



United States Government Accountability Office  
Washington, D.C. 20548

May 11, 2005

The Honorable Richard J. Durbin  
United States Senate

Subject: *Military Personnel: DOD Comments on GAO's Report on More DOD Actions Needed to Address Servicemembers' Personal Financial Management Issues*

Dear Senator Durbin:

In response to your request, we issued a report in April 2005 on the Department of Defense's (DOD) efforts to address personal financial management (PFM) issues encountered by its servicemembers and their families.<sup>1</sup> In that report, we made recommendations to the Secretary of Defense to enhance servicemembers' financial conditions and the effectiveness of DOD's PFM programs and training. On March 17, 2005, we provided a draft of that report to DOD for review and comment. DOD did not provide comments in time to incorporate them in the final GAO report that went to printing on April 22, 2005. To present DOD's comments and provide our perspective on them, this report briefly summarizes our April 2005 report's objectives, results, and recommendations, along with DOD's comments and our evaluation of the comments. DOD's comments, which were provided by the Under Secretary of Defense for Personnel and Readiness, are included as an enclosure to this report.

## Summary of Objectives, Results, and Recommendations

We answered three questions in our April 2005 report: (1) To what extent does deployment impact the financial conditions of active duty servicemembers and their families? (2) Does DOD have an oversight framework for evaluating military programs that assist both deployed and non-deployed servicemembers in managing their personal finances? And (3) To what extent are junior enlisted servicemembers receiving required personal financial management training?

<sup>1</sup> See GAO, *Military Personnel: More DOD Actions Needed to Address Servicemembers' Personal Financial Management Issues*, [GAO-05-348](#) (Washington, D.C.: Apr. 26, 2005).

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We found that the financial conditions of deployed and non-deployed servicemembers and their families are similar, but deployed servicemembers and their families may face additional financial problems related to pay. In both a 2003 DOD-wide survey and non-generalizable focus groups that GAO conducted on 13 military installations in the United States and Germany, servicemembers who were deployed reported similar financial conditions as those who were not deployed. Some of GAO's focus group participants also noted that they—like Army reservists in GAO's 2004 report<sup>2</sup>—had not received their \$250 family separation allowance each month during their deployment. Pay record data showed that almost 6,000 deployed servicemembers had received more than the prescribed \$250 for January 2005, and 11 of them received a \$3,000 catch-up, lump sum payment—the equivalent of 12 months of the allowance. This pay problem was due, in part, to service procedures being confusing and not always followed. Families who do not receive this allowance each month may experience financial strain caused by additional expenses, such as extra childcare. In addition, DOD and installation officials as well as servicemembers told us that problems communicating with creditors during deployment can cause other financial difficulties. Servicemembers told us that limited Internet access, the high cost of calling from overseas, and delays in the delivery of mail often prevented them from promptly contacting creditors. Failure to avoid or promptly correct serious financial problems can result in negative consequences, such as bad credit ratings for these servicemembers and decreased morale and readiness for the servicemembers' units.

We also found that DOD lacks an oversight framework—one with results-oriented performance measures and reporting requirements—for evaluating the effectiveness of PFM programs across the services. Although DOD's 2002 human capital strategic plan stated that a standardized evaluation system for PFM programs is a desired goal, DOD does not currently have such a system. In 2003, GAO reported that DOD had included evaluative reporting measures in a draft of its PFM instruction to the services. However, the final PFM instruction, issued by DOD in 2004,

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<sup>2</sup> See GAO, *Military Pay: Army Reserve Soldiers Mobilized to Active Duty Experienced Significant Pay Problems*, [GAO-04-911](#) (Washington, D.C.: Aug. 20, 2004). We found that the procedures to determine entitlement and to process family separation allowance were not well understood by either pay technicians or soldiers themselves. We recommended that the Secretary of the Army, in conjunction with the Under Secretary of Defense (Comptroller), clarify and simplify procedures and forms implementing family separation allowance entitlement policy.

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did not address outcome measures or contain a requirement that the services report program results to DOD. When asked why the evaluation and reporting requirements had been dropped, DOD officials indicated that the services objected to these additional requirements. Without a policy requiring evaluation and a reporting relationship between DOD and the services, DOD and Congress do not have the visibility or oversight needed to address issues related to the PFM programs.

