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MILITARY PAY

Army Reserve Soldiers Mobilized to Active Duty Experienced Significant Pay Problems

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Highlights of [GAO-04-990T](#), a testimony to the Chairman, Committee on Government Reform, Subcommittee on Government Efficiency and Financial Management, House of Representatives

Why GAO Did This Study

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

What GAO Recommends

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

www.gao.gov/cgi-bin/getrpt?GAO-04-990T.

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

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What GAO Found

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

Pay Experiences at Eight Army Reserve Case Study Units

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

Source: GAO.

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

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

Mr. Chairman and Members of the Subcommittee:

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

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

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

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

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

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

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

Summary

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

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

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

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

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

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

Case Studies Illustrate Significant Pay Problems

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

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

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

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

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

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

Table 1: Pay Problems at Eight Case Study Units

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

Source: GAO analysis.

Some of the pay problems we identified included the following.

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

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

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

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

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

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

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

Process Deficiencies

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

Flaws in Maintaining Accountability over Soldiers throughout Mobilization

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

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

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

Mobilization Station Accountability

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

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

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

Deployment Accountability

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

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

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

Individual Case Illustration: Biweekly Flights to Transmit Unit Pay Documents

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

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

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

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

Lack of Clear Pay Review Procedures at Mobilization Stations

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

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

Inadequate Processes for Key Pay and Personnel Reconciliation Reports

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

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

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

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

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

Family Separation Allowance Eligibility Requirements Are Not Clear

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

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

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

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

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

Human Capital Issues

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

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

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

Inadequate Resourcing for Critical Unit Administrator Positions

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

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

Inadequate Pay Management Training

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

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

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

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

- At the 824th Quartermaster unit, while our audit of unit pay reports showed that the unit administrator reviewed the documents, we saw no indication that she used this information to identify and stop an overpayment of \$18,000 to one soldier in her unit. As a result, the erroneous pay was allowed to continue for another 5 months.
- Several soldiers with the 965th Dental Company did not receive promotion pay increases and other entitlements for over 2 months because the unit administrator failed to process necessary pay-support documentation—available at the time of unit’s initial SRP—until after the unit was deployed on active duty.
- At the 443rd Military Police Company, the unit’s finance sergeant⁶ who was assigned pay management responsibilities did not gather and submit current documentation needed to support active duty pays, such

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

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

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

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

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

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

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

Customer Service Breakdowns

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

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

not always have Internet and telephone access to utilize sources through these media. The lack of Internet access for deployed soldiers was particularly problematic because it limited soldiers' access to pay, allowance, and tax benefit data reflected in their leave and earnings statements. Lacking leave and earnings statements, soldiers had no means to determine the propriety of their active duty payments. For example, soldiers with the 948th Surgical Team told us that their inability to access the leave and earnings statements adversely affected their overall morale.

Even when mobilized reservists were able to contact customer service sources, their pay issues often continued because the office they were instructed to contact was unable to address their inquiry or correct their problem. In some cases, customer service sources failed to help soldiers because they lacked an understanding of what was needed to fix the problems. When representatives of the 948th Surgical Team contacted their parent company for help in correcting pay problems, personnel with the parent company informed them that they could not fix the unit's pay problems because they (incorrectly) believed that the unit was paid through the Army's active duty pay system. Soldiers at other units were redirected from one source to another. Soldiers were not aware of which sources could address which types of problems, and more significantly, the customer service sources themselves often did not know who should correct a specific problem.

