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# FINANCIAL FRIENDLY FIRE: A REVIEW OF PERSISTENT MILITARY PAY PROBLEMS

## HEARING

BEFORE THE

## COMMITTEE ON GOVERNMENT REFORM

## HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

SECOND SESSION

APRIL 27, 2006

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# FINANCIAL FRIENDLY FIRE: A REVIEW OF PERSISTENT MILITARY PAY PROBLEMS

**THURSDAY, APRIL 27, 2006**

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

The committee met, pursuant to notice, at 10:03 a.m., in room 2154, Rayburn House Office Building, Hon. Tom Davis (chairman of the committee) presiding.

Present: Representatives Tom Davis, Shays, Platts, Foxx, Waxman, Cummings, Kucinich, Clay, Ruppersberger, Higgins, and Norton.

Also present: Representative Hayes.

Staff present: David Marin, staff director; Larry Halloran, deputy staff director; Keith Ausbrook, chief counsel; Rob White, communications director; Andrea LeBlanc, deputy director of communications; Grace Washbourne, professional staff member; Teresa Austin, chief clerk; Sarah D'Orsie, deputy clerk; Leneal Scott, computer systems manager; Phil Barnett, minority staff director/chief counsel; Kristin Amerling, minority general counsel; Karen Lightfoot, minority communications director/senior policy advisor; Andrew Su, minority professional staff member; Earley Green, minority chief clerk; and Jean Gosa, minority assistant clerk.

Chairman TOM DAVIS. Good morning. A quorum being present, the Committee on Government Reform will come to order.

Today we are joined by my friend from North Carolina, Congressman Robin Hayes, who has worked with us on behalf of the soldiers at Fort Bragg and has contributed to the improvements in the situation there. I would ask unanimous consent that he be allowed to join us today, and hearing no objection, so ordered.

Today we are going to continue the committee's oversight of Department of Defense payroll, personnel, and medical systems intended to serve deployed service members, particularly those wounded in battle. Four previous hearings, here and before our subcommittees, have examined specific aspects of a military finance process that is badly broken. This morning we will discuss the impact of overpayments and subsequent debt collection actions on the lives of soldiers and their families.

Between public sessions, the committee receives frequent briefings from the Defense Finance and Accounting Service [DFAS], the Army, and the Government Accountability Office [GAO], on the status of short-term work-arounds, mid-term initiatives, and long-term plans to modernize and integrate vital functions that sustain the financial lives of those injured on behalf of our Nation's de-

fense. What we have learned continues to raise serious questions about the pace and the adequacy of efforts to address longstanding systemic problems.

After hearing from many who had encountered pay and debt problems, we asked GAO to determine how many returning soldiers, from both active and reserve components, had been overpaid, how much was owed, and what steps DOD took to collect. We also asked GAO to focus specifically on overpayments to the injured National Guard and Reserve soldiers who transition through the facilities at Fort Bragg, NC, one of 23 Army Medical Retention Processing Units.

Keep this fact in clear focus: Almost without exception, the debts we are talking about are caused by a sluggish, misfiring pay system, not the soldier. Hazardous duty bonuses and other deployment-specific payments are not always shut off when the service member comes home. And once the error is discovered, it is the soldier or the family who gets the bill, not the Army. In some cases, a lump-sum deduction wipes out an entire paycheck. Other debts are reported to credit bureaus and sent to collection agencies, marring credit histories and impairing a family's ability to complete the healing process and to get on with life. Literally adding insult to injury, the systems that are supposed to nurture and support returning warriors too often inflict additional wounds to their financial health.

The GAO reports released today point to this conclusion: Convoluted, disjoined, and error-prone personnel and pay systems continue to impose needless hardships on military members and their families. Despite earnest efforts by DFAS and the Army to train personnel, craft new procedures, and address individual problems, it is still far too likely the system will get it wrong. The sad sagas we will hear today from wounded soldiers about pay errors and debt collections are not anomalous or isolated cases. They bring tragic proof that a Byzantine and stovepiped system grinds on, all but impervious to fundamental change.