Some junior enlisted servicemembers are not receiving PFM training that is required by service regulations. While each of the services implements PFM training differently to take into account service-specific constraints, all of the services have policies requiring that PFM training be provided to junior enlisted servicemembers. The extent to which the PFM training is received is unknown because most of the services do not track the completion of PFM training at the service level. Only the Army collected installation-level data and could provide a service-wide estimate of PFM training completed by junior enlisted servicemembers. Senior Army officers at most of the Army installations we visited acknowledged the need for PFM training but noted that current deployment schedules limit the time available to prepare soldiers for their warfighting mission. Top-level DOD officials have repeatedly stated that financial issues directly affect servicemembers' mission readiness and should be addressed. Therefore, units whose servicemembers do not receive required PFM training risk jeopardizing their ability to meet mission requirements.

To address issues related to servicemembers' financial management, we recommended in our April 2005 report that the Secretary of Defense direct the Under Secretary of Defense for Personnel and Readiness to take the following four actions:

- Take the necessary steps, in conjunction with the Defense Finance and Accounting Service and the services, to ensure servicemembers receive family separation allowances on a monthly basis during deployments. These steps might include those recommended in our prior review of Army Reserve pay,<sup>3</sup> such as clarifying and simplifying procedures and forms implementing family separation allowance entitlements or having DOD and the operational components of the services to work together to ensure the family separation allowance entitlement eligibility form is

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<sup>3</sup> See [GAO-04-911](#).

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received by the Defense Finance and Accounting Service to start the allowance when the servicemember is entitled to it.

- Identify and implement, with the services, steps that can be taken to allow deployed servicemembers better communications with creditors. These steps may include increasing Internet access and providing toll-free telephone access for deployed servicemembers when they need to address personal financial issues.
- Develop and implement, in conjunction with the services, a DOD-wide oversight framework with a results-oriented evaluation plan for the PFM programs and formalize DOD's oversight role by including evaluation and reporting requirements in the PFM instruction.
- Require the services to develop and implement a tactical plan with time-based milestones to show how the appropriate service policy office will monitor financial management training and thereby ensure that junior enlisted servicemembers receive the required training.

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## Agency Comments and Our Evaluation

DOD's comments on a draft of our April 2005 report are summarized below and reproduced in the enclosure. Regarding our four recommendations, DOD concurred with one and partially concurred with the remaining three.

DOD concurred with our recommendation to take the necessary steps, in conjunction with the Defense Finance and Accounting Service and the services, to ensure servicemembers receive family separation allowances on a monthly basis during deployments.

DOD partially concurred with our recommendation to identify and implement, with the services, steps (such as increasing Internet access and providing toll-free telephone access) to allow deployed servicemembers better communications with creditors. DOD stated that servicemembers are to establish extended absence plans for their personal finances to ensure that their obligations are covered. It also noted that the Servicemembers Civil Relief Act was established to allow servicemembers in training and on a deployment, the opportunity to set aside certain personal financial concerns and focus on the mission at hand. It further noted that, in all situations, additional capability to communicate, particularly with creditors, may not be appropriate due to operational requirements and that deployed units maintain a rear echelon to assist servicemembers in working out unforeseen financial issues that may arise

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during deployment. We agree that operational constraints need to be considered in any effort to enhance servicemembers' abilities to communicate with creditors and that servicemembers should be responsible for maintaining their financial affairs by developing extended absence plans and using appropriate laws. Those points notwithstanding, we reported that some servicemembers nevertheless encountered financial problems because of emergencies and possibly lack of planning. Additionally, we recognize that the rear echelon may be able to provide assistance when such emergencies arise, but we also noted in our report that some servicemembers are reluctant to let their chain of command know of their financial troubles and therefore may not use military-provided support for private matters, such as financial problems. Our recommendation seeks a way to proactively address financial issues before the issues resulted in the negative consequences for servicemembers and we continue to believe it should be implemented by DOD.