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

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

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

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

Systems Problems

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

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

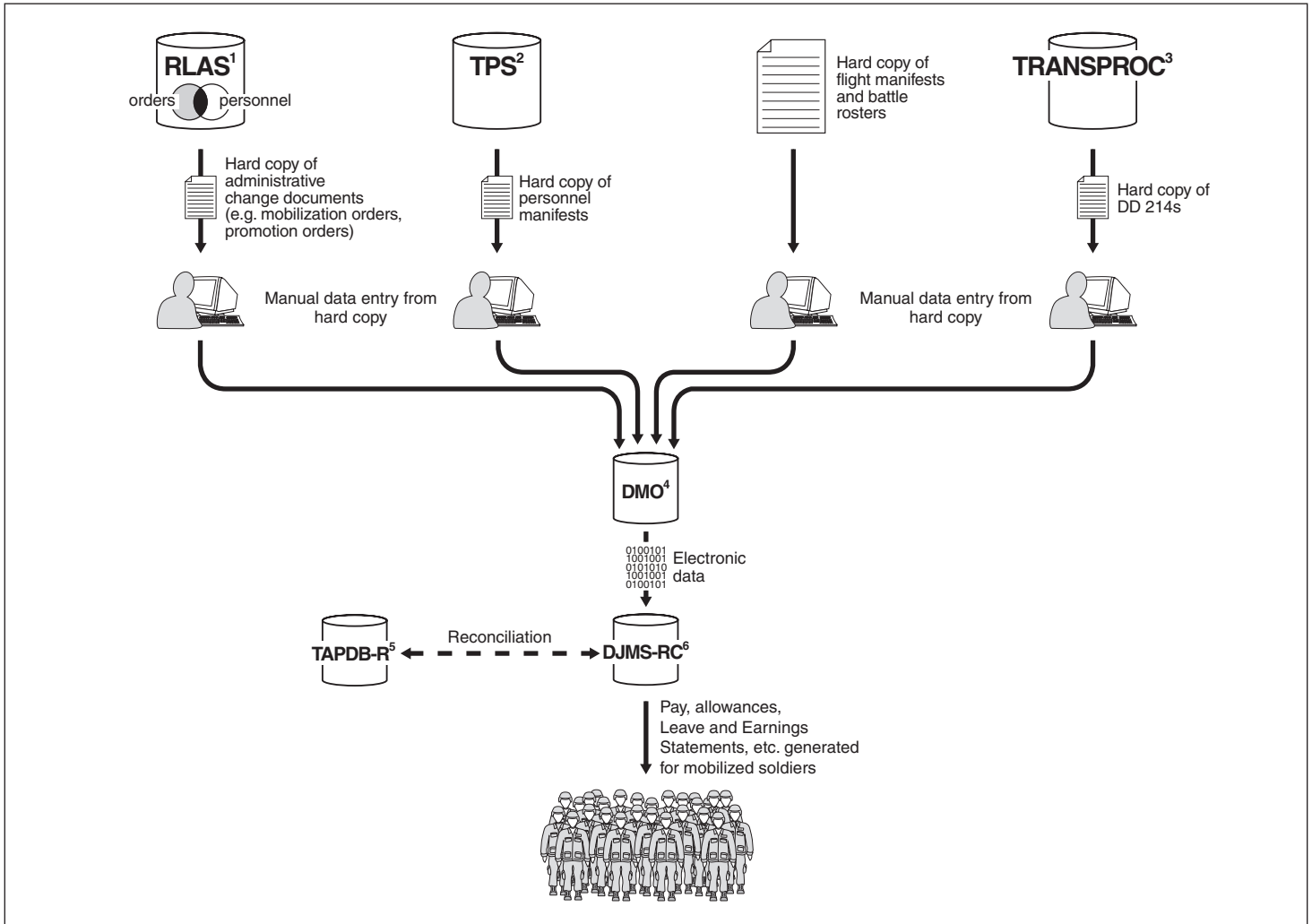
Because of the automated systems weaknesses, both Army Reserve and active Army personnel must put forth significant manual effort to accurately process pays and allowances for mobilized Army Reserve soldiers. Moreover, to compensate for the lack of automated controls over the pay process, both DFAS and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

Automated Systems Are Not Integrated and Have Limited Interfaces

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

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

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



Source: GAO.