In previous testimonies, DOD promised interim steps to merge pay, personnel, and medical data on returning soldiers so managers would not financially "shoot the wounded" by starting collection actions while the patient was still healing. In fact, the Wounded in Action Pay Management Program has cobbled together a tracking system. Many erroneous payments are being caught, and debts are being deferred or canceled. But a more comprehensive interim fix, the Forward Compatible Payroll system, was over budget, behind schedule, and has been abandoned. That does not bode well for successful development of the planned long-term fix, which is a fully integrated finance and personnel platform, the Defense Integrated Military Human Resources System. For the foreseeable future, wounded soldiers trying to avoid drowning in debts not of their making have to hope DFAS and the Army can keep plugging holes in aging, leaky legacy systems.

Last year Congress gave the military Service Secretaries additional authority to forgive some debts, but the provision is set to expire next year, creating potential inequities for those discharged before or after the eligibility period. So we asked GAO and our other witnesses to recommend ways to make this process more sol-

dier-friendly. The most complex battlefield system fielded by this Nation, the human soldier, deserves to be supported by fully modern, sophisticated human resource systems that account for the entire life cycle of those precious assets. Soldiers already injured should never face the risk of having their credit standing crippled as well due to error-prone military pay systems.

We want to thank all of you for your testimony today. All the witnesses today bring important information and perspectives to this important work, and we look forward to a constructive discussion.

[The prepared statement of Chairman Tom Davis follows:]

**Chairman Tom Davis**
**Opening Statement**
**Committee on Government Reform Hearing**
***Financial Friendly Fire: A Review of Persistent Military Pay Problems***
**April 27, 2006**

**Today we continue the Committee's oversight of Department of Defense payroll, personnel, and medical systems intended to serve deployed service members, particularly those wounded in battle. Four previous hearings, here and before our Subcommittees, examined specific aspects of a military finance process that was badly broken. This morning we will discuss the impact of overpayments and subsequent debt collection actions on the lives of soldiers and their families.**

**Between public sessions, the Committee receives frequent briefings from the Defense Finance and Accounting Service (DFAS), the Army, and the Government Accountability Office (GAO) on the status of short-term work arounds, mid-term initiatives and long-term plans to modernize and integrate vital functions that sustain the financial lives of those injured in our defense. What we've learned continues to raise serious questions about the pace and adequacy of efforts to address longstanding systemic problems.**

**After hearing from many who had encountered pay and debt problems, we tasked GAO to determine how many returning soldiers (from both active and reserve components) had been overpaid, how much was owed and what steps DOD took to collect. We also asked GAO to focus specifically on overpayments to injured National Guard and Reserve soldiers who transition through facilities at Fort Bragg, North Carolina, one of 23 Army Medical Retention Processing Units.**

**Keep this fact in clear focus: almost without exception, the debts we're talking about are caused by a sluggish, misfiring pay system, not the solider. Hazardous duty bonuses and other deployment-specific payments are not always shut off when the service member comes home. Once the error is discovered, it's the solider or the family who gets the bill, not the Army. In some cases, a lump-sum deduction wipes out an entire paycheck. Other debts are reported to credit bureaus and sent to collection agencies, marring credit histories and impairing a family's ability to complete the healing process and get on with life. Literally adding insult to injury, the systems that are supposed to nurture and support returning warriors too often inflict additional wounds to their financial health.**

**The GAO reports released today point to this conclusion: convoluted, disjointed and error-prone personnel and pay systems continue to impose needless hardships on military members and their families. Despite earnest efforts by DFAS and the Army to train personnel, craft new procedures and address individual problems, it's still far too likely the system will get it wrong. The sad sagas we will hear today from wounded soldiers about pay errors and debt collections are not anomalous or isolated cases. They bring tragic proof that a Byzantine and stove-piped system grinds on, all but impervious to fundamental change.**

**In previous testimonies, DOD promised interim steps to merge pay, personnel, and medical data on returning soldiers so managers would not financially "shoot the wounded" by starting collection actions while the patient was still healing. In fact, the Wounded in Action Pay Management Program has cobbled together a tracking system. Many erroneous payments are being caught, and debts are being deferred or cancelled. But a more comprehensive interim fix, the Forward Compatible Payroll system, was over budget, behind schedule and has been abandoned. That does not bode well for successful development of the planned long-term fix: a fully integrated finance and personnel platform, the Defense Integrated Military Human Resources System. For the foreseeable future, wounded soldiers trying to avoid drowning in debts not of their making have to hope DFAS and the Army can keep plugging holes in aging, leaky legacy systems.**