DOD also partially concurred with our recommendation to develop and implement, with the services, a DOD-wide oversight framework with a results-oriented evaluation plan for PFM programs and to formalize DOD's oversight role by including evaluation and reporting requirements in the PFM instruction. DOD noted that the department is pursuing management information that includes personal finance and has developed an information model that supports mission accomplishment and includes monitoring force management risk. It further stated that personal finance is seen as an important part of this model and that a key aspect of assessing personal finances will be the policies established in the November 2004 DOD Instruction 1342.17, *Personal Financial Management Programs for Servicemembers*. We agree with DOD's response that personal finance is an important part of any information model to support mission accomplishment. However, as we stated in our report, the current DOD PFM instruction does not contain program evaluation requirements or reports that the services should routinely provide to DOD for its PFM oversight role. The total absence of evaluative and reporting requirements in the PFM instruction is particularly notable given that DOD acknowledged the importance of the requirements in two earlier documents: (1) the 2002 human capital strategic plan, which stated that a standardized evaluation system for PFM programs is a desirable goal, and (2) an earlier draft of the instruction that contained evaluative and reporting requirements. Moreover, DOD did not provide us with documentation for how the information model would be used to address deficiencies in the current PFM instruction. We continue to believe, as we have recommended, that this instruction should make explicit DOD's

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requirements for (1) results-oriented evaluation of the PFM programs and (2) the services to provide reports to DOD on their PFM programs.

Additionally, DOD partially concurred with our recommendation to require the services to develop and implement a tactical plan with time-based milestones to show how the appropriate service policy office will monitor whether servicemembers receive required financial management training. DOD noted that it had established sufficient procedures within its November 2004 PFM instruction to allow the military departments flexibility in their approach to having servicemembers “demonstrate a basic understanding” of important personal financial topics. We agree that the services may need some flexibility in the delivery of required PFM training. However, DOD’s response does not address the services’ lack of monitoring to determine whether required PFM training is actually received by the servicemembers. While DOD notes that the military services are delegated responsibility for achieving the requirements listed in the November 2004 instruction and that the services are responsible for monitoring fulfillment of the policy, we still believe, as we have recommended, that a service-level tactical plan with time-based milestones is needed to show how the appropriate service policy office will ensure that junior enlisted servicemembers receive required PFM training. DOD also stated that it would continue to monitor the behavior of servicemembers as the outcome of the training and evaluation accomplished by the services. At this point, DOD and the services do not monitor training completion—an output. Therefore, it will be impossible to determine whether the desired outcome of training—improved financial behavior—is being achieved.

We continue to believe that our recommendations have merit and will strengthen the department’s oversight and the effectiveness of the PFM programs and training; consequently, we are not revising them. DOD also provided two technical comments on our draft report. We corrected one before receiving the DOD comments, and the other was an editorial change we did not believe was needed.

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As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its issue date. At that time, we will provide copies of this report to interested congressional committees and the Secretary of Defense. We will also make copies available to others upon request. This report will be available at no charge on GAO’s Web site at <http://www.gao.gov>.

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If you or your staff have any questions regarding this report, please contact me at (202) 512-5559 ([stewartd@gao.gov](mailto:stewartd@gao.gov)) or Jack E. Edwards at (202) 512-8246 ([edwardsj@gao.gov](mailto:edwardsj@gao.gov)). Other key contributors to this report were Marion A. Gatling, David A. Mayfield, and Terry L. Richardson.

Sincerely yours,

A handwritten signature in black ink that reads "Derek B. Stewart". The signature is written in a cursive style with a large, looped 'D' and a trailing flourish.

Derek B. Stewart  
Director, Defense Capabilities  
and Management

Enclosure

# Comments from the Department of Defense



PERSONNEL AND  
READINESS

UNDER SECRETARY OF DEFENSE  
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APR 22 2005

Mr. Derek B. Stewart  
Director  
Defense Capabilities and Management  
U. S. Government Accountability Office  
Washington, DC 20548

Dear Mr. Stewart:

The enclosed documents provide comments to recommendations and technical corrections to proposed GAO Report, GAO-05-348, MILITARY PERSONNEL: DoD Actions Needed to Address Servicemembers' Personal Financial Management Issues.

Thank you for the opportunity to provide comment on the final report.

