I would go right back to the State and the U.S. property and fiscal officer in that State.

Mr. SHAYS. That is the person that is going to take ownership?

Mr. GREGORY. Yes, sir. For a Guardsman in the State, the first place to go if they have a problem and they came to you or if they came to me, the first place I would go for the status of their pay record would be the U.S. property and fiscal officer.

Mr. SHAYS. Not just the status, we want the problem resolved.

Mr. GREGORY. That is where I would go.

Mr. SHAYS. Tell me the name of the individual again or the title?

Mr. GREGORY. The U.S. property and fiscal officer who is in each one of the 54 States, territories and/or District of Columbia.

Mr. SHAYS. You believe their problem would be solved?

Mr. GREGORY. I believe that would be the initiation of the problem resolution and if that problem resolution through the U.S. property and fiscal officer's records and audit trail for that individual soldier would lead either to the Department of the Army being the cause of that problem or the Defense Finance and Accounting Service being a part of that problem, that is where that USPFO knows to go.

Mr. KUTZ. I would say that is correct. They have the capability to solve the problem. They are not all equally of the same quality, training and ability to do so. We did see differences in the quality of people in the different States. That is one of the things they are looking at, getting better training out there for these folks.

Mr. SHAYS. Mr. Turner, I would recognize you at this time. I have a meeting to go to and I will come back. I would have you take the dais up here.

How long do you think it is going to take to solve this problem?

Mr. GREGORY. This problem won't be solved until we have an integrated process and a system to support it.

Mr. SHAYS. How long will that take?

Mr. GREGORY. It is going to take at least 3 or 4 years. It will take 3 years to get the integrated system up and deployed and it will take another to get accustomed to that system, people using it correctly. But before that, we will have a new pay system and that is why we took the action we did.

Mr. SHAYS. I would like to suggest that you think of having an ombudsman for the National Guard so that when someone calls their particular unit, they don't get the kind of response, that there be one person and if there is that person, I would like to know about it. There needs to be one person that can be aware of all the screw-ups that happen. If it is going to take 3 or 4 years, you're going to need a manual process to sort this out for some people.

Mr. GREGORY. Yes, sir. We will do that.

Mr. TURNER [assuming Chair]. I want to apologize for not being here at the beginning of the hearing. I am also on the Armed Services Committee, which is currently having a hearing on issues relating to service levels in Iraq which also includes issues of Reservists and the Guard.

To follow on with the comment from Mr. Schrock, I too in my district have an individual who has lost his business, was self employed and received a highlight on the struggles of his spouse on his deployment and related to the ability to get assistance while he has gone through what are absolutely governmental processes. The one thing that strikes me from hearing her story and having talked to her and then reading the information of the failure to provide appropriate pay is the burden not just on the Reservists and National Guard themselves but also on the families who many times are probably left with the responsibility of sorting this out, not only the financial burden of the impact of this.

In hearing her story, it seems to me that we haven't done enough to have an entry point where spouses and family members can have an advocacy and assistance process when problems like this

come about. I would like you to address the issue of, if a pay problem like this has occurred, there is a deployment that has occurred, the spouse is left behind with the responsibility for trying to sort this out for the individual who is trying to focus on the task for which we have deployed them, what particular assistance might be available to them that could help them through this process so that they are not just left feeling separated from their loved ones and also left with a significant problem. Mr. Kutz.

Mr. KUTZ. I think they can better answer that from the Department, but we did see that was a major source of concern of the soldiers, that they were in Afghanistan or Iraq and their spouse was at home being left to deal with the problem. In some cases, there were people there to deal with and in other cases there was a source of frustration because they weren't sure where to go or wherever they went their problem was not satisfied. I think they can speak more systematically to what support structures are in place to handle families.

General SCHULTZ. We have 400 family centers across the Nation today that were really created to do just what you are asking. That would be a local point of contact, just a phone call away, local community. Now 400 won't cover all the communities that are supporting our missions today, so in addition to the family centers we have rear detachments in units that are currently deployed. Some of the units that were deployed early on in Operation Iraqi Freedom and Enduring Freedom that did not have rear detachments, so in fact we uncover some armors, closed the doors and sent the units off to missions, we had a gap at the local level but we have since responded to that so we at least have a local presence to get at that first phone call from a local community to help with a person's particular concerns regarding the payroll questions you asked.

Mr. TURNER. Do you have any information as to how effective that is? If someone goes to one of these centers, is there a highlighted responsiveness on the part of the Army or the National Guard offices? How effective is it if a spouse who obviously is now burdened as a result of deployment to respond?

General SCHULTZ. Initial effectiveness was not good at all. We didn't have the presence in the communities. We have since created training programs for the members that are staying back home. However, I cannot understate the complexity of the question regarding our payroll system, so you have to get to at least the State level, State headquarters, basically to work on the question of a particular State, unique issues regarding the payroll because it is a very complex process.

Mr. TURNER. One of the issues that has been important to me and I know in many of these committees there have been discussions concerning the lack of health care for the Reservists, National Guard and the switch to TRICARE upon deployment. In the last supplemental, there was an attempt to provide at least a beginning look at how we can provide our National Guardmembers health insurance. I know as we look to the deployment and the pay issues, switching of health insurance plans is also a difficult issue. As we start talking about the prospects of expanding health care coverage so that the National Guardmembers who do not have coverage might have greater ease toward deployment, I am concerned in

looking at the issues of the pay as to whether administratively the Army would be able to handle this. Could you give me your thoughts on the issues of how you are going to resolve this; if you are given additional responsibilities to track, are you going to be able to maintain these?

Mr. SHINE. I will try to take a shot at that. I can only give you an answer from the experience we recently went through when we enacted the Thrift Savings Plan that was originally designed as a 401(k) plan for civil servants in the Federal Government and expanded it to include military personnel. Because of the payroll platforms that we are dealing with, the Defense Joint Military Pay System that exists today, basically 1960's era COBOL-type coding, implementing the Thrift Savings Plan, while we totally supported and embraced the legislation and its intent, is extremely difficult. It took us about a year and a half to actually do the programming, to get it in place and even after it was in place, we did have a few problems which we think we now have behind us.

While I would have to see the exact details of exactly what the legislation would entail, I can just tell you that when we are dealing with the current system, with the 1960's COBOL based system, major changes are somewhat difficult to incorporate. Just to amplify on your question, one of the things we think we will achieve in the new objective system we want to move to, the Defense Integrative Military Human Resource System, because of the architecture on which it is based, we feel changes like that would be much more accommodating.

Mr. TURNER. Thank you.

I will recognize Mr. Ruppertsberger.

Mr. RUPPERSBERGER. Good morning and I want to apologize for not being here at the start of this hearing. Had it not been for a markup elsewhere this morning, I would have been here from the gavel because I believe there can be no more noble effort this committee or Congress can do than assure our men and women in uniform that we care for them.

I would like to commend the leadership of this committee and the subcommittees for initiating this critical report. I would also like to commend both the GAO and DOD for their diligent efforts. It is important to keep in mind that today's hearing is not about finger pointing or blaming, it is about learning how we can get better at protecting the very service men and women who protect our life each and every day. This report and this hearing are about learning from our mistakes and caring for our soldiers better. In reading this report, I was struck by one powerful truth. America's Reserves are no longer just weekend warriors. With the days of compulsory service long gone, the precious gift of American democracy is defended a lot by a voluntary force. The old notions of active duty versus reserve components are just that, old.

Today's Armed Forces serve side by side, men and women, full-time, retired and Reserves. They go where they are told and carry out missions they do not question. In return, these men and women deserve to be treated well. They deserve to be paid fairly, accurately and on time, and when mistakes occur, those in uniform deserve immediate resolution. Families hearing about casualties and

wounded should not have to deal with payroll errors as well. This is the United States of America and we can do better.

I agree with GAO and the DOD that these problems are complex because the make up of our military is complicated. Various branches, Reserve components, readiness statuses, and mobilization options give the DOD enormous flexibility. The price of that is inherently complex processes and procedures and there is still no single fix to all these problems.

I share many of the GAO's concerns but I have one this report did not seem to address. There are seven Reserve components in our Armed Services and this report focused on only one, the Army National Guard. Are the problems highlighted in this report common to the other six components and if so, what is the DOD doing to address the problems systematically? Are we merely "Band-aiding" what requires more long range thinking?

From 1945 to 1989, Reserves were activated four times with fewer volunteers and smaller mobilizations. Since 1990, the Reserves have been activated six times. The era of voluntary and Reserve forces is here; the old system employed by DOD must keep pace. This is the new way of doing business in military readiness planning. Our men and women in uniform are the best in the world, fully committed, impeccably trained, and incredibly dedicated. These mothers, fathers, husbands, wives, sons, and daughters put their lives on hold to keep us safe. We owe them better.

I am proud to serve with my colleagues on both sides of the aisle to make sure we find a better way for our men and women in uniform. Thank you, Mr. Chairman.

[The prepared statement of Hon. C.A. Dutch Ruppertsberger follows:]

Congressman C.A. Dutch Ruppertsberger  
*Government Reform: Full Committee Hearing*  
“Avoiding ‘Financial Friendly Fire’: A Review of Efforts to  
Overcome Army National Guard Pay Problems”  
Opening Remarks  
1.28.04

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Mr. TURNER. Mr. Schrock, do you have additional questions?

Mr. SCHROCK. No.

Mr. TURNER. Ms. Norton, additional questions?

Ms. NORTON. No.

Mr. TURNER. Special Agent Ryan, could you please discuss with us the context you have had from National Guard soldiers who have contacted the GAO concerning pay problems and how do they contact you? What process do you use to followup and investigate their case? Can you give us some examples?

Mr. RYAN. After they had the last press conference, we started receiving letters from Reserve National Guard. These letters were sent to GAO's FraudNet; this is where soldiers can e-mail their problems, their complaints and ask us to look into things. We record those, we read them, we try to get back to them. We find systemic problems that exist and try to address that as part of the work.

The additional work the committee has asked us to do on the active medical extensions and travel reimbursements, we are getting a lot of letters from soldiers saying they are having significant problems. Within the last month, we have probably gotten over 50 letters. We try to address those. We have agents on the road right now at some military installations interviewing the soldiers that have problems with medical extensions. We have contacted soldiers that have problems getting travel reimbursements and we have contacted family members whose husbands have been deployed overseas that are having problems with TRICARE, having problems getting health insurance, having problems getting doctors who accept TRICARE and are following up on those items also.

Mr. TURNER. Thank you. I appreciate your perspective on that.

I have a question concerning DIMHRS. You were talking about the process which I understand is the ultimate goal of payroll integration at the Department of Defense and currently has a start deployment from January 2006 which I think is 12 months behind the original scheduled roll-out. And there is some confusion in the testimony as to whether or not you are on schedule for January 2006 or not.

Mr. GREGORY. At this point, January 2006 for initial operational capability is the date that has been set, which means I don't know of any delays beyond that. As Mr. Shine said, we got a developer and integrator, which is Northrop.

Mr. TURNER. Let us take that sentence for a minute. "I don't know of any other delays beyond that." Certainly, for a project that was to be done January 2005 to be pushed back 12 months to January 2006, somebody as of today knows whether or not your milestones are being met.

Mr. GREGORY. They are being met today.

Mr. TURNER. As of today, all the milestones have been met for completion by January 2006?

Mr. GREGORY. January 2006.

Mr. TURNER. You do not have any information that would indicate that you were going to miss that date?

Mr. GREGORY. That is correct.

Mr. TURNER. That would be correct for anyone else who has information about this on your panel?

Mr. SHINE. I have no other information than what Mr. Gregory provided.

Mr. TURNER. Go ahead.

Mr. GREGORY. The key element here as far as the schedule and as far as being on top of the schedule is the fact that the developer and integrator, Northrop-Grumman, signed a contract for that development and integration at the end of September last year. As far as the status of that is concerned, they are on target with their dates as of today.

Mr. TURNER. Can you detail for us again the dialog that has occurred between you and the State Adjutants General and where they are with all these payroll problems? What information is being shared between them and between your office?

Mr. GREGORY. I did not speak to the State Adjutants General. I worked with the National Guard Bureau, worked with General Schultz and he is in direct contact with the Army National Guard in all the States with all Adjutants General. I will defer that question to him.

General SCHULTZ. We are in frequent contact with State headquarters specifically, and the U.S. Property and Fiscal Office is really the location where the payroll responsibility lies. In that setting, we deal with the staff of the USPFOs every day. So we are working every one of the issues discussed here this morning with the State U.S. property and fiscal officers.

Mr. TURNER. On an as problems arise issue or on a global issue for being able to resolve this?

General SCHULTZ. Both.

Mr. TURNER. Mr. Ruppertsberger, do you have any questions?

Mr. RUPPERSBERGER. Yes, a couple. Excuse me if I am repeating things already asked.

First, in my statement I referred to the fact that there were six other components that were not addressed in this report. Are the problems highlighted in this report common to the other six components?

Mr. SHINE. I will try to take on that one since DFAS has responsibility for those other components in addition to the Army National Guard.

Mr. Kutz has already indicated that GAO is doing a review right now, similar to the one they just completed for the Army National Guard, for the U.S. Army Reserve. Clearly we will have a better understanding when that report is completed. The information I can give you, I can't quantify and put on a chart. I can just give you the information we are receiving.

For the Air National Guard, we have not seen anywhere near the problems that we have seen for the Army National Guard. The U.S. Army Reserve, we have also not seen nearly the high frequency that we have experienced with the Army National Guard. For the Marine Corps, the Marine Corps is paid on a completely different payroll system than the one we have been talking about here this morning. It is an integrated pay and personnel system called the Marine Corps Total Force System. As a result of that, the Marine Corps has not experienced a problem with activation of the Marine Corps Reserve. We are not responsible for paying the Coast Guard, so I can't comment on them. The Navy Reserve also

has seen very few pay problems. The Navy Reserve has had a much smaller call-up than the Army and Air Force have had.

Mr. RUPPERSBERGER. That is a good starting point for a question then. What are the other groups doing that the Army is not. Is it because of volume, because of the systems? What is the reason why one component is not working as well as the other?

Mr. SHINE. I think I alluded to the fact the Marine Corps is a different system, so I would definitely attribute the difference there.

Mr. RUPPERSBERGER. What about that system is different?

Mr. SHINE. It is an integrated pay and personnel system, unlike the one we use for the Army, Navy and Air Force which has two distinct systems, one that pays an active component and one that pays the reserve component. The reserve component system is really designed to handle monthly drill pay. It's not really designed to handle large scale mobilizations. That is what we are trying to make it do right now which is the reason it requires so many manual work-arounds which increase the probability of error.

Mr. RUPPERSBERGER. Because of the war, there was a tremendous amount of volume the system wasn't able to handle because it was done on a monthly basis and now it is almost like an overload?

Mr. SHINE. Yes, sir, but I would go on to say the exact same system that we use to handle the Army National Guard is also used for the Air National Guard, also used for the Navy Reserve. I think the difference is because they were mobilizing a fewer number of people, they were mobilizing fewer sites. If I could relate an experience I think will amplify that: When we first started seeing large scale deployments of Reserve components in the Bosnia-Croatia timeframe, we were primarily mobilizing through one dedicated mobilization site. While I won't try to take away what the GAO has reported here, I will tell you that, by and large, the home station has the pay correct. When the soldier leaves the States and when the mobilization station has trained people there to take care of initiating the active duty pay entitlements, we see a much, much smaller problem with payroll problems once the individuals are mobilized.