Note:

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

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

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

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

Limited Automated Processing Capabilities

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

Hardship Duty Pay

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

We found that nearly all soldiers in our case studies who were eligible for hardship duty pay experienced problems with this pay, including late payments, underpayments, and overpayments. For example, the 965th Dental Company's soldiers from Seagoville, Texas, experienced both underpayments and overpayments. Specifically, all 85 soldiers deployed to Kuwait were underpaid a total of approximately \$8,000 for hardship duty pay they were entitled to receive during their deployment overseas. Subsequently, 76 of the unit's soldiers were overpaid a total of almost \$47,000 because they continued to receive hardship duty payments for more than 6 months after they had left the theater.

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

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

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

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

Combat Zone Tax Exclusion

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

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

⁸26 U.S.C. Section 112.

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

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

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

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

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

⁹GAO-04-89

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

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

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

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

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

Concluding Comments

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

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

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

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

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

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

Contacts and Acknowledgments

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Background

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

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

**Appendix I
Background**

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

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

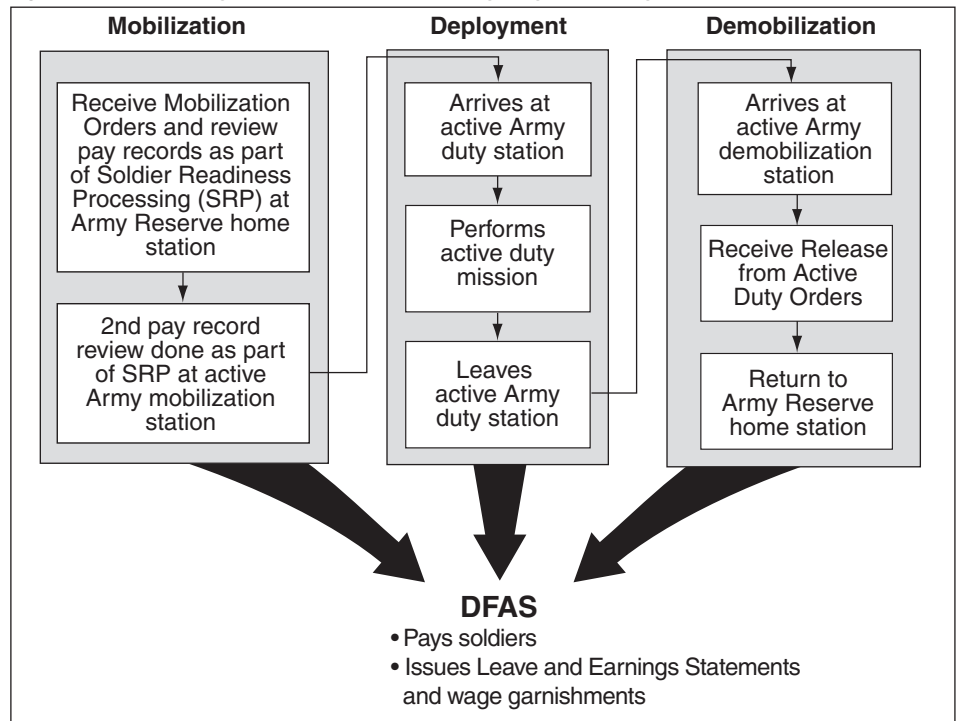
Source: GAO.

Mobilization Phases

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

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

Figure 2: Three Key Phases for Active Duty Pays to Army Reserve Soldiers



Source: GAO.

Mobilization

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

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

Deployment

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

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

Demobilization

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

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

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

Scope and Methodology

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

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

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

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

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

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

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

Summaries of Case Studies

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

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

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

**824th Quartermaster
Company
Fort Bragg, NC**

Number of mobilized unit soldiers' pays audited: 68

Period of mobilization: February 2003 to September 2003

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

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

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

Unit Pay and Allowance Problems Identified (by Phase)

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

Source: GAO.