Sincerely,

A handwritten signature in black ink, reading "David S. C. Chu", is written over a horizontal line.

David S. C. Chu

Enclosure:  
As stated





**GAO-05-348/GAO CODE 350491**

**“MILITARY PERSONNEL: MORE DOD ACTIONS NEEDED  
TO ADDRESS SERVICEMEMBERS’ PERSONAL FINANCIAL  
MANAGEMENT ISSUES”**

**DEPARTMENT OF DEFENSE COMMENTS  
TO THE RECOMMENDATIONS**

**RECOMMENDATION 1:** The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense for Personnel and Readiness to take the necessary steps, in conjunction with the Defense Finance and Accounting Service and the Services, to ensure Servicemembers’ receive family separation allowances on a monthly basis during deployments. These steps might include those recommended in GAO’s prior review of Army Reserve pay (GAO-04-911) such as clarifying and simplifying procedures and forms implementing family separation allowance entitlements or having DoD and the operational components of the Services to work together to ensure family separation allowance entitlement eligibility form is received by the Defense Finance and Accounting Service to start the allowance when the Servicemember is entitled to it. (Page 20/Draft Report)

**DoD RESPONSE:** Concur.

**RECOMMENDATION 2:** The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense for Personnel and Readiness to identify and implement, with the Services, steps that can be taken to allow deployed Servicemembers better communications with creditors. These steps may include increasing Internet access and providing toll-free telephone access for deployed Servicemembers when they need to address personal financial issues. (Page 20/Draft Report)

**DoD RESPONSE:** Partially Concur. Although the report cites that Service members would like additional opportunities to communicate with creditors through increased Internet access and toll-free telephone access, the decision to provide additional communication capability must be retained by the field commander. In all situations additional capability to communicate, particularly with creditors, may not be appropriate due to operational requirements.

By policy, Service members are to establish an extended absence plan for their personal finances to ensure their obligations will be adequately covered. Additionally, the Service member Civilian Relief Act (SCRA) was established to allow Service members in training and on a deployment, the opportunity to set aside personal financial concerns to focus on the mission at hand. And finally, in situations where unforeseen issues arise that were not covered in the Service member’s plan, or covered by the SCRA, deployed units maintain a rear echelon to work these types of issues for deployed Service members.

Communication is an important morale factor for troops in the field, but should not be considered as an essential for Service members to maintain their financial wellbeing while in deployed locations.

**RECOMMENDATION 3:** The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense for Personnel and Readiness to develop and implement, in conjunction with the Services, a DoD-wide oversight framework with a results-oriented evaluation plan for the personal financial management programs and formalize DoD's oversight role by including evaluation and reporting requirements in the personal financial management instruction. (Page 20/Draft Report)

**DoD RESPONSE:** Partially Concur. The Department is pursuing management information that includes personal finance to support the Department's implementation of the President's Management Agenda and to comply with the Government Performance Results Act. The Department has developed an information model that supports mission accomplishment that includes monitoring force management risk. Personal finance is seen as an important part of this model and is evaluated to ensure the needs of Service members and their families are met in order to sustain the readiness of the force. The key aspect of this assessment will be the policies recently established in the DoD Instruction 1342.17, Personal Financial Management Programs for Service Members, November 12, 2004.

**RECOMMENDATION 4:** The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense for Personnel and Readiness to require the Services to develop and implement a tactical plan with time-based milestones to show how the appropriate Service policy office will monitor financial management training and thereby ensure that junior enlisted Servicemember receive the required training. (Page 20/Draft Report)

**DoD RESPONSE:** Partially Concur. The Office of the Under Secretary of Defense for Personnel and Readiness has established policy and sufficient procedures within DoDI 1342.17 to allow the Military Departments to accomplish their responsibilities. The policy and procedures have been written to provide the Military Services flexibility in their approach to having Service members "demonstrate a basic understanding" of important personal financial topics. The Military Departments are delegated responsibility for achieving the requirements listed in the Instruction and it is their responsibility to monitor fulfillment of the policy. The Department will continue to monitor the behavior of Service members as the outcome of the training and evaluation accomplished by the Military Services.

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