The other services that I was referring to, because they had smaller numbers, were able to do it through a smaller number of mobilization sites which had people trained to do that. Because the Army National Guard was having such a huge call-up, we had to actually increase the number of mobilization sites—we had to have 21 different mobilization sites. Some of the issues the GAO discovered were because of the fact that people there did not have the proper training.

The one thing I would like to add to that is that partnering with the Army and Army National Guard with DFAS, we have now made sure that all 21 sites are fully trained so they have the information they need to do the mobilization properly.

Mr. RUPPERSBERGER. I can understand that explanation and that is fine and we have identified the problem, but right now, what is the long term plan to fix the problem?

Mr. SHINE. As we described earlier, the system fix, as Mr. Gregory was saying, we have an interim solution that will be on board

in about a year. The long term solution of an integrated pay and personnel system is going to be a couple years behind that. In the meantime, we feel, or at least I will speak for myself, I feel that with the increased training we have done, we have a legitimate expectation that we are going to see a significant reduction in the number of pay problems resulting because of better training we are giving to those providing pay support to the Army National Guard while they are in a mobilized status.

Mr. RUPPERSBERGER. Do we have outside vendors working with us to try to work on the short term, long term basis?

Mr. SHINE. We are not using any. I can't comment if the Army or the Army Guard are.

General SCHULTZ. We do not.

Mr. RUPPERSBERGER. Do you think there is a necessity to look at that if we can't do it in-house and if we continue to have the problems?

General SCHULTZ. What we have done is work through the DFAS and the Army financial staff and have partnered in a way that we never have previously. My sense is we have the capability of fixing what we are talking about, albeit a little slower than anybody is happy with.

Mr. RUPPERSBERGER. When you are dealing with human beings putting their lives on the line, we all want the same thing but it is a matter of the right systems, a matter of leadership, holding people accountable for performance, a matter of getting the right technology and infrastructure in place. It is something I would hope is considered a very high priority, not only for the National Guard but for all the components there right now.

Mr. GREGORY. With regard to the technology piece, we mentioned earlier the long term issue and the DIMHRS issue. I would say the experience that we have with the Marine Corps' older but in-place system, the fact that it is integrated in both personnel and finance, is a lesson learned for all of us. That is why, the Department of Defense went to DIMHRS as a solution. It is more modern and it is commercial, off-the-shelf. The question about outside vendors and technology, that is a commercial, off-the-shelf, software-driven system. And the Forward Compatible Pay System to get the pay system fixed before DIMHRS is also a commercial, off-the-shelf system.

Mr. RUPPERSBERGER. That is a good explanation. My only concern would be because of the volume and if you look at a system that works you want to hopefully learn from that system but there are two different components because of the volume. Will the Marine system be able to handle the volume you are talking about?

Mr. GREGORY. No, sir. We are not going to the Marine system. We are going to the principle of what the Marine system is based on, namely, integrated personnel. One of the things we did to get us to the system we are now in the process of developing was to look at scalability and that is why that system of a commercial, off-the-shelf solution was selected.

Mr. RUPPERSBERGER. Who is ultimately responsible to manage this entire system and program in the DOD?

Mr. GREGORY. It is the Office of the Secretary of Defense, Personnel and Readiness.

Mr. RUPPERSBERGER. But who is assigned to oversee and to work through? There needs to be a boss who is overseeing.

Mr. GREGORY. Right now it is Mr. Able.

Mr. RUPPERSBERGER. What do you mean right now? What is Mr. Able's background?

Mr. GREGORY. I don't know.

Mr. RUPPERSBERGER. He has experience and expertise in management and also in working in these systems?

Mr. GREGORY. He has a staff that does that.

Mr. RUPPERSBERGER. Thank you.

Mr. TURNER. If there are no other questions by members of the committee, we are going to dismiss this panel. I want to thank you for testifying. We will ask that you please stay for the testimony of the second panel so that you can hear their statements and also that you can remain available for questions that Members might have at the end of that panel. We thank you for your attendance today.

We will now move to our second panel. Our second panel consists of Major Kenneth Chavez, Unit Commander, Colorado Army National Guard, B Company, 5th Battalion, 19th Special Forces. Major Chavez' unit was one of the six units contained in the GAO Army Guard Pay Study. We thank him for coming today to be a part of this hearing.

[Witness sworn.]

Mr. TURNER. In order to allow time for more questions and discussions, we are going to ask that you limit your testimony to 5 minutes. All written statements will be made a part of the record.

Major.

**STATEMENT OF MAJOR KENNETH CHAVEZ, UNIT COMMANDER, B COMPANY, 5TH BATTALION, 19TH SPECIAL FORCES, COLORADO ARMY NATIONAL GUARD**

Major CHAVEZ. Mr. Chairman and members of the committee, it is a distinct honor to be here to discuss important issues affecting National Guard Soldiers. Our country's citizen soldiers have been devastated by an ineffective pay system that cannot pay them accurately, on time and, most importantly, when they are called up to active duty to serve our country.

My testimony has four parts. First, to give a historical perspective on the B Company, 5th Battalion, 19th Special Forces Group (Airborne) deployment. Second, to explain pay problems that members of B Company had during the deployment. Third, to discuss what actions were taken to correct these problems. And, finally, to present a solution to the overall problem which would prevent this from ever happening again.

First, the 62 members of B Company were activated in December 2001 for a 2-year period in support of Operation Enduring Freedom. The environment was hostile and the conditions were harsh. During their deployment, they were involved in numerous combat operations, one that ultimately resulted in the death of one soldier and another being seriously wounded. These soldiers willingly accepted these risks as they put their jobs, homes and families on hold to answer the call to duty. Nevertheless, they endured and accomplished their mission. Their activation terminated after 1 year

in December 2002. The pay crisis created by this deployment remains unresolved to this day.

Second, during all three phases of their activation—mobilization, deployment, and demobilization—all 62 soldiers encountered pay problems. Efforts that should have been devoted to the combat mission were spent trying to resolve pay problems. During extremely limited phone contact soldiers called home only to find families in chaos because of the inability to pay bills due to erroneous military pay. The soldier that suffered the fatal injury during the deployment, Sergeant First Class Daniel Romero, was embroiled in pay problems at the time of his death.

When the company was released from active duty in December 2002, 34 soldiers, or 54 percent of the company, were erroneously overpaid when their active duty pay was not stopped. When it was finally determined that soldiers were overpaid, government actions were initiated to recover the overpayments. This collection process resulted in collections of nearly five times the actual overpayments.

The Defense Finance and Accounting Service cannot say, with any amount of certainty, exactly how much each soldier was overpaid. A dedicated DFAS team created spreadsheets for each soldier's pay history in an effort to portray each soldier's "official" and complete pay history for the period in question. Soldiers formally challenged the "official" pay history presented by DFAS. The challenges resulted in a significant change to the official pay histories in the amount of thousands of dollars and have caused continuing soldier frustration and family stress.

Third, throughout the activation, attempts to correct the pay problems were made by the unit clerk, the Battalion administrative section, and the Colorado U.S. Property and Fiscal Office. These steps proved to be ineffective. Ultimately, DFAS was contacted to gain assistance in correcting the problems. For a short period, the collection of debts was suspended in order to again determine the correct amount of overpayment for each of our soldiers. Many soldiers disagreed with and could not receive a reasonable explanation of their debt. Several soldiers gave up and paid off their debts in order to end their frustration.

Finally, in an effort to resolve the overall problem, the Adjutant General of the Colorado National Guard launched an investigation in December 2003. The investigating officer initially asked for and received another suspension of the collection of debts until March 2004. The recommendation of the investigating officer is as follows: Waive the U.S. claim for erroneous payments of pay and allowances; reimbursement of any amount of funds paid against a waived claim; and disbursement of unpaid pay and allowance due to any soldier as a result of the deployment. The current system for paying National Guard soldiers is unable to handle the volumes imposed by recent activations. The establishment of one integrated system for paying active duty, Reserve and the National Guard is absolutely necessary. This would ensure a seamless transition from Guard to active duty and then back to Guard.

I implore this committee to promote the necessary steps, now and in the future, to prevent another citizen soldier from ever suffering the hardships that members of my company had to endure. Soldiers are prepared mentally and physically to face the rigors of

combat in a foreign land. What they are not prepared for are the hardships imposed by an ineffective pay system. My soldiers have suffered divorces, bankruptcies, lost homes, and endured untold family problems that are far more destructive to their morale than any enemy they face in combat. It is extremely difficult to retain soldiers when they endure this type of treatment. How do commanders maintain unit strength when situations like this occur? What does this demonstrate to our soldiers?

Twenty-five soldiers have left my unit as a direct result of these pay problems. Fifteen more are asking to transfer to the Inactive National Guard in order to accept highly paid civilian contract work overseas in Iraq in order to heal their financial wounds. It will take nearly 2 years and \$250,000 to train each replacement. This loss has had a significant negative impact on our mission capability. We are one of only six National Guard Special Forces Battalions in the Nation. A secondary effect of these pay problems for our soldiers is in the form of tax deductions and improper tax reporting. The erroneous debts and subsequent requirement for repayment cause great problems in the form of overtaxing or undertaxing, which the soldier, alone, is responsible for correcting.

My soldiers, our soldiers, are some of America's best and brightest. Every day Reservists and Guardsmen assume a larger role in our global war on terrorism. Let us not let the sacrifices of my men and their families go unsupported. Please implement changes now to insure that the next call home from one of our deployed soldiers is a call to discuss his or her daughter's birthday, not anguish about a lack of money to pay bills. Our country should be ashamed of treating citizen soldiers in this manner. In a word, it is inexcusable.

In conclusion, I implore this committee to support Colorado's efforts to waive the claims for erroneous payments, reimburse any amount of funds paid against a waived claim, pay the soldiers for entitlements they earned and were not paid for, and change the current pay system of the U.S. Army to support our brave soldiers and their families.

Mr. Chairman, this concludes my testimony. I thank you for this opportunity to provide testimony and would be happy to respond to any questions.

[The prepared statement of Major Chavez follows:]

January 28<sup>th</sup>, 2004

**Statement of MAJ Kenneth Chavez  
Colorado Army National Guard  
Commander, B Company,  
5<sup>th</sup> Battalion, 19<sup>th</sup> Special Forces**

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- And finally, to present a solution to the overall problem which would prevent this from ever happening again.

First, the sixty-two members of B Company were activated in December 2001 for a two-year period in support of Operation ENDURING FREEDOM. The environment was hostile and the conditions were harsh. During their deployment, they were involved in numerous combat operations, one that ultimately resulted in the death of one soldier and another being seriously wounded. These soldiers willingly accepted these risks as they put their jobs, homes and families on hold to answer the call to duty. Nevertheless, they endured and accomplished their mission. Their activation terminated after one year in December 2002. The pay crisis created by this deployment remains unresolved to this day.

Second, during all three phases of their activation: Mobilization, Deployment, and Demobilization, all sixty-two soldiers encountered pay problems. Efforts that should have been devoted to the combat mission were spent trying to resolve pay problems. During extremely limited phone contact, soldiers called home only to find families in chaos because of the inability to pay bills due to erroneous military pay.

The soldier that suffered the fatal injury during the deployment, Sergeant First Class Daniel Romero, was embroiled in pay problems at the time of his death. When the company was released from active duty in December 2002, thirty-four soldiers, or 54% of the company, were erroneously overpaid when their active duty pay was not stopped. When it was finally determined that soldiers were overpaid, government actions were initiated to recover the overpayments. This collection process resulted in collections of nearly five-times the actual overpayments.

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DFAS. The challenges resulted in a significant change to the official pay histories in the amount of thousands of dollars and have caused continuing soldier frustration and family stress.

Third, throughout the activation, attempts to correct the pay problems were made by the Unit Clerk, the Battalion Administrative section, and the Colorado United States Property and Fiscal Office. These steps proved to be ineffective. Ultimately, DFAS was contacted to gain assistance in correcting the problems. For a short period, the collection of debts were suspended in order to again determine the correct amount of overpayment for each of our soldiers. Many soldiers disagreed with and could not receive a reasonable explanation of their debt. Several soldiers gave up and paid off their debts in order to end their frustration.

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In conclusion, I implore this committee to support Colorado's efforts to waive the claims for erroneous payments, reimburse any amount of funds paid against a waived claim, pay the soldiers for entitlements they earned and were not paid for, and change the current pay system of the United States Army to support our brave soldiers and their families.

Mr. Chairman, this concludes my testimony. I thank you for this opportunity to provide testimony and would be happy to respond to any questions.

Mr. TURNER. Thank you for all your efforts and your service to your country and certainly all the men and women of your unit. They are making an incredible contribution to our country. It is clear that the administrative processes are harming them and the interests of our country.

In your comments, you talked about the process of what the reaction was from the Army when the pay problems were discovered, the efforts of the Department of Defense to collect the overpayments if there were overpayments and the process of not fully resolving how much overpayment or underpayment there were. I wonder if you could describe the process a bit more in detail because it sounded as if someone discovered there was a problem and there may have been an overpayment of perhaps \$48,000 per soldier, that a recognition of one responsibility for that having occurred and hardship that would occur upon asserting that overpayment. What was the process of engaging the soldiers or their families in this issue? It sounds like the notification and action was relatively abrupt.

Major CHAVEZ. Yes, sir, it was. On the specific problem of the overpayments, the company deactivated in December 2002 and subsequently the soldiers received their active duty pay like it had not stopped for 2 months after that. They reported that overpayment to our unit. Proper notification was made through the State Property and Finance Office. However, an error was made in not only terminating their active duty pay for the 2 months they were overpaid but in essence terminating their pay for active duty all the way back to March 2002. In essence, there was a rebound and instead of taking away the overpayment for 2 months, they took away pay for 9 months, 7 of which they were entitled to. This added more frustration. Now the soldier sees in his leave and earnings statement a debt. A debt of what? In asking that and finding out what it is, it was determined that an error had taken place and there was an overcharge in the debt recovery. That compounded which affected their taxes, which affected their payroll and affected their deductions from then on.

Mr. TURNER. In your opening statement, you mentioned that 25 members of your unit have left because of these payroll problems. Do you believe the problems of the current DOD pay system will continue to cause many Guardsmen to leave? It seems essential that a quality pay system would be important to retention.

Major CHAVEZ. Absolutely. Unfortunately, I have to say yes.

Mr. TURNER. One of the issues you have heard many Members talk about is the issue of the families and wives left with these issues. Could you talk a bit about the extent that family members try to assist members of a unit in resolution, how systems might be available to bring resources so they understand the processes and systems and also to aid in resolution? Are those effective or ineffective, how would you recommend those processes be enhanced?

Major CHAVEZ. Initially, when a problem is recognized, the first place they go to is the family support group created and established while the unit was in the mobilization process. This is a conglomeration of spouses within a unit, spouses within the State Command and the State Command itself. When problems are recognized, they are forwarded to that entity and from there they go

to the property notifications within the State, specifically USPFO. These problems with these soldiers were at a much higher level that could not be fixed within the State. They had to be fixed at the DFAS level. There were some inputs within the State at USPFO that were incorrect.

Mr. TURNER. Ms. Norton.

Ms. NORTON. First, Major Chavez, may I simply thank you and your unit for your service. You deserve much more than an apology but I think the responsibility comes all the way up here. I just want to offer that and indicate that you can see the resolve of this committee to simply not allow this any more. Your coming forward has been very important because not until we hear a case example with real-life people can we really understand what has happened here.