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

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

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

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

Examples of specific problems identified:

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

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

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

965th Dental Company
Seagoville, Tex

Number of mobilized unit soldiers' pays audited: 93

Period of mobilization: February 2003 through July 2003

Principal deployment location: Camp Arifjan, Kuwait

Deployment duties: Provided emergency dental services

Number of unit soldiers with at least one problem with active duty pay and allowance entitlements: 89 of 93

Pay and Allowance Problems Identified (by Phase)

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

Source: GAO.

Overpayments identified (number of soldiers affected): \$100,000 (86)

Late payments identified (number of soldiers affected): \$16,000 (86)

Underpayments identified (number of soldiers affected): \$27,000 (65)

Combat zone tax exclusion benefit problems identified: 75 of the 85 soldiers deployed overseas received their combat zone tax exclusion benefit 2 to 3 months late, totaling approximately \$24,000. In addition, we identified \$200 in over-withholdings and \$300 in under-withholdings.

Examples of specific problems identified:

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

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

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

Number of mobilized unit soldiers' pays audited: 20

Period of mobilization: January 2003 to September 2003

Principal deployment location: Kandahar, Afghanistan

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

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

Pay and Allowance Problems Identified (by Phase)

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

Source: GAO.

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

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

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

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

Examples of specific problems identified:

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

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

**443rd Military Police
Company,
Owings Mills, MD**

Number of mobilized unit soldiers' pays audited: 121

Period of mobilization: February 2003 to January 2004

Principal deployment location: Camp Cropper, Baghdad Airport, Iraq

Deployment duties: Guard Iraqi prisoners at Camp Cropper

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

Pay and Allowance Problems Identified (by Phase)

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

Source: GAO.

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

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

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

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

Examples of specific problems identified:

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

Appendix III
Summaries of Case Studies

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

**FORSCOM Support
Unit Finksburg, MD**

Number of mobilized unit soldiers' pays audited: 1

Period of mobilization: March 2003 to May 2003

Principal deployment location: Camp Doha, Qatar

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

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

Pay and Allowance Problems Identified (by Phase)

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

Source: GAO.

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

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

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

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

Examples of specific problems identified:

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

Appendix III
Summaries of Case Studies

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

629th Transportation
Detachment
Fort Eustis, VA

Number of mobilized unit soldiers' pays audited: 24

Period of mobilization: March 2003 to January 2004

Principal deployment location: Kuwait

Deployment duties: Tracking logistics supplies in and out of Kuwait

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

Pay and Allowance Problems Identified (by Phase)

Phase	Number of soldiers with pay problems
Mobilization	5 of 24
Deployed	24 of 24
Demobilization	1 of 24

Source: GAO.

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

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

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

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

Examples of specific problems identified:

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

**3423rd Military
Intelligence
Detachment
New Haven, CT**

Number of mobilized unit soldiers' pays audited: 11

Period of mobilization: December 2002 to December 2003

Deployment location: Ft. Belvoir, Virginia

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

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

Pay and Allowance Problems Identified (by Phase)

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

Source: GAO.

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

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

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

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

Examples of specific problems identified:

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

Appendix III
Summaries of Case Studies

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

431st Chemical
Detachment
Johnstown, PA

Number of mobilized unit soldiers' pays audited: 10

Period of mobilization: January 2003 to July 2003

Principal deployment location: Kuwait and surrounding locations

Deployment duties: Monitor battlefields for sign of nuclear, biological, or chemical agents

Number of unit soldiers with at least one problem with active duty pay and allowance entitlements: 10 of 10

Pay and Allowance Problems Identified (by Phase)

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

Source: GAO.

Overpayments identified (number of soldiers affected): \$12,000 (10)

Late payments identified (number of soldiers affected): \$1,000 (8)

Underpayments identified (number of soldiers affected): \$2,000 (10)

Combat zone tax exclusion benefit problems identified: While we were unable to quantify, nearly all soldiers deployed overseas received their combat zone tax exclusion benefit at least 1 month late.

Examples of specific problems identified:

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

Appendix III
Summaries of Case Studies

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

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