I note that you are from an elite unit with the Special Forces, people who have been very highly and specially trained. You indicated the amount of funds that go into training and that some of them want to transfer in order to go overseas as civilians, taking contract positions in order to use that training to recoup some of what they have lost and the notion that you be able to hold them as long as you have with that training is a testament to you and your unit.

Let me get to the bottom line. Do you know, Major, what it would take to get a waiver? This is the first of the three recommendations you make, to get a waiver of the claim of the United States for the erroneous payment to your men and women.

Major CHAVEZ. I am not an expert on accounting. I will profess that adamantly to this committee but, as I understand it, through Title X and Colonel Leonard could highlight it better than I, it takes a decision through DFAS and ultimately through the Department of Defense to waive this overpayment. In fact the amount, I have one spreadsheet that indicates that approximately \$764,000, much of that amount is in fact not an overpayment, it is an error, so it is not a debt to our country, it is an error. It is in essence recognizing the error and erasing it.

Ms. NORTON. Major, do you know who would have to request this waiver?

Major CHAVEZ. I mentioned that the Adjutant General of Colorado launched the investigation and the investigating officer is asking for that now. It is being subsequently routed up through the chain.

Ms. NORTON. So it is in process?

Major CHAVEZ. Yes, ma'am.

Ms. NORTON. To the extent that we can support this request, Mr. Chairman, it seems to me minimal as to what these soldiers deserve.

I was particularly concerned that there apparently has been, whether your unit or not, a burden on the soldiers to find the error. Very often if there is an error in payroll, for example here in the Congress, somebody will come back and tell you about it. Was the burden on your men and women to find the error in the first place or was the burden entirely assumed by the Army?

Major CHAVEZ. The burden is systematic, it is the system itself. However, when the soldier looks at their leave earnings statement,

it has their name on it and it makes it their responsibility because it says what the debt is. They know what pay they are entitled to but in fact have not received. They are the ones that have to pay their bills, no one else does. They are the ones that have to make answers to the creditors and make excuses and come up with delaying tactics. They are the ones that have to file bankruptcies, they are the ones that have to lose their businesses and they are the ones that discuss that with their wives.

Ms. NORTON. To start the process, it is the soldier who has to start the process. You found nobody among those who are responsible for disbursements who came back to indicate initially that there was an overpayment or an error. It had to start with the soldier herself or himself?

Major CHAVEZ. The soldier recognizes it pass through his unit but ultimately when it doesn't get corrected, it falls upon the soldier and he feels responsible for correcting that problem.

Ms. NORTON. Could I ask whether you found in the customer service category that there were Army financial officers readily available to assist your unit in Afghanistan?

Major CHAVEZ. Yes. In-country in Afghanistan as well as back in Colorado and at DFAS Indianapolis. And I have to commend Colonel Leonard; he has been in daily and weekly contact with Colorado trying to resolve this issue. Unfortunately, it is still unresolved.

Ms. NORTON. From your point of view, recognizing that you don't get the opportunity to look at the entire system, does the problem appear to be one of competence or some other kind of problem?

Major CHAVEZ. In my personal opinion, I feel it is both humans as well as the system that are the contributing factors.

Ms. NORTON. Thank you very much, Major Chavez.

Chairman TOM DAVIS [resuming Chair]. I am sorry I wasn't here for your testimony but I read it. I had to go manage a bill on the floor but we are back successfully.

You start the process by talking, you go up through the chain of command originally when you have a pay problem and you identify it?

Major CHAVEZ. Yes, sir.

Chairman TOM DAVIS. And that didn't seem to resolve it and then you found it was more complicated and couldn't be handled in-country, couldn't be handled in-State. There was a Federal problem and it couldn't be handled there basically, right?

Major CHAVEZ. Yes, sir.

Chairman TOM DAVIS. I appreciate all our staff being here. I wonder, in a situation like that, you have members who are literally cash-poor. There was no immediate resolution, they need cash. Were any interest-free loans available while they fixed it? Was that made available to any of your colleagues?

Major CHAVEZ. Yes. In Colorado, there is a fund set up to assist soldiers that have financial difficulties on a temporary basis, but a situation that prolongs over 14 months or 2 years is hard to resolve.

Chairman TOM DAVIS. That system was interest-free?

Major CHAVEZ. Yes. To my knowledge, yes.

Chairman TOM DAVIS. These problems are persisting as far as you know with some of your colleagues even now?

Major CHAVEZ. Yes. Some soldiers have been dealing with pay problems since December 2001.

Chairman TOM DAVIS. What was probably the most egregious case you had of a soldier hardship that you recall, a personal hardship?

Major CHAVEZ. I can point out several. Some soldiers that, as Mr. Schrock pointed out, privately owned businesses and lost them while they were gone. One sergeant that works in Bravo Company had his own personal defense and physical fitness company which had many storefronts and locations. Without him being there to teach and provide that service, his business disintegrated and went away. That effect, plus the pay problems, caused him to lose his house, caused him to go into bankruptcy, and caused him to find some means to support him and his family. He is now still on active duty as the only method he has left to do that.

Chairman TOM DAVIS. He has to re-up just because he needs the money right now basically?

Major CHAVEZ. Yes.

Chairman TOM DAVIS. This obviously doesn't help retention.

Major CHAVEZ. As my figures indicated, as I told you, I have people that have left. One specific soldier, a Master Sergeant, 19 years of total service in the active and the National Guard, his ETS—end of terminal service—was this month, January. Rather than re-up, he left the service. He took a contract overseas in Iraq as the only means possible to solve his financial problems. He in essence has put himself back into danger for financial purposes and for financial survival.

Chairman TOM DAVIS. He'll get paid by the contractor though?

Major CHAVEZ. Yes. He is putting himself in harm's way but he has no ability to get his retirement, he does not have the proper tenure.

Chairman TOM DAVIS. I can imagine the frustration you and your troops have to feel being in harm's way over there. I can just imagine. And how we feel here, almost powerless. We bring people up, they have all their uniforms on, talking about months and months to fix it. A country that can put people on the moon, can bomb with precision in Baghdad, where you go through and see heaps of rubble next to residential buildings, and smart bombs, and we can't pay people. It is incredible to me. I was in the computer software business before I came here and frankly am shocked that no one in the Department of Defense saw this coming and have been slow to act. If nothing else, you could put more people on this because a lot of this is manual and just make it a priority. It doesn't seem to have been done. I feel very, very bad about it and I know the other Members do.

I can't tell you how much we appreciate your being here. I think from our perspective, we are determined to get it fixed so at least the next group won't have to go through what you did. Thank you very much for your service.

Major CHAVEZ. It is our pleasure, sir. All I can say is, it is a testimony to the citizen soldier that we still serve in the same manner

that our ancestors, the Minutemen served; to drop their work and their families to respond to the call of duty for the country.

Chairman TOM DAVIS. Thank you very much.

Mr. Platts.

Mr. PLATTS. Thank you, Mr. Chairman.

Major, I also want to echo the chairman and others in their expression of gratitude for your personal service. If you can convey to your soldiers my personal gratitude as well as my personal apology for the way the Federal Government, our Nation, has treated your soldiers; it is certainly a terrible wrong that needs to be corrected. The chairman is right. I apologize for my not being here for all the testimony but as I looked through the various materials in one packet, there is a very nice spreadsheet of short and long term tasks to try to address these problems but the fact you are telling us 2 plus years after the problems began, we still have soldiers being wrongly treated tells me this doesn't mean much. We need to fix these individual problems and show our Nation's gratitude by just doing right by you and your fellow soldiers.

One of your statements was that DFAS was not able with any amount of certainty to tell exactly how much a soldier was overpaid or underpaid. Does that remain the case today, that DFAS contends that they can't say for certain?

Major CHAVEZ. There have been many attempts and different figures for each soldier. When a soldier sees that his debt amount has changed three, four, five, six times he doubts the system and also wonders which one of those figures is absolutely correct versus the one he has come up with.

Mr. PLATTS. They are all coming from the same source as they continue to work or rework the numbers?

Major CHAVEZ. Yes.

Mr. PLATTS. Who, if anybody outside fellow soldiers, is most directly assisting a soldier to kind of be their advocate with DFAS or the government in general, to try to walk through exactly here is what you are eligible for, here is what you were paid, here is what you should have been paid. Has that occurred? Has there been a kind of ombudsman for each of the soldiers individually?

Major CHAVEZ. That process started when we were first activated. Those lists of entitlements were provided to all the soldiers so they would know accurately what they were able to receive based on their particular situation. Throughout the deployment, attempts were made both within the unit itself to the Battalion and next high in command to the State of Colorado and then ultimately to DFAS as well as sometimes in-theater the financial entities over there were also assigned and worked on that. Because of the complexities of the National Guardsman which has similar records back in the United States and the USPFO and some of them in-theater it is difficult because as a Guardsman we sit and hang between two entities, the National Guard and active and our records and our information is between these two systems.

Mr. PLATTS. I hope as we go forth—the proposed ultimate solutions is that unified system. We need to do whatever it takes.

Mr. Chairman, I appreciate your leadership and your leadership too, Chairman Schrock, and Chairman Shays. We certainly have an absolute duty to you and these other soldiers that while we are

looking at long term fixes, we ensure that each individual soldier is given whatever resources are necessary to walk through their situation and ensure they are accurately and fully compensated for their patriotic service to our Nation.

Again, my personal thanks to you for your service and your testimony here today. I hope we do a lot better. I did not have the privilege of visiting with any of the Colorado units in Afghanistan but I did visit with the West Virginia Special Ops Forces, the West Virginia Guard Forces. Knowing the sacrifices that each soldier and their families back home are making on behalf of our Nation, it is just horrific that we are treating you and your fellow soldiers in this way. I hope we can do a lot better.

Thank you, Mr. Chairman.

Mr. SCHROCK [assuming Chair]. Thank you, Mr. Platts.

Mr. Ruppertsberger.

Mr. RUPPERSBERGER. First, I want to commend the chairman for bringing this issue to the table. It is something we must resolve. It is complicated. There is volume and we understand there are a lot of issues to be dealt with. I agree with your comment that we need to integrate the system. It is just going to take time, we are all going to have to work together. Our role in Congress is to oversee it, to make sure those things happen.

I want to thank you for your service and that of your counterparts and being here today to put what is on the table. This is a high priority. One of my comments in conversations with career and National Guard Army Reserve is that they want to be told exactly what the situation is and not be hung out, whether it is how long they are going to be assigned to a certain area, how long they are going to be away. Just tell them exactly that this is what it is. When it comes to dealing with the finances and how they pay their mortgages and their families take care of themselves, this is something that, really, if we can't do it, we need to tell them it is going to take this period of time.

In that regard, do we have an ombudsman, do we have a program when the frustration of a family or someone who is assigned to Iraq or wherever, that we have individuals that can take a case, a problem, and see it through? We do that in Congress every day with our staff, our constituent work. Do we have any type of program like that you see that is set up at this point to help those men and women having problems?

Major CHAVEZ. Yes, we do, sir.

Mr. RUPPERSBERGER. If we do, how is that working?

Major CHAVEZ. As I indicated before, we have a family support network within the unit itself when it is mobilized that ties in with a larger family support group at that State, and our's is Colorado.

Mr. RUPPERSBERGER. From your point of view, how is it working?

Major CHAVEZ. It works from the fact that when a spouse at home has a question because they don't understand the military system regarding pay, entitlements or whatever, they have a point of contact to call within the unit who can call someone who works on this full-time at the State and hopefully get an answer and resolution of their problem.

Mr. RUPPERSBERGER. What are the results of those case studies? Are they getting the answers that are needed or what are the results? What is the end gain?

Major CHAVEZ. It depends upon the particular problem. In some situations it works rather quickly. In other cases, such as I pointed out here today, it is still unresolved in these major pay problems. It is because of the fact that, within the State itself, they cannot correct that pay problem. It is at a much higher level at DFAS.

Mr. RUPPERSBERGER. Let me give you an example. If you have someone who now has IRS problems, a whole new Federal bureaucracy, Federal agency, will that ombudsman stay with them and work through the IRS issues too?

Major CHAVEZ. They will point them in the right direction and hopefully stay with them.

Mr. RUPPERSBERGER. What do you mean hopefully? If you don't have one person overseeing it, it might not happen. Do you think it should be considered as a policy for that person who has been assigned that case to take it to the end until it is resolved?

Major CHAVEZ. Absolutely.

Mr. RUPPERSBERGER. Is that being done, including when you deal with IRS? I'm not trying to put you in a corner, I just want to know so we can raise that issue.

Major CHAVEZ. I can say in some cases, yes, and in some cases, no.

Mr. RUPPERSBERGER. It is my suggestion that we try to provide the service that is necessary to solve the problem and that whoever takes over the responsibility of a certain case and a problem, should take that case from beginning to end. If that is not the policy, it is my suggestion that we look at it very strongly because they want to be serviced. They have enough on their mind already and they need to be serviced. I would hope and suggest that we look at that very strongly.

Major CHAVEZ. I concur, sir.

Mr. RUPPERSBERGER. If you could take that back.

Major CHAVEZ. Yes, sir.

Mr. RUPPERSBERGER. Thank you.

Mr. SCHROCK. Mr. Platts.

Mr. PLATTS. Just one thing I wanted to add kind of along with Dutch's comments. In trying to have that ombudsman, I know in the military, in following the chain of command and staying in the ranks, but if we are seeing the problems for soldiers that we have documented that are continuing to exist 2 years after the fact, I hope soldiers maybe when they return and are back in the civilian life to consider if they haven't already done so their Members, their Congressmen where they live, their Senators from their home States. It should not make a difference and you should get the response without that, but I would encourage looking at me and my fellow Members as individual ombudsmen for our constituents. As the Congressman said, we do that every day on a whole breadth of issues constituents come to us with. In my office, I have a person who specializes in military issues, whether veterans, the National Guard or active duty because, if we don't do right by you and all men and women in uniform, it doesn't speak much about our priorities. I would encourage your fellow soldiers to look to whoever

their individual Congressman or Senator is and look for them to be an ally in their efforts.

Thank you, Mr. Chairman.

Mr. SCHROCK. Major, let me thank you for being here too. I can assure you this can't be easy and I can assure you I would not want to appear in front of me, so I appreciate your testimony and what you had to say. I think it is something we need to listen to and try to fix.

Everyone says the system broke down, but in the process we have ruined some peoples' lives financially, we really have. I am talking to my colleagues in the Congress now, unfortunately only two of us now, but I don't think this is something we can allow to stand. We should make these people whole. They went to war because the government told them to go to war and we allowed them to go bankrupt and that is wrong. If somebody is in trouble with the IRS through no fault of their own, they will be dogged the rest of their lives. This just isn't fair and we have to do something about it. How we can do it, I don't know, but we simply have to do it.

The chairman, before he left, said these situations happened because we didn't see this coming. Well, because we didn't see this coming, and by "we" I mean up here, doesn't mean the men and women in uniform should suffer in any way shape or form financially. The fact is they are.

I wrote down I was going to ask you why five times the actual overpayments. It is because they went back to March instead of just the 2 months. Didn't they look at their LES's and see what the situation was? Couldn't they have determined that from the LES's? It has been so long since I have looked at an LES, I just can't remember.

Major CHAVEZ. Yes, that was pointed out. When soldiers saw that debt come up, they pointed it out to the unit and it was recognized through the Colorado USPF now in DFAS. However, that mistake was not corrected and it is still unresolved to this day.

Mr. SCHROCK. Fourteen months later?

Major CHAVEZ. Yes, sir.

Mr. SCHROCK. My next question is, has it been solved? The answer is no. How many of your folks lost houses?

Major CHAVEZ. I can think of two right off the bat, several others that have had to shift or sell because of their financial situations, so they didn't lose them, but they foresaw what was coming and they shifted over.

Mr. SCHROCK. You may not know the answer to this but they said you get paid based on where you are in the war zone, but in the case of Special Operations Forces, they don't want people to know where they are. I don't want people to know where they are. How do they solve that?

Major CHAVEZ. Internally within our unit we do, and our payroll clerks can input that data depending where in-theater we are in the operation. That is done on a fluid basis going in and out of theater and the particular entitlements you have. The soldiers are quiet and innocuous when they talk to their relatives about that, they just know they are overseas. That is the unit's responsibility.

Mr. SCHROCK. That isn't a big problem then.

I don't want to keep dwelling on the problems the families have had but I want to go back to that a bit. I would like to hear in detail how the wives and children or husbands and children of the men and women over there have been affected by some of these erroneous military pay situations. What have they gone through? What have they endured? Are creditors knocking on their doors?

Major CHAVEZ. Yes, although the soldiers are instructed on their rights under the Soldiers and Sailors Relief Act regarding civil actions against them while they are activated. That does not prevent those documents or those contacts from being made. Of course they utilize the family support network and also the Inspector General, JAG, and the State to help them with those problems. It adds upon the already present stress of the soldier overseas with that spouse. So you already have that as a foundation. Then you put upon that the financial problems that are coming. This compounds the overall stress and in some cases, it has contributed to the divorce and the breakdown in the family entity of certain members of my command. It may not be the total reason but it is a contributing factor.

Mr. SCHROCK. It could throw them over the edge?

Major CHAVEZ. Yes, sir.

Mr. SCHROCK. I don't want to put the first panel on the spot but I would be curious if any of you have any comments about what the Major has said. Mr. Secretary.

Mr. GREGORY. I agree with Major Chavez. There is no excuse and there is no way that this is acceptable in any way, shape or form. We are not here on different panels as adversaries. We are here to get this problem resolved for Major Chavez because he is my soldier and his family members are our family members and we are going to get this fixed and we are going to fix things in the near term and the mid term and some of the Members kind of voiced and vented a little bit for 2 years and 3 years is a lot of time and yes, sir, it is, but that is reality.

Mr. SCHROCK. That was me you are talking about.

Mr. GREGORY. That is good but I want you to know that it is. There are long term issues here and we are going to address them. This is great input. GAO's input is very helpful to us. Major Chavez's input is critical to us because he is our customer from the pay world. I will tell you that if mistakes were made that caused invalid debt, the invalid debt will always be forgiven. By invalid debt, I mean the problem and mistake that was made was his whole tour of duty was canceled erroneously as if it never happened. Therefore, the system says if it never happened, you never deserved to get paid. So the system tries to collect all the pay. We know there is an erroneous part of that debt. That debt will be forgiven.

The debt that is not erroneous yet was caused by our process needs to be looked at, there needs to be a waiver submitted, that waiver needs to be evaluated and the waiver is done at a level that says, "What is the problem, what is the extent of the problem, what money was earned, what money wasn't earned, and what money and what hardship was caused; and is the waiver justified." That is not my decision but it will be done with due process and every soldier will be handled honestly and openly, I promise you.

Mr. SCHROCK. Mr. Secretary, I understand we can't put marriages back together but what are we going to do for these people who lost their houses through the fault of the system?

Mr. GREGORY. Sorry, I don't have an answer for that.

Mr. SCHROCK. Because these people filed bankruptcy which I am sure they had to do, that is going to be on their record for a long time and could impact them in negative ways for a long time to come. We have to fix that. How do we fix that? We have to turn back the clock and fix those people we created. I include me in that. I include everybody on this side in that. We are all in that and we definitely have to fix that. How do we do it? I don't know.

Mr. GREGORY. Sir, if we are the cause of it, we will get with whatever party is involved—banks—

Mr. SCHROCK. If you are not, who is?

Mr. GREGORY. Sir, that is my point. My point is, in the adjudication of this, where we are at fault, where we are the ones who are causing a business to fail—and the example the Major gave, we heard of one individual involved in a physical gym, a trainer, the loss of his personal expertise and talent from that business caused that business to fail—we exacerbated that through the pay problems but I doubt that we were the cause of that business failure. I am not being callous, sir.

Mr. SCHROCK. But the house.

Mr. GREGORY. Sir, there are issues and we heard the issues here. Congressman Lantos talked about legislation he is preparing so that, on the government side, if a GS-14 who happens to be an E-3 gets activated, do we make up his pay? Right now, we can't do that. We have no legislation to do that. If a GS-14, because he is part of the Guard or any Reserve component, gets activated and now goes to an E-3 pay, his house is at risk without any mistakes in the pay process. We are not here to say there aren't any problems with the pay. We are here validating there are. We are validating we are dedicated to fix them.

Mr. SCHROCK. Any suggestions you all have on this thing please tell us because we have to get it fixed.

Ms. Norton.

Ms. NORTON. Mr. Chairman you have raised essentially the point I would like clarification on. Major Chavez has used the words "erroneous payments," waive U.S. claim for erroneous payments of pay and allowances. I am trying to understand what would be left and what the word "erroneous" means.

Let me preface what I am saying by indicating that this may be the most egregious example. I appreciate what you have put forward. Whenever someone is called to active duty in the National Guard, there are going to be economic hardships. I appreciate this therefore, that the Army cannot create a precedent that would then have to be met across the board because there is always an economic hardship. It is the egregious nature of this, the domino effect on the families, the repeated nature of the problem that draws this, and I am sure the chairman has asked for Major Chavez to come here based on what in fact we knew from the GAO report. He didn't just come forward and say, "Listen to me."

I certainly hope his coming forward, and I certainly think we should hold you accountable that if his career is in any way

harmful because he has done what this committee has asked of him, to come forward to elucidate what we already knew about his Colorado unit. I want you to know that this Member, and I am sure the chairman and ranking member will be following the career of Major Chavez, whom we are very proud of, and there will be a presumption that will have to be overcome in my mind if anything happens to him because he has come to testify. I am not accusing you of anything but I am putting you all on notice. Actually it was my colleague who understands better than anyone else who alerted me.

Mr. SCHROCK. And that is what I fear. The General notes he is lucky to have people like Major Chavez, no question about that. I know when I was in the military if I had even talked to a Congressman or Senator, I was finished. I hope that is behind us.

Ms. NORTON. And we don't allege it is not. We just want you to know that we both have thought about that matter.

I want to know whether or not the overpayments would be considered erroneous? What is erroneous? Would they be made whole?

Mr. GREGORY. The erroneous payment and the example that Major Chavez mentioned, there was an action mistakenly taken at the U.S. Property and Fiscal Office in Colorado that canceled the actual tour of duty that he served. That made the money he was rightfully paid while he was on that duty a debt because it told the system he didn't really serve.

Ms. NORTON. I am talking about the overpayment.

Mr. GREGORY. That is what I am getting to. The point I am making is that once that happened, we put him in debt. I am going to tell you that a good portion of that, all but the 2 months, is an erroneous debt and he is going to be made whole for that because there was a mistake made in the beginning at the USPFO.

Ms. NORTON. I really don't understand the word overpayment.

Mr. GREGORY. The system thought it was an overpayment. The system was wrong because the person making the input made a mistake.

Ms. NORTON. Some of these people have already begun to pay back.

Mr. GREGORY. I will leave it to Major Chavez. I wasn't the one doing and I wasn't the one paid. Major Chavez.

Major CHAVEZ. I can explain. To recount, again, the soldiers in the Company were deactivated in December 2002. Their pay should have been stopped at that point, they got off active duty, they went back to civilian jobs. It did not. It kept going as if they were still in the system for 2 months. They saw that, they recognized it, they told it to the chain of command. The solution, USPFO in Colorado tried to fix that, recollect that 2 months they were overpaid, but their actions caused them to collect back the entire tour. Rather than trying to collect the \$2,000, for instance, they were overpaid, it now said, "No, you owe me \$40,000." So that debt comes on the soldier in the payroll system on his LES. The system is automatically set up that the next check, the next drill pay, now that you are back to National Guard, the National Guard weekend drills, they collect \$200 on their National Guard drill that month in March, April and May. It says you have a debt so, therefore, we are going to take one-half or two-thirds of that pay and apply it to

the debt we show you have, \$40,000. So now that money is going to a debt he or she never had. The 2 months, yes, but the 9 months or 11 months, no. That is the erroneous part.

Ms. NORTON. He would be due reimbursement for that amount.

Mr. GREGORY. He would be due the reimbursement for the mistake that was made that canceled his tour of duty rather than curtailing it. Those are the actual technical terms. So the amount of debt we put on him and started taking out of his pay, but was erroneous, has to be paid back, yes, ma'am.

Ms. NORTON. That last part is the bottom line as far as we are concerned.

Thank you very much, Mr. Chairman.

Mr. SCHROCK. Thank you.

There are no more Members here so I think the questioning is done. You have been here a long time and we appreciate it. We thank you. I thank all of our witnesses for appearing today. I also would like to thank the staff of the full committee and Vice Chairman Shays' Subcommittee on National Security, Emerging Threats and International Relations who worked on this hearing.

I want to also add that the record will be kept open for 7 days to allow witnesses and Members to include additional information in the record.

Again, thank you very much and this hearing is adjourned.

[Whereupon, at 12:42 p.m., the committee was adjourned, to reconvene at the call of the Chair.]

[The prepared statements of Hon. Christopher Shays and Hon. Elijah E. Cummings, and additional information submitted for the hearing record follow:]

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 INDEPENDENT

SUBCOMMITTEE ON NATIONAL SECURITY, EMERGING THREATS,  
 AND INTERNATIONAL RELATIONS

Christopher Shays, Connecticut  
 Chairman  
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Statement of Rep. Christopher Shays  
 January 28, 2004

When the National Security Subcommittee asked the General Accounting Office (GAO) to examine efforts to correct longstanding payroll processing problems in the Army National Guard, we had no idea the Pentagon's Byzantine, leaky financial supply lines would be stretched from Bridgeport to Baghdad. But today, with Guard and Reserve units playing indispensable roles in Afghanistan, Iraq and here at home, fixing pay and allowance calculations is no mere bookkeeping challenge. Timely, accurate compensation is now a critical element of readiness, retention and morale.

The Department of Defense (DOD) acknowledges the problems are systemic and pernicious. Fully ninety-four percent of the soldiers in the six National Guard units audited by GAO encountered problems with earnings calculations during one or more steps of their mobilization, deployment or demobilization. That's not just a "significant" rate of error; it's a virtual systemic meltdown of a critical support function that will be tested to meet the demands of the massive troop rotation now underway.

Today, as promised, DOD will describe progress implementing an ambitious action plan to address pay calculation complexity and errors. But these problems are not new and have proven immune to previous reform efforts. Army Guard units cannot wait for the deployment of grand strategies and global computer architectures.

Solutions have to fix problems today and build toward the simpler, integrated systems envisioned for the long term. The men and women of the Guard don't do it for the money, but paying them what's been promised is a debt of honor we owe to those who volunteer to do democracy's most dangerous work.

Inaccurate deployment pay is just one way the Army of One does not always fight as one Army. Shortages of mission-critical equipment (like armored vehicles) limited access to training facilities and prolonged deployments undermine the unquestioned determination and zeal Guard and Reserve units bring to the fight. In the coming months, we have to look more closely at issues of equipment, training and retention that affect reserve component readiness to stand beside their active duty counterparts in defense of our national security.

Statement of Congressman Elijah E. Cummings  
House Government Reform  
Subcommittee on Human Rights and Wellness Hearing  
On  
“Avoiding ‘Financial Friendly Fire’: A Review of Efforts to Overcome  
Army National Guard Pay Problems”  
January 21, 2003 at 10:00 p.m.

Thank you, Mr. Chairman for holding this timely hearing on efforts to overcome pay problems within the Army National Guard.

As the Committee-requested GAO Report, entitled *Military Pay: Army National Guard Personnel Mobilized to Active Duty Experienced Significant Pay Problems* uncovered, pay problems have been shown to directly and negatively impact Army National Guard soldiers. I believe, and I am sure that many of the members of this Committee believe as well, that this situation is unacceptable.

With as many as 350,000 members currently enlisted in the Army National Guard in all 50 states, the District of Columbia, and the three U.S. territories, it is imperative that we insure that these soldiers are guaranteed their basic pay and allowances in a timely and efficient manner. It is unacceptable for these brave men and women to serve our nation by risking their lives, only

to face a mountain of red tape when trying to receive pay and benefits to which they are rightly entitled.

Shortly, forty percent of the U.S. troops in Iraq will be comprised of Army National Guard members. In fact, approximately 100,000 Army National Guard members have already been called for mobilization in Iraq and Afghanistan. Yet, the recent GAO report (GAO-04-89), showed that the existing process for paying Army National Guard personnel is “so cumbersome and complex that neither the Army, the Defense Finance and Accounting Service, nor most importantly the soldiers, can be reasonably assured of receiving timely and accurate payments.” Not only was payroll processing noted as a problem in the GAO report, but also poor customer service, problems with medical reimbursements for family members, and even problems with housing allowances, among others. These errors must be corrected right away.

Since the Office of the Secretary of Defense has taken up the task of resolving the magnitude of issues surrounding military pay and allowance problems, and also has submitted its first periodic update on December 19, 2003, I am eager to hear of the progress the Army has made in addressing

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the longstanding problems affecting Army National Guard personnel. I look forward to hearing from today's witnesses.

Once again, thank you Mr. Chairman for holding today's hearing.

TOM DAVIS, VIRGINIA  
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 INDEPENDENT

February 13, 2004

The Honorable Ernest J. Gregory  
 Acting Assistant Secretary of the Army  
 Financial Management and Comptroller  
 109 Army Pentagon  
 Washington, D.C. 20310

Dear Secretary Gregory:

We write in follow-up to the Committee's hearing entitled: "*Avoiding 'Financial Friendly Fire: A Review of Efforts to Overcome Army National Guard Pay Problems.*" held on January 28, 2004. The Members of the Committee on Government Reform still have serious concerns regarding your testimony, in particular your comments on the status of the pay problems of the Army National Guard units audited during the GAO study, entitled: "*Army National Guard Personnel Mobilized to Active Duty Experienced Significant Pay Problems.*"

First, the documents you submitted to the Committee for the record listed that the Department of the Army had addressed the problems of the individuals in the Guard units in question. This document stated that the Department completed and "resolved pay issues for units identified by the General Accounting Office." (*National Guard Mobilized Pay Review Background, U.S. Army Finance Command, 1/22/04, Page 5*). You also affirmed this statement in your oral testimony.

Certainly the testimony of witness Major Kenneth Chavez, Unit Commander, B Company, 5<sup>th</sup> Battalion, 19<sup>th</sup> Special Forces, Colorado National Guard indicated that the incorrect debts incurred by his unit were not fixed.

Gregory Kutz, Director, Financial Management and Assurance, General Accounting Office, also testified that the individual errors uncovered in their study had also not been all addressed. The Committee had tasked the General Accounting Office with following up on each of the individuals in the study. They reported that phone calls made in preparation for the hearing indicated that not all, and possibly a substantial

portion of the identified pay errors have not yet been corrected. Specifically, GAO's late January 2004 phone calls to local Army National Guard officials to discuss the status of the pay errors at the six Army National Guard units identified in GAO's November 2003 report indicated that for at least 2 of the units, the identified pay errors had not yet been corrected (the Colorado and Virginia Special Forces units). In addition, GAO's follow up calls indicated that for 2 other units (the West Virginia Special Forces and Mississippi Military Police units), while the underpayment pay errors were corrected, the unit personnel contacted could not confirm the collection and correction of identified overpayment errors. For the remaining 3 units, Army Guard officials GAO spoke with indicated that all the pay errors GAO identified at those units were corrected. However, for one of these units, the Colorado Military Police unit still deployed in Iraq, officials told GAO the unit's soldiers experienced other pay and erroneous pay-related debt problems.

Can you please clear up the discrepancy between your statements and the findings of the GAO?

The Committee appreciates all the long-term actions and efforts that you are making to reform the current pay system problems, however your failure to timely address and correct the errors of the Guardsmen in just 6 units is untenable. The Department of Defense received notice of each of these errors in October 2003, when GAO delivered its report to you as required by their regulations. Four months have gone by and some of these Guardsmen are still strapped dealing with payroll errors. The Committee respectfully requests that you correct these remaining problems immediately. Relieving the hardship and undue suffering of these Guardsmen and their families should be your top priority. We ask that you provide the Committee a status of correction for each individual that experienced pay problems uncovered by the GAO study. We request this accounting no later than March 12, 2004.

Second, the General Accounting Office informs us that it is also the recipient of e-mails and phone calls from Guardsmen from other units with pay problems. It is more appropriate that your Department receives these calls for assistance and provides the appropriate remedial services. The Committee was pleased that you agreed with Vice Chairman Shays that the creation of an ombudsman for the National Guard on pay issues was necessary beyond the current point of contact, the United States Property and Fiscal Officer. We ask that you tell us the status of the creation of this ombudsman office, provide us the name and number of this office, and what you have done to notify Guardsmen of this service.

Third, we support the Colorado Army National Guard Special Forces unit's request for a resolution of the mistaken debt assessment by means of a full waiver of the debt. We are pleased that you are supportive of the waiver process, as stated in your testimony, but we also seek the quick and favorable resolution of this waiver. We would appreciate if you would inform us of the status of this waiver. As the current temporary suspension of debt for the Colorado unit members expires on February 14, 2004, quick consideration of this waiver is imperative.

The Committee appreciates your letter of February 10, 2004 and the work you are doing to correct the problems inherent in the current system. We look forward to your response to this letter, as well as the next quarterly update on your progress toward fixing Army National Guard pay systems.

Sincerely,



Tom Davis  
Chairman



Christopher Shays  
Vice Chairman



Ed Schrock  
Member of Congress

cc: The Honorable Henry A. Waxman, Ranking Minority Member



REPLY TO  
ATTENTION OF

**DEPARTMENT OF THE ARMY**  
OFFICE OF THE ASSISTANT SECRETARY  
FINANCIAL MANAGEMENT AND COMPTROLLER  
109 ARMY PENTAGON  
WASHINGTON DC 20310-0109

The Honorable Tom Davis  
Chairman  
Committee on Government Reform  
United States House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

As requested in your February 13, 2004 letter, I am providing an update on our efforts within the Department of Defense (DoD) to fix the pay problems affecting the Soldiers identified in the General Accounting Office (GAO) study entitled: *"Army National Guard Personnel Mobilized to Active Duty Experienced Significant Pay Problems."* I first want to address the Committee's concerns regarding my testimony and documents I submitted to the Committee regarding resolution of pay problems for the Soldiers of B Company, 5<sup>th</sup> Battalion, 19<sup>th</sup> Special Forces, Colorado National Guard.

When I stated that the pay problems had been resolved for the members of B Company, 5<sup>th</sup> Battalion, 19<sup>th</sup> Special Forces, Colorado National Guard, this was meant to reflect that the problems created by previous erroneous input and missing entitlements were corrected. My intent was not to convey that the outstanding debt for the period between demobilization and when the pay was ultimately stopped had been fully collected or waived. In the future, we will specifically characterize these pay issues as unresolved until all outstanding debts are either collected in full or waived.

Army Financial Management, the Defense Finance and Accounting Service (DFAS), and the Army National Guard (ARNG) are collectively working to contact each Soldier and resolving pay issues. This includes meeting one unit upon its return from Iraq and sending teams to the other six units. A total of 580 Soldiers have been contacted in person or telephonically. In addition to personal contacts, each Soldier has been sent an inquiry via the Army's centralized electronic mail system. Letters are also being sent to the 126 Soldiers who are no longer with their original unit. The pay accounts of these Soldiers are being centrally reviewed to ensure the specific problems identified by GAO are fixed.

For the Soldiers in B Company, 3<sup>rd</sup> of the 20<sup>th</sup> Special Forces in Virginia, all input has been made for residual entitlements and debts. These debts, which are significantly smaller than those of the Colorado unit, have been suspended. Formal notification letters have been sent to the individual Soldiers outlining their rights concerning repayment of the debt or the submission of request for debt waiver.

We deployed an on-site team for the demobilization of the 220<sup>th</sup> Military Police Company, Colorado National Guard to identify problems associated with mobilization and deployment at the point of demobilization and subsequently correct any problems identified. The individual Soldiers contacted from the remaining four units confirmed there were no outstanding residual pay problems from the GAO audit, as previously reported by the chain of command. Detailed listings of each Soldier's status are being maintained and will be available to GAO upon request.

Second, we implemented the direction in your letter and Vice Chairman Shay's recommendation to establish a pay ombudsman within the National Guard. The Army National Guard Financial Services Center in Indianapolis established and staffed a pay ombudsman program for National Guard Soldiers. Soldiers can contact the ombudsman via a toll free number (1-877-276-4729) or via email. Information on how to contact the pay ombudsman is being disseminated to Soldiers through their respective states, with posters at the mobilization/demobilization stations, and in a National Guard Soldier's pay handbook being developed.

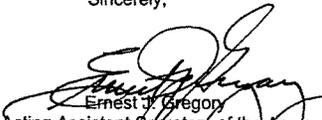
Third, in terms of the current status of the waiver for members of B Company, 5<sup>th</sup> of the 19<sup>th</sup> Special Forces, the Adjutant General for the State of Colorado has initiated a formal investigation of the circumstances surrounding the problems. The investigating officer, with the assistance of DFAS and ARNG personnel, is performing a complete reconciliation of the pay accounts of the 39 Soldiers to ensure all discrepancies created by the erroneous tour cancellation and unreported entitlements are accounted for and corrected. This leaves the outstanding debt unresolved for the days between demobilization and when the Soldiers' pay was stopped.

To fix this unresolved debt problem, the Adjutant General will submit a formal waiver request through DFAS to the Defense Office of Review and Appeals. The Colorado Guard established an April 15<sup>th</sup> deadline for final approval of the waiver request by the Adjutant General. We suspended debt collection indefinitely until final resolution of the waiver request. We also provided GAO with a more detailed breakout of the waiver process and underlying legal conditions for a successful waiver.

To reduce the likelihood of a similar situation, as experienced by the unit in Colorado, we have initiated additional internal controls. The pop-up warning on tour cancellation inputs has now been reinforced by policy requiring supervisory review of cancellation transactions. The ARNG is working to further automate this review control in the input system. Additionally, we have expanded the automated comparisons between personnel separations data and the pay system to preclude cases of Soldiers being released from active duty without a corresponding stop of their pay.

As the Army embarks on the largest troop rotation since World War II, we will continue to implement process improvements supporting Soldier pay. Ensuring Soldiers are paid correctly and on time is a top priority at all levels of command within the Army. I look forward to joining with the Director, Army National Guard and the Director, Defense Finance and Accounting Service in providing the Committee an update on our progress at the end of April.

Sincerely,



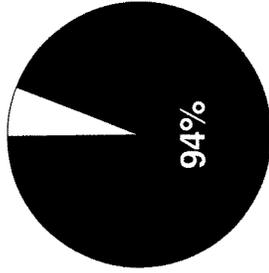
Ernest J. Gregon  
Acting Assistant Secretary of the Army  
(Financial Management and Comptroller)

CF:  
Hon. Christopher Shays  
Hon. Ed Schrock  
Hon. Henry Waxman  
Commander, FORSCOM  
DCSRM, FORSCOM  
Director, ARNG



## Rates of Soldier Pay Problems for Six Units

Colorado Special Forces	62 of 62
Virginia Special Forces	64 of 65
West Virginia Special Forces	86 of 94
California Military Police	50 of 51
Maryland Military Police	83 of 90
Mississippi Military Police	105 of 119

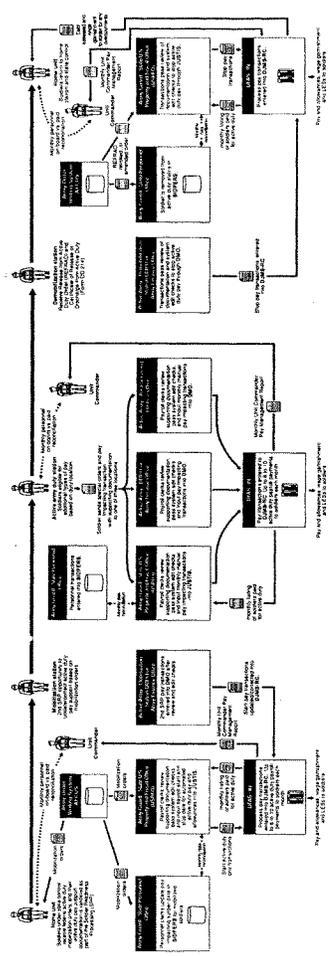


**Total = 450 of 481**

Source: GAO analysis.



# Mobilized Army National Guard Pay Process Overview



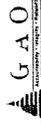
Source: GAO analysis.



## Basic Pays 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	For parachute jumping	\$150/month
Hazardous duty pay-jump pay - high altitude low opening pay	For parachute jumping at high altitude without static line	\$225/month
Special duty assignment pay	Enlisted soldier pay for difficult duty or duty with a high degree of responsibility	Pay varies; \$55 to \$375/month
Foreign Language Proficiency Pay	For specialized foreign language skills	Pay varies; no more than \$300/month
Diving duty pay	For diving duty or proficiency as a diver	Pay varies; no more than \$240/month for officers \$340/month for enlisted
Hardship duty location pay for designated areas	For duty assignment to specified locations	\$50, \$100, or \$250/month depending on location
Hardship duty location pay for certain places	Enlisted soldier pay for duty assignment to specified locations	Pay varies; \$8 - \$22/month based on rank
Hostile fire/imminent danger pay	Full pay for any portion of monthly assignment with hostile fire or in imminent danger location	\$150/month before Sept. 30, 2002; \$225/month after

Source: GAO analysis.



## Basic Allowances Associated with Case Study Units

Allowances	Description	Dollar amount
Basic allowance for housing	To offset cost of housing when soldier receives no government-provided housing	Varies based on location, rank, and number of dependents
Cost of living allowance in Continental United States	To provide compensation for variations in costs (other than housing) in continental United States	Varies based on location, rank, years of service, and number of dependents
Basic allowance for subsistence	To offset costs for meals	Varies based on status as an officer or enlisted soldier
Family separation allowance I	To offset added housing expenses resulting from forced separation from dependents	Equivalent to monthly basic allowance for housing for soldier of same rank without dependents
Family separation allowance II	To offset certain expenses resulting from forced separation from dependents	Equivalent to monthly basic allowance for housing for soldier of same rank without dependents

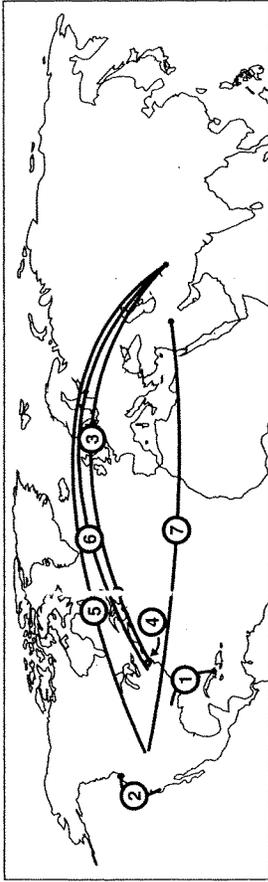
Source: GAO analysis.

## Pay Problems at Six Case Study Locations

Army Guard Unit	Soldier's with pay problems			Comments
	Mobilization	Deployment	Demobilization	
Colorado Special Forces	56 of 62	61 of 62	53 of 62	33 soldiers erroneously billed debts of \$47,000 each
Virginia Special Forces	31 of 65	62 of 65	59 of 65	Injured soldiers denied active duty pay and benefits when orders not processed
West Virginia Special Forces	36 of 94	84 of 94	66 of 94	Sergeant came under enemy fire during 4 day trip to deliver pay records to correct errors
California Military Police	48 of 51	39 of 51	0 of 51	Majority of soldiers experienced 3 month delay in starting active duty pays
Maryland Military Police	75 of 90	64 of 90	3 of 90	Pays for 13 soldiers continued for 6 weeks after early release from active duty
Mississippi Military Police	23 of 119	93 of 119	90 of 119	88 soldiers mistakenly paid for 2 types of hardship duty pay

Source: GAO analysis.

## Deployment Locations for Seven Units



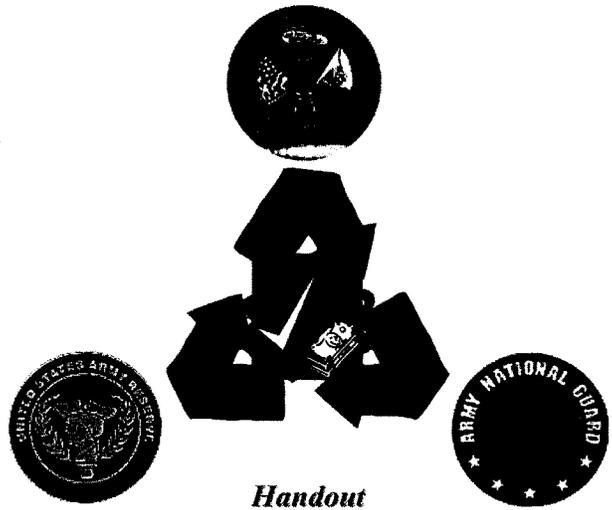
- ① Mississippi, 114th Military Police Company - **Afghanistan**
- ② Guantanamo Bay, Cuba - **Afghanistan**
- ③ California, 49th Military Police Detachment - **Afghanistan**
- ④ Fort Lewis, Washington - **Afghanistan**
- ⑤ Virginia, 20th Special Forces - **Afghanistan**
- ⑥ Maryland, 200th Military Police Company - **Afghanistan**
- ⑦ Colorado, 19th Special Forces, 5th Battalion - **Afghanistan**
- ⑧ West Virginia, 19th Special Forces - **Afghanistan**
- ⑨ Colorado, 220th Military Police Company - **Iraq**

Source: GAO analysis.

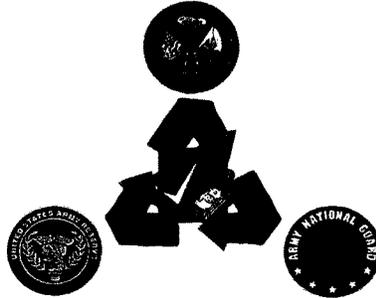




**DFAS AND THE ARMY WORKING TOGETHER TO ENSURE  
THAT OUR ACTIVE DUTY, NATIONAL GUARD AND  
RESERVE COMPONENT SOLDIERS  
RECEIVE THE BEST POSSIBLE PAY SUPPORT !!!**



**Handout  
House Government Reform Committee Hearing  
January 28, 2004**



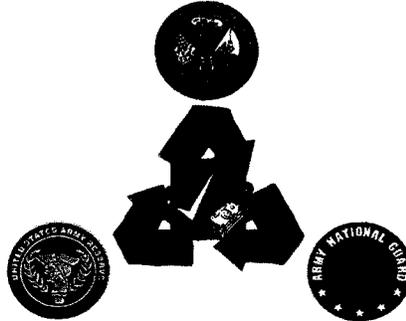
*Handout  
House Government Reform Committee Hearing  
January 28, 2004*

***29 October 2003, Memo to Congressman Shays*** ***Encl 1***  
*(Joint Memo Dir. DFAS, Asst. Sec of the Army (Financial Management & Comptroller); and Chief, U.S. Army National Guard Bureau) focus - working together to resolve pay issues.)*

***19 December 2003, note ASA (FM&C)*** ***Encl 2***  
*Update on actions to HGRC, National Security, Emerging Threats and International Relations Subcommittee*

***Matrix of Actions*** ***Encl 3***  
*Near Term, Mid-Term, and Long Range Solutions to the Lack of an Integrated Pay System*

***Briefing Slides – Information for 27 Jan. 04*** ***Encl 4***  
***HGRC Briefing on Military Pay Problems***



*Handout  
House Government Reform Committee Hearing  
January 28, 2004*

***29 October 2003, Memo to Congressman Shays  
(Joint Memo Dir. DFAS, Asst. Sec of the Army (Financial Management  
& Comptroller); and Chief, U.S. Army National Guard Bureau) focus -  
working together to resolve pay issues.)***

**Enclosure 1**



OFFICE OF THE SECRETARY OF DEFENSE

1000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1000

29 OCT 2003

The Honorable Christopher Shays  
Chairman, Subcommittee on National Security,  
Emerging Threats and International Relations  
Committee on Government Reform  
U.S. House of Representatives  
Washington, DC 20515

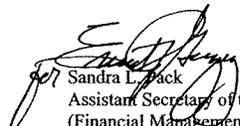
Dear Mr. Chairman:

Paying our soldiers accurately and timely is top priority within the Department of Defense financial management community. This commitment extends to all soldiers whether active, Reserve or National Guard. The Draft GAO report entitled "Military Pay: Army National Guard Personnel Mobilized to Active Duty Experienced Significant Pay Problems" indicates we have not lived up to that commitment as it relates to our National Guard members.

In this report, case studies are cited that better explain the problems. We are taking concrete steps to fix these problems and are seeking instances where other units and individuals may have experienced similar problems and fixing them as well. Before the GAO audit, we were conducting reviews to improve service to mobilized reservists. We will conduct compliance reviews at the mobilization and demobilization sites to ensure pay actions are correct. In addition, we are taking significant steps to address the broader concerns identified in the GAO review. Enclosed with this letter are the detailed solutions we intend to implement, stratified by immediate, near-term, mid-term, and long-term.

We will work together to resolve the issues identified in the GAO report and are committed to ensuring that service members receive accurate and timely pay. They deserve no less.

Sincerely,

		
Sandra L. Pack Assistant Secretary of the Army (Financial Management and Comptroller)	H. Steven Blum Lieutenant General, US Army Chief, National Guard Bureau	Thomas R. Bloom Director Defense Finance and Accounting Service

Enclosure:  
As stated

GAO DRAFT REPORT DATED OCTOBER 10, 2003  
GAO-04-89 (GAO CODE 192080)

"MILITARY PAY: ARMY NATIONAL GUARD PERSONNEL MOBILIZED TO  
ACTIVE DUTY EXPERIENCED SIGNIFICANT PAY PROBLEMS"

SFFM-FC-OD

29 October 2003

**A. ISSUE: LACK OF INTEGRATED PAY SYSTEMS**

Currently mobilized reservist and active duty Soldiers are paid on separate pay systems. The lack of an integrated pay system for both components has resulted in training problems and limitations on automated capability to support mobilized reserve Soldiers using the current reserve pay system. This has resulted in pay errors, delays in processing pay transactions, and general disparities in support of mobilized reserve Soldiers.

**B. SOLUTIONS**

**I. IMMEDIATE (Recent to 2 MONTHS)**

- a. Training on the Reserve Component Military Pay System (Defense Joint Military Pay System Reserve Component – DJMS-RC)
  - (1) US Army Reserve Pay Operations Center – Fort McCoy -ongoing
  - (2) Training team to Kuwait – Nov 03
  - (3) 35 specific training events for finance battalions and mobilization/demobilization site personnel - Feb 02 to current
  - (4) National Guard mobilization finance classes-ongoing since shortly after 9/11
  - (5) Notification to US Property & Fiscal Offices of pending mobilizations – ongoing since shortly after 9/11
  - (6) Notification to US Property & Fiscal Offices of recent demobilizations – Sep 03
  - (7) US Army Reserve toll free help lines for individuals and finance units – Mar 03
- b. Implementation of critical system enhancements
  - (1) Deploy integrated Active Component/Reserve Component input system (Defense Military pay Office-DMO) to all Army-completed
  - (2) Retroactive entitlement input-Jun 03
  - (3) Leave Accrual – Oct 03
- c. Publish revised centralized guidance on pay responsibilities/actions – Nov 03
  - (1) Revise Defense Finance & Accounting Service (DFAS) Military pay message from 19 Dec 02
  - (2) Publish matrix of responsibilities by action
  - (3) Publish standardized entitlement explanation flyer for distribution at mobilization sites
- d. Initiate compliance reviews of mobilization/demobilization sites – Dec 03
- e. Add warning screens on input system (DMO and Joint Uniform Standard Terminal Input System-JUSTIS) for tour cancellations – Oct 03
- f. Automated bumps between DJMS-RC and personnel records – Oct 03
  - (1) DJMS-RC against in- theater database for monitoring stops/starts of theater entitlements
  - (2) DJMS-RC against demobilization site records for stopping all pay/curtailing tours
- g. Published guidance on processing orders for medical extensions – Jun 03
- h. Publish memorandum to reserve commands on importance of using pay management report – Dec 03
- i. Review grades of US Property and Fiscal Office (USPFO) military pay technicians- completed
- j. Ensure pay issues for units identified by General Accounting Office are all resolved-Oct 03

2. NEAR TERM (3-6 MONTHS)
  - a. Implementation of critical system enhancements
    - (1) Hardship Duty Pay – Location (HDP-L) – Apr 04
  - b. Develop/publish revised comprehensive procedures
    - (1) Team w/ US Army Finance Command (lead), Defense Finance and Accounting Service, National Guard Bureau, US Army Reserve Command, and US Army Finance School
    - (2) Clarify who does what how & develop metrics/standards tailored to mobilization/demobilization
  - c. Produce exportable DJMS-RC training package (Finance School w/ US Army Reserve Command)
3. MID-TERM (6-36 MONTHS)
  - a. Internet soldiers' pay account access (myPay) for dependents (view-only)-Aug 04
  - b. Forward Compatible Pay system (FCP)
    - (1) Integrated AC/RC pay system
    - (2) DFAS is proponent
    - (3) Final DoD approval to proceed pending required lifecycle documentation
    - (4) Milestones:
      - (a) Complete Development-Dec 04
      - (b) Start deployment to the Army RC- Mar-05
      - (c) Start deployment to the Army AC-Jul 05
  - c. Update regulations to eliminate outdated entitlements and processes-FY 04
  - d. Evaluate placement and monitoring mechanisms for Forward Compatible Pay system/reserve pay training-FY 04
4. LONG RANGE (36+ MONTHS)
  - a. Defense Integrate Military Human Resources System (DIMHRS)
    - (1) Integrated active and reserve component pay system with the personnel system
    - (2) Under Secretary of Defense (Personnel and Readiness) is proponent
    - (3) Defense Finance and Accounting Service is executive agent for finance requirements
    - (4) Milestones:
      - (a) Initial Army operational capability DIMHRS-Sep 05
      - (b) Start deployment of DIMHRS to the Army-Jan 06
      - (c) Complete DIMHRS implementation-Sep 07

**C. APPROVED:**

1. US Army Finance Command, COL William M. Landrum, Commander
2. National Guard Financial Services Center, Mr. Gary James, Director
3. US Army Reserve Command DCSCOMPT Reserve Pay Division, Mr. King, Chief
4. Defense Finance and Accounting Services Army Military Pay Operations, COL James Leonard, Director

2 Enclosures:

1. Glossary
2. Organizations Charts(3)

Glossary

**Defense Integrated Military Human Resources System (DIMHRS)** – System being developed to provide all of the Services a single integrated system for managing personnel and paying them. The system will support all Services; both the active and reserve component; and both pay and personnel functions. A Commercial off the Shelf solution has been purchased (Peoplesoft) and a developer/integrator recently selected.

**Defense Joint Military Pay System (DJMS)** – The standard centrally run mainframe payroll system used for the Army, Air Force, and Navy. There are two separate versions: one for active component and one for reserve component. DJMS was originally the Air Force pay system(s), which was modified to add on the Army and then Navy. The system is operated and maintained by the Defense Finance and Accounting Service.

**Defense Military pay Office (DMO)** – System used for input to both the active and reserve component military pay system. DMO produces various reports and information as well as allowing input. DMO is used by mobilization/demobilization stations; Army finance battalions and deployed finance units; and the US Army Reserve Command central pay input site at Fort McCoy.

**Defense Military Pay Office (DMPO)** – The installation level finance office responsible for pay support to the soldiers assigned to that installation. The DMPOs are part of the Defense Finance and Accounting Service. However, if collocated with an Army finance battalion, the battalion provides most of the staffing and on-site leadership for the DMPO. During periods of mobilization or if a collocated finance battalion is deployed, the Army provides additional reserve resources to augment the DMPO staff.

**Forward Compatible Pay system (FCP)** – A system initiative to bring the payroll module of the DIMHRS into production faster than the current schedule for the total DIMHRS integrated pay-personnel solution. By using the same basic commercial software as DIMHRS, the early implementation of the payroll module is considered “forward compatible” to the total DIMHRS solution.

**Hardship Duty Pay –Location (HDP-L)** – Entitlement which replaced Foreign Duty Pay in 1999. This entitlement is payable to soldiers assigned for over 30 days to an overseas location which is considered hardship duty.

**Joint Uniform Standard Terminal Input System (JUSTIS)** – System used by National Guard US Property and Fiscal Stations to input transactions to the reserve component pay system. JUSTIS provides interfaces with National Guard orders and personnel systems and produces local reports as well as allowing input. The 54 US Property and Fiscal Offices of the states and territories use JUSTIS.

**Leave Accrual** – The capture and tracking of leave data (earned, used, cashed-in, combat zone vs. non-combat zone) within the pay system.

**Mobilization/Demobilization Station** – Installation responsible for the processing of reserve soldiers and units onto active duty. Primary missions include insuring units are properly trained and equipped. These stations provide medical screening, personnel processing, pay processing, legal support, and a variety of other functions to prepare the unit/soldier for further deployment. The installations are commonly referred to as Power Projection Platforms and are normally aligned with air and/or sea ports of embarkation. Most mobilization/demobilization stations are active military installations with a Defense Military Pay Office (DMPO). However some are located on reserve installations which have no active finance activity during normal periods, in which case an Army reserve garrison support unit is mobilized for this function.

**myPay** - Internet based system which gives DoD military and civilians access to their leave and earning statements, travel payments, and W-2s on-line. The system allows for input of certain transactions by the individual (i.e. tax withholding). A new capability for dependents will be limited to view-only and will use a separate personal identification number from the primary account holder.

**Retroactive Entitlement Automation** – The capability to input an authorized entitlement for a completed period of duty and the system automatically computes the amount payable based on the history of prior periods of duty.

**Table of Distribution Allowances (TDA)** – Manpower and equipment authorization document for non-deployable organizations. Commonly used to refer to garrison operations such as mobilization/demobilization activities.

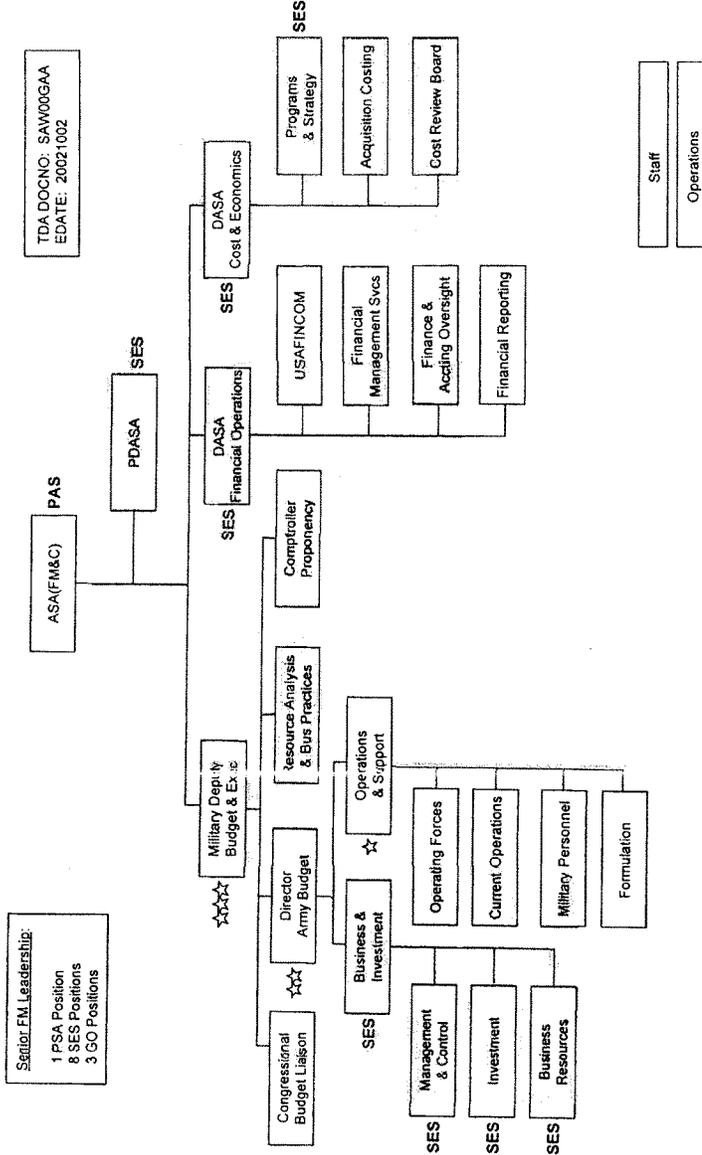
**Table of Organization and Equipment (TOE)** – Manpower and equipment authorization document for deployable units such as finance battalions and detachments.

**US Army Reserve Pay Operations Center** – Central office for reserve pay input for the US Army Reserve Command. Performs home station support for US Army Reserve units similar to that done for mobilized National Guard units by the US Property and Fiscal Offices. Because of the Pay Support Center's expertise and use of the same input systems as finance units, it has been providing most of the external training support for deploying finance units and mobilization/demobilization personnel in support of recent contingencies.

**US Property and Fiscal Office (USPFO)** – Office established in each state and territory to manage all funding and supplies provided to the National Guard from the federal government. The USPFO contains its own military pay, travel, vendor pay, accounting, budget, and logistics sections.

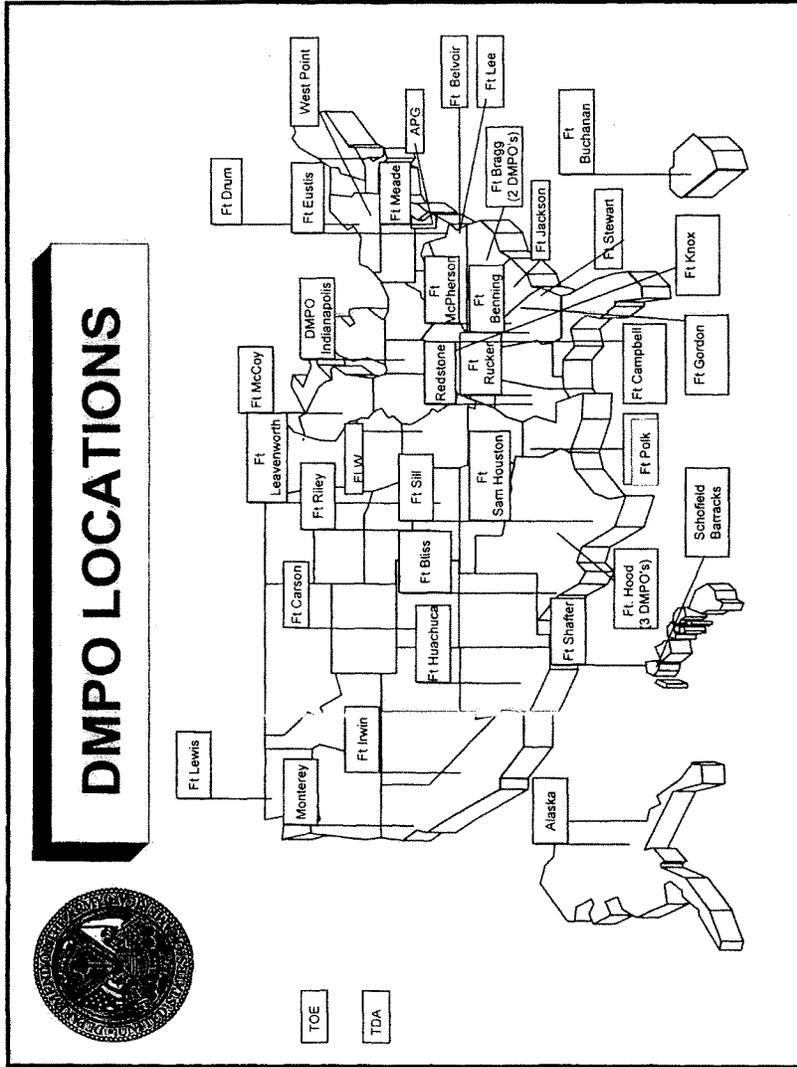


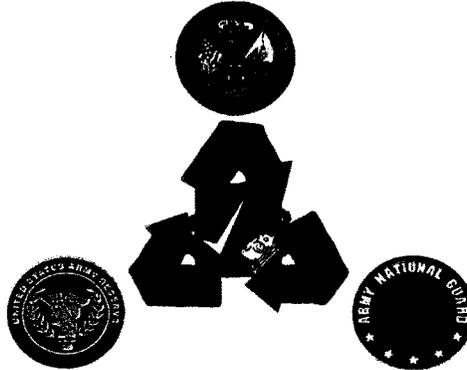
# ASSISTANT SECRETARY OF THE ARMY (FINANCIAL MANAGEMENT & COMPTROLLER)



Senior FM Leadership:  
1 PSA Position  
8 SES Positions  
3 GO Positions

TDA DOCNO: SAW00GAA  
EDATE: 20021002





*Handout  
House Government Reform Committee Hearing  
January 28, 2004*

*19 December 2003, note ASA (FM&C)*

*Update on actions to HGRC, National Security, Emerging  
Threats and International Relations Subcommittee*

**Enclosure 2**



**ASSISTANT SECRETARY OF THE ARMY**  
**WASHINGTON**

DEC 19 2003

A handwritten signature in cursive script, appearing to read "Ernest J. Gregory".

Dear Mr. Chase,

The holiday season offers us a special opportunity to extend our personal thanks to those who have dedicated countless hours to the considerable task of running the Government of our great nation.

In Army Financial Management, we are working with our colleagues in the Defense Finance and Accounting Service and the Reserve Component to ensure that our Active Duty, National Guard and Reserve Component members receive the best possible pay support.

Last month, we provided Chairman Shays with a summary which addressed problems associated with military pay inaccuracies. We also furnished you a joint corrective plan of action to fix reserve component pay issues. I wanted to take this opportunity to provide you with an update on the status of these actions.

The business of supporting soldiers is a source of pride to those of us in defense financial management. With your subcommittee's interest we can be assured that doing so will be a continued rewarding experience.

Best wishes for the holiday season.

A handwritten signature in cursive script, appearing to read "Ernest J. Gregory".

Ernest J. Gregory  
Acting Assistant Secretary of the Army  
(Financial Management and Comptroller)

(UNCLASSIFIED)

## EXECUTIVE SUMMARY

(U) MOBILIZED NATIONAL GUARD PAY ISSUES. (U) Information to update VCSA on corrective actions as of 12 Dec 03. In FY 03, GAO reviewed pay of six mobilized ARNG units at the request of Congress. Deficiencies cited included: pay process/procedures not well understood or consistently applied; need for additional training and resources to provide pay support; and non-integrated systems with limited processing capabilities and ineffective edits. The ASA (FM&C), Chief of the NGB, and Director of DFAS jointly provided to Congress an action plan of 37 actions already done or to be undertaken in time frames ranging from immediate (within 60 days) to long term (over 3 years) to correct deficiencies. Primary focus of this plan was to upgrade procedural guidance/oversight, training, and systems. Currently all 37 items in the plan, plus an additional 11 items in response to the GAO report, are being tracked and are on schedule. Significant actions completed since the GAO draft report was released include: Sent training team to Kuwait; revised procedural guidance sent to all sites; started compliance reviews of mobilization/demobilization stations; upgraded input software to reduce errors; and expanded reserve pay system training class availability. A quarterly update to Congress is scheduled for late January 2004.

G. Eric Reid/SFFM-FC-OD/DSN 699-2223

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(UNCLASSIFIED)

**INFORMATION PAPER**

12 December 2003

**SUBJECT:** Mobilized National Guard Pay Issues**ISSUE:** Pay support of mobilized Army National Guard Soldiers.

**BACKGROUND:** GAO performed a review of Pay for mobilized Army National Guard Soldiers at the request of the House Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform. GAO used a "case study" approach to review pay issues at six units (three Special Forces and three Military Police). GAO cited the following deficiencies in current processes: pay process/procedures not well understood or consistently applied; need for additional training and resources to provide pay support; and non-integrated systems with limited processing capabilities and ineffective edits.

**DISCUSSION:**

The ASA (FM&C), Chief of the National Guard Bureau, and Director of the Defense Finance & Accounting Service (DFAS) jointly provided to Congress an action plan of 37 actions already done or to be undertaken from near through long term to correct deficiencies. Primary focus of this plan was to upgrade procedural guidance/oversight, training, and systems. The plan is broken out in time frames ranging from immediate (within 60 days) to long term (over 3 years). Currently all 37 items in the plan, plus an additional 11 items in response to the GAO report, are being tracked and are on schedule (attached).

Significant actions completed since the GAO draft report was released include:

- a. Sent training team to Kuwait
- b. Revised procedural guidance sent to all sites
- c. Started compliance reviews of mobilization/demobilization stations
- d. Upgraded input software to reduce errors
- e. Expanded reserve pay system training class availability

**COURSE OF ACTION:** A senior executive level committee has been established consisting of the Acting ASA (FM&C), Director Army National Guard, and Acting Director DFAS. On a quarterly basis, the Acting DASA(FO) will update this committee and, in turn, the House Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform. The first update is scheduled for late January 2004.

Attachment

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Approved by:

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## Action/Task List for Improving Pay Support for Mobilized Soldiers

<u>Action</u>	<u>Primary</u>	<u>Status</u>	<u>Suspense</u>
<b>1. IMMEDIATE (Recent to 2 MONTHS)</b>			
a. Training on the Reserve Component Military Pay System (Defense Joint Military Pay System Reserve Component – DJMS-RC)			
(1) Training at US Army Reserve Pay Operations Center	Army	ongoing	
(2) Training team to Kuwait	DFAS	completed	Nov-03
(3) 35 specific training events for finance battalions and mobilization/demobilization site personnel	Army	completed	
(4) National Guard mobilization finance classes	Army	ongoing	
(5) Notification to USPFs of pending mobilizations	Army	ongoing	
(6) Notification to USPFs of recent demobilizations	Army	ongoing	
(7) USARC toll free help lines for individuals and finance units	Army	completed	
b. Implementation of critical system enhancements			
(1) Deploy integrated Active Component/Reserve Component input system (DMO) to all Army	DFAS	completed	
(2) Retroactive entitlement input	DFAS	completed	
(3) Leave Accrual	DFAS	completed	
c. Publish revised centralized guidance on pay responsibilities/actions			
(1) Revise Defense Finance & Accounting Service (DFAS) Military pay message from 19 Dec 02	DFAS	completed	Nov-03
(2) Publish matrix of responsibilities by action	Army	open	Dec-03
(3) Publish standardized entitlement explanation flyer for distribution at mobilization sites	Army	open	Dec-03
d. Initiate compliance reviews of mobilization/demobilization sites	Army	ongoing	Dec-03
e. Add warning screens on input system (DMO and JUSTIS)	DFAS, ARNG	completed	
f. Automated bumps between DJMS-RC and personnel records			
(1) DJMS-RC bump against in-theater database for monitoring stops/starts of theater entitlements	DFAS	ongoing	
(2) DJMS-RC bump against demobilization site records for stopping all pay/curtailing tours	DFAS	ongoing	
g. Published guidance on processing orders for medical extensions	Army	completed	
h. Publish memorandum to reserve commands on importance of using pay management report	Army	open	Dec-03
i. Review grades of USPF military pay technicians	Army	completed	
j. Ensure pay issues for units identified by GAO are all resolved	Army	completed	Oct-03
<b>2. NEAR TERM (3-6 MONTHS)</b>			
a. Automate Hardship Duty Pay - Location (HDP-L)	DFAS	open	Apr-04
b. (1) Develop/publish revised comprehensive procedures	Army	open	Mar-04
b. (2) Clarify who does what how & develop metrics/standards tailored to mobilization/demobilization	Army	open	Mar-04
c. Produce exportable DJMS-RC training package	Army	open	Mar-04
<b>3. MID-TERM (6-36 MONTHS)</b>			
a. Internet soldiers' pay account access for dependents (view-only)	DFAS	open	Aug-04
b. (1) Forward Compatible Pay system (FCP) approval from DoD	DFAS	open	Sep-04
b. (2) Complete FCP Development-Dec 04	DFAS	open	Dec-04
b. (3) Start FCP deployment to the Army RC- Mar-05	DFAS	open	Mar-05
b. (4) Start FCP deployment to the Army AC-Jul 05	DFAS	open	Jul-05
c. (1) Update DoDFMR	DFAS	open	Sep-04
c. (2) Update AR 37-104-4	Army	open	Sep-04
c. (3) Update NGR 130-6	Army	open	Sep-04
d. Evaluate placement and monitoring mechanisms for FCP/reserve pay training	Army	open	Sep-04

Action/Task List for Improving Pay Support for Mobilized Soldiers

<u>Action</u>	<u>Primary</u>	<u>Status</u>	<u>Suspense</u>
<b>4. LONG RANGE (36+ MONTHS)</b>			
a. (1) Initial Army operational capability DIMHRS-Sep 05	USD(P&R)	open	Sep-05
a. (2) Start deployment of DIMHRS to the Army-Jan 06	USD(P&R)	open	Jan-06
a. (3) Complete DIMHRS implementation-Sep 07	USD(P&R)	open	Sep-07
<b>5. RESPONSE TO GAO NOT IN MEMO TO CONGRESS</b>			
Evaluate support for surge staffing of USPFOS	Army	open	Apr-04
Add pay support doc review & monthly recons to precommand course	Army	open	Sep-04
Continue to add functionality to myPay for discretionary actions	DFAS	ongoing	
Evaluate SIDPERS-NG - JUSTIS interface for mobilization	Army	open	Mar-04
Add JUSTIS table of mobilized soldiers' accounts w/recurring input	Army	open	Apr-04
JUSTIS change to require remark on misc. credit input	Army	open	Apr-04
DMO change to require remark on misc. credit input	DFAS	completed	Apr-04
Provide DMPOs and FBs with NG newsletter	DFAS	ongoing	
Evaluate Potential DJMS-RC systems change for debt threshold	DFAS	open	Apr-04
Incorporate Army Guard pay problems in DIMHRS development	USD (P&R)	open	Sep-05
Include full reengineering in DIMHRS	USD (P&R)	open	Sep-05
<b>6. ADDITIONAL INITIATIVES (PARTIAL)</b>			
Automate CONUS COLA	DFAS	open	Sep-04

(UNCLASSIFIED)

## EXECUTIVE SUMMARY

(U) PAYROLL ACTIONS FOR TOUR EXTENSIONS OF MOBILIZED SOLDIERS IN THEATER. (U) Information to update VCSA on completed actions as of 12 Dec 03. USARC and the ARNG have centrally input extensions for mobilized Soldiers to the reserve pay system. USARC extended all USAR Soldiers in a mobilized status with an original REFRAD of 1 Dec 03 or later. Input was made to extend pay and allowances to 730 days from initial mobilization of each individual. ARNG extended all NG Soldiers mobilized or on COTTAD in support of OEF or OIF with an original REFRAD between 1 Jan 04 and 31 Jul 04. Input was made to extend pay and allowances to 365 days after original scheduled REFRAD. Extensions for Soldiers with a REFRAD prior to these dates were manually input on unit-by-unit basis using the mobilization extension orders from G-3. Breadth and length of extension actions on the pay system designed to ensure all extended Soldiers continue to receive pay. Because of this, proper adjustment input by demobilization station finance personnel to stop pay upon actual demobilization date is critical to avoid overpayments. Backstop is review of command pay reports by units and supporting finance at home station after demobilization. Coordination ongoing with HRC Alexandria to obtain automated 214 file for bump with pay system.

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(UNCLASSIFIED)

**INFORMATION PAPER**

18 December 2003

**SUBJECT:** Tour Extensions of Mobilized Soldiers in Theater**ISSUE:** Policy change from one-year mobilization to one-year deployed in theater**BACKGROUND:** The change to in-theater tour lengths to one year requires extension of the original one-year mobilization period. This requires extension action in the Pay system and Defense Enrollment Eligibility Reporting System (DEERS) to ensure continuity of pay, dependent medical care, and reissue of identification cards.**DISCUSSION:**

The U.S. Army Reserve Command (USARC) and the Army National Guard (ARNG) have centrally input extensions for mobilized Soldiers to the reserve pay system. On 20 Nov 03, USARC extended all USAR Soldiers in a mobilized status, regardless of contingency operation, with an originally scheduled Return From Active Duty (REFRAD) of 1 Dec 03 or later. Input was made to extend pay and allowances to 730 days from initial mobilization of each individual. On 10 Dec 03, ARNG extended all National Guard Soldiers mobilized or on COTTAD, in support of OEF or OIF only, with an original REFRAD between 1 Jan 04 and 31 Jul 04. Input was made to extend pay and allowances an additional 365 days from the originally scheduled REFRAD. Extensions for Soldiers with a REFRAD prior to these dates were manually input by the USARC Reserve Component Pay Support Office or a an ARNG U.S. Property and Fiscal Office on a unit-by-unit basis using the mobilization extension orders from G-3.

Breadth and length of extension actions on the pay system were designed to ensure all extended Soldiers continue to receive pay. Because of this, all units were extended to a uniform two years regardless of actual revised REFRAD or if they were in the theater. This makes it critical that demobilization station finance personnel make proper adjustment input by to stop pay upon the actual REFRAD date in order to avoid overpayments. Messages and memorandums have been sent to all finance offices and states advising them of actions taken and need to rigorously perform demobilization processing. Backstop is review of command pay reports by units and supporting finance at home station after demobilization.

**COURSE OF ACTION:** The Defense Finance and Accounting Service, USARC, and ARNG are reviewing pay files to identify anomalies (i.e. extended tour without extended allowance) and to ensure any units with original REFRADS in the November through January timeframe have been processed correctly. The U.S. Army Finance Command is working with DFAS and Human Resources Command (HRC)-Alexandria to obtain an automated file of REFRADs (DD Form 214) from the Transition Processing (TRANSPROC) system for an automated comparison to records in the pay system.

Action Officer/ Contact information:

Mr. G. Eric Reid

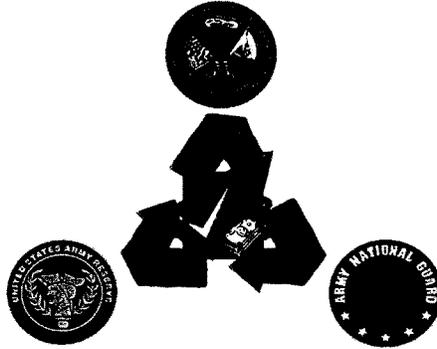
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*Handout  
House Government Reform Committee Hearing  
January 28, 2004*

***Matrix of Actions  
Near Term, Mid-Term, and Long Range Solutions to the Lack  
of an Integrated Pay System***

**Enclosure 3**



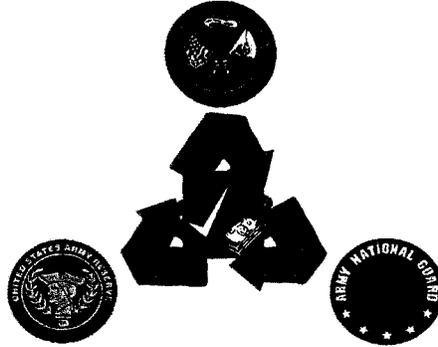
Summary Action/Task List for Improving Pay Support for Mobilized Soldiers

Control Number	Action	Primary Organization	Suspense	Status	GAO Response	Memo to Congress
20	Review grades of US Property and Fiscal Office (USPFO) military pay technicians (completed prior to or during GAO review (Slide 4))	ARNG		completed	9	ii
8	Deploy integrated Active Component/Reserve Component input system (DMO) to all Army	DFAS		completed	N/A	1b(1)
9	Retrospective entitlement input	DFAS		completed	N/A	1b(2)
3	35 specific training events for finance battalions and mobilization/demobilization site personnel	USARC		completed	10	1a(3)
7	US Army Reserve help lines for individuals and finance units	USARC		completed	N/A	1a(7)
18	Published guidance on processing orders for medical extensions	ARMY G1		completed	4	1g
<b>Completed after GAO review (Slide 5)</b>						
21	Ensure pay issues for units identified by General Accounting Office are all resolved	ARNG	Oct-03	completed	15	ij
43	Joint Uniform Standard Terminal Input System (JTSTIS - ARNG input system) change to require remark on miscellaneous credit input	ARNG	Apr-04	completed	20	N/A
15	Add warning screens on input system (DMO and JSTIS) for tour cancellations	DFAS, ARNG		completed	4, 21	1e
10	Leave Accrual	DFAS		completed	N/A	1b(3)
11	Revise Defense Finance & Accounting Service (DFAS) Military pay message from 19 Dec 02	DFAS	Nov-03	completed	1, 3, 18	1c(1)
2	Training team to Kuwait	DFAS	Nov-03	completed	10	1a(2)
44	DMO change to require remark on misc. credit input	DFAS	Apr-04	completed	20	N/A
15	DMO standardized entitlement explanation flyer or distribution at mobilization sites	USAFINCOM	Dec-03	completed	13	1c(3)
12	Publish matrix of responsibilities by action	USAFINCOM	Dec-03	completed	1, 3	1c(2)
<b>Ongoing Actions (Slide 6)</b>						
1	Training at US Army Reserve Pay Operations Center	USARC		ongoing	10	1a(1)
4	National Guard mobilization finance classes	ARNG		ongoing	10	1a(4)
5	Notification to US Property & Fiscal Offices of pending mobilizations	ARNG		ongoing	N/A	1a(5)
6	Notification to US Property & Fiscal Offices of recent demobilizations	ARNG		ongoing	N/A	1a(6)
16	Defense Joint Military Pay System - Reserve Component (DJMS-RC) automated reconciliation to in-theater database for monitoring stops/starts of theater entitlements	DFAS		ongoing	3	1f(1)
40	Continue to add functionality to myPay for discretionary actions	DFAS		ongoing	14	N/A
17	DJMS-RC automated reconciliation to demobilization site records for stopping all pay/curtailing tours	DFAS		ongoing	3	1f(2)
45	Provide Defense Military Pay Offices (DMPO) and Finance Battalions (FB) with NG newsletter	DFAS		ongoing	20	N/A
14	Initiate compliance reviews of mobilization/demobilization sites	USAFINCOM	Dec-03	ongoing	1	1d
19	Publish memorandum to reserve commands on importance of using pay management report	USAFINCOM	Dec-03	ongoing	5	1h



Summary Action/Task List for Improving Pay Support for Mobilized Soldiers

Control Number	Action	Primary Organization	Suspense	Status	GAO Response	Memo to Congress
<b>Near-Term Actions (3 to 6 months) (Slide 7)</b>						
23	Develop/publish revised comprehensive procedures	USAFINCOM	Mar-04	open	1	28(1)
24	Clarify who does what how & develop metrics/standards tailored to mobilization/demobilization	USAFINCOM	Mar-04	open	2	28(2)
41	Evaluate Standard Installation/Division Personnel System - National Guard (SIDPERS-NG)	ARNG	Mar-04	open	16	N/A
42	Add JUSTIS table of mobilized soldiers' accounts with recurring input required	ARNG	Apr-04	open	19	N/A
38	- JUSTIS interface for mobilization	ARNG	Apr-04	open	7, 8	N/A
22	Evaluate support for surge staffing of USFPOs	DFAS	Apr-04	open	17	28(1)
46	Automate Hardship Duty Pay - Location (HDP-L)	DFAS	Apr-04	open	21	N/A
45	Evaluate potential DIMS-RC systems change for color threshold	DFAS	Apr-04	open	10	28
25	Produce exportable DIMS-RC training package	Finance School	Mar-04	open		
<b>Mid-Term Actions (6 to 36 months) (Slide 8)</b>						
32	Update regulations to eliminate outdated entitlements and processes - AR 37-104-4	USAFINCOM	Sep-04	open	6	3c
33	Update regulations to eliminate outdated entitlements and processes - NGR 130-6	ARNG	Sep-04	open	6	3c
39	Aid pay support doc review & monthly reconciliations to precommand course	ARNG	Sep-04	open	11	N/A
26	Internet soldiers' pay account access (myPay) for dependents (view-only)	DFAS	Aug-04	open	14	3a
31	Update regulations to eliminate outdated entitlements and processes	DFAS	Sep-04	open	27	N/A
	Forward Compatible Pay system (FCP) approval from DoD/Business Management Modernization Program (B4MP)	DFAS	Sep-04	open	17, 18, 20	38(3)
28	Complete FCP Development-Dec 04	DFAS	Dec-04	open	17, 18, 20	38(4)(a)
29	Start FCP deployment to the Army RC- Mar-05	DFAS	Mar-05	open	17, 18, 20	38(4)(b)
30	Start FCP deployment to the Army AC- Jul 05	DFAS	Jul-05	open	17, 18, 20	38(4)(c)
34	Automate Continental US Cost of Living Allowance (CONUS COLA)	DFAS	Sep-04	open	N/A	N/A
49	Evaluate placement and monitoring mechanisms for FCP/reserve pay training	Finance School	Sep-04	open	10, 12	3d
<b>Long-Term Actions (36+ months) (Slide 9)</b>						
47	Incorporate Army Guard pay problems in Defense Integrated Military Human Resources System (DIMHRS) development	OSD	Sep-05	open	22	N/A
48	Include full reengineering in DIMHRS	OSD	Sep-05	open	23	N/A
35	Initial Army operational capability DIMHRS-Sep 05	OSD	Sep-05	open	23, 24	48(4)(a)
36	Start deployment of DIMHRS to the Army-Jan 06	OSD	Jan-06	open	23, 24	48(4)(b)
37	Complete DIMHRS implementation-Sep 07	OSD	Sep-07	open	23, 24	48(4)(c)



*Handout  
House Government Reform Committee Hearing  
January 28, 2004*

*Briefing Slides – Information for 27 Jan. 04  
HGRC Briefing on Military Pay Problems*

**Enclosure 4**



# National Guard Mobilized Pay Review

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Action Plan Update  
January 2004



## National Guard Mobilized Pay Review Background

- GAO review at request of the House Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform.
  - A case study approach used to review pay issues at six units
    - three Special Forces and three Military Police units
    - chosen due to variety of entitlements
    - all pre-Iraq (Afghanistan, Guantanamo Bay, Noble Eagle)
- Deficiencies
  - pay procedures not understood or consistently applied for additional and resources to provide pay support
  - non-integrated with limited processing capabilities and ineffective

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# National Guard Mobilized Pay Review DoD Response

- Two responses
  - Response to GAO on 23 recommendations
  - Memorandum with list of action items to Congressman Shays
- 49 Action items (between and Defense Finance and Accounting Service (DFAS)
  - Army National Guard (ARNG)
  - US Army Finance Command (USAFINCOM)
  - US Army Reserve Command (USARC)
  - US Army Finance School
  - Army G-1
  - Office of Secretary of Defense (OSD)
- Originally broken into three frame
  - Implementation (2 month is ongoing) - Training, Procedures, Compliance
  - Metrics (2 to 6 months) - Metrics, Exportable Training
  - Long term (6 to 36 months) - Forward Compatible Pay (FCP) System



# National Guard Mobilized Pay Review Completed Actions

Completed prior or during GAO review

- ARNG - Review grades of US Property and Fiscal Office (USPFO) military pay technicians (20)
- DFAS - Deploy and grade Active Component/Reserve Component input system - Defense Military Office (DMO) to all Army (8)
- DFAS - Retiree active entitlement input (9)
- USARC - 35 specific training events for finance battalions and mobilization/demobilization site personnel (3)
- USARC - US Army Reserve help lines for individuals and finance units (7)
- DA GI - Published guidance on processing orders for medical extensions (18)



# National Guard Mobilized Pay Review Completed Actions

## Completed after GAO review

- ARNG - Ensure pay issues for units identified by General Accounting Office are all resolved (24)
- ARNG - Joint Form Standard Terminal Input System (JUSTIS) change to require remark on miscellaneous credit input (43)
- DFAS/ARNG - Add warning screens on input system (DMO and JUSTIS) for tour cancellations (15)
- DFAS - Leave Accrual in Defense Joint Military Pay System - Reserve Component (DIMS-I-C) (10)
- DFAS - Revise I FAS Military pay message from 19 Dec 02 (11)
- DFAS - Training test (2)
- DFAS - Change to require remark on miscellaneous credit input (44)
- USAFINCOM - Publish standardized explanation flyer for distribution at mobilization (13)
- COM - Publish training responsibilities by action (12)

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# National Guard Mobilized Pay Review Ongoing Actions

- Initiated prior to or during GAO review

- USARC - Training at US Army Reserve Pay Operations Center (1)
- ARNG - National Guard mobilization finance classes (4)
- ARNG - Notification to US Property & Fiscal Offices of pending mobilizations (5)
- ARNG - Notification to US Property & Fiscal Offices of recent demobilizations (6)
- DFAS - DIMS RC: automated reconciliation to in-theater database for monitoring stops/starts of theater entitlements (16)
- DFAS - Continue to add functionality to myPay for discretionary actions (40)

- Initiated after GAO review

- DFAS - DIMS RC: automated reconciliation to demobilization site records for stopping all pay during tours (17)
- DFAS - Provide Defense Military Personnel and Finance Battalions with NG newsletter (45)
- USAF - Initiate compliance of mobilization/demobilization sites (14)
- INCOM - Publish report to reserve commands on importance of using pay management report (awaiting Vice Chief of Staff of the Army signature) (19)

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# National Guard Mobilized Pay Review

## Near Term Actions

(3 to 6 months)

- USAFINCOM - Develop/publish revised comprehensive procedures (23)
- USAFINCOM - Clarify what does what how & develop metrics/standards tailored to mobilization/demobilization (24)
- ARNG - Evaluate and install/Division Personnel System National Guard (SIPERS-NG) - JUSTIS interface for mobilization (41)
- ARNG - Add JUST S table of mobilized soldiers' accounts with recurring input required (42)
- ARNG - Evaluate support of surge staffing of USRFOs (8)
- DFAS - Automate Leadership Duty Pay Location (HDP-L) (22)
- DFAS - Estimate potential DJMS R systems change for debt threshold (46)
- Finance School - Produce exportable DARSRC training package (25)

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# National Guard Mobilized Pay Review

## Mid-Term Actions

(6 to 36 months)

- USAFINCOM - Update regulations to eliminate outdated entitlements and processes
  - Army Regulation 37-104-4 (32)
- ARNG - Update regulations to eliminate outdated entitlements and processes
  - National Guard Regulation 130-6 (33)
- ARNG - Add pay support for ad hoc review & monthly reconciliations to pre-command course (39)
- DFAS - Internet soldier's pay account access (myPay) for dependents (view-only) (26)
- DFAS - Update regulations to eliminate outdated entitlements and processes
  - DoD Financial Management Regulation (31)
- DFAS - Forward Compatible Pay system (FCP) approval from DoD/Business Management Modernization Program (MMP) (27)
- DFAS - Complete FCP deployment (28)
- DFAS - Start FCP deployment to the Army RCT Mar-05 (29)
- DFAS - Complete FCP deployment to the Army AC-Jul 05 (30)
- DFAS - Automate Continuation of Pay Post of Living Allowance (CONUS COLA) (49)
- Financial - Evaluate and develop monitoring mechanisms for FCP/reserve pay training (34)

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# National Guard Mobilized Pay Review

## Long Term Actions

(36+ months)

- OSD - Incorporate Army Guard pay problems in DIMHRS development (47)
- OSD - Include II reengineering in DIMHRS (48)
- OSD - Initial Army operational capability DIMHRS - Sep 05 (35)
- OSD - Start deployment of DIMHRS to the Army - Jan 06 (36)
- OSD - Complete DIMHRS implementation - Sep 07 (37)

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# National Guard Mobilized Pay Review

## IPR Process

- Biweekly - Action Officer Level (started Nov 03)
- Quarterly - Executive Level (mid Jan 04)
- Quarterly - Congress (late Jan 04)
- Master action list as baseline (Memo to Congress plus GAO uniques)
- Program/milestones/control number for each action