**Last year Congress gave the military Service Secretaries additional authority to forgive some debts, but the provision is set to expire next year, creating potential inequities for those discharged before or after the eligibility period. So we asked GAO and our other witnesses to recommend ways to make this process more soldier-friendly. The most complex battlefield system fielded by this nation, the human soldier, deserves to be supported by fully modern, sophisticated human resource systems that account for the entire life-cycle of those precious assets. Soldiers already injured should never face the risk of having their credit standing crippled as well due to error-prone military pay systems.**

**Thank you for your testimony. All the witnesses today bring important information and perspectives to this important work, and we look forward to a constructive discussion.**

Chairman TOM DAVIS. I would now yield to the gentleman from Maryland for any opening statement he would wish to make.

Mr. CUMMINGS. Thank you very much, Mr. Chairman, I do thank you very much for holding this vitally important hearing on the perennial pay problems experienced by military personnel.

In no uncertain terms, no military personnel who risk their life and limbs in the service of this great Nation should have to experience pay problems and their attendant economic hardship because the Government failed to operate effectively and efficiently.

Soldiers fighting in the global war on terrorism have inappropriately incurred debts for which they bear no direct responsibility. Central factors contributing to this troubling state of affairs include the Department of Defense's attempt to recover overpayments, computation mistakes, and unearned credit related to enlistment bonuses and leave payments.

As a result, succeeding paychecks may lag or be subject to substantial deductions in pursuit of debt collection. Moreover, DOD's inability to appropriately reimburse soldiers for expenses ranging from travel to insurance premiums has driven some soldiers into the unforgiving arms of debt.

The scope of this problem is jaw-dropping. The GAO reports that by September 2005, 1,300 injured or killed soldiers serving in the global war on terrorism acquired more than $1.5 million in debt because of DOD failures. Make no mistake, such debt has real consequences. The GAO found that 16 of 19 soldiers it studied experienced significant problems covering the cost of the basic necessities as a result of payment issues and debt collection activities.

For instance, one soldier and his family could not afford to pay their utility bill and were compelled to have distant relatives assume the care of their daughter. I am also no less troubled by the reports out of Fort Bragg that overpayments and the military's attempt to recoup those funds left soldiers without the resources needed to pay their mortgage, insurance, and other critical expenses.

It has been said that the true measure of a great Nation is how it treats those brave souls who willingly shed blood, sweat, and tears in defense of our fellow countrymen. In the past, our Nation has done well by this standard, and there is no reason why we cannot do the same today. After all, we are one of the greatest countries in the world. We best honor the sacrifice of the men and women who serve in our military by eliminating impediments that hinder our ability to dispense military pay in a timely and accurate manner.

And with that, Mr. Chairman, I yield back.

[The prepared statement of Hon. Elijah E. Cummings follows:]

Opening Statement

Representative Elijah E. Cummings, D-Maryland

Full Committee Hearing Entitled: "Financial Friendly Fire: A Review of Persistent Military Pay Problems"

Committee on Government Reform
U.S. House of Representatives
109th Congress

April 27, 2006

Mr. Chairman, thank you for holding this vitally important hearing on perennial pay problems experienced by military personnel.

In no uncertain terms, no military personnel who risk their life and limbs in the service of this great nation should have to experience pay problems and their attendant economic hardship because the government failed to operate effectively and efficiently.

Soldiers fighting in the Global War on Terrorism have inappropriately incurred debts for which they bear no direct responsibility. Central factors contributing to this troubling state of affairs include the Department of Defense's (DOD) attempt to recover overpayments, computation mistakes, and unearned credit related to enlistment bonuses and leave payments.

As a result, succeeding paychecks may lag or be subject to substantial deductions in pursuit of debt collection. Moreover, DOD's inability to appropriately reimburse soldiers for expenses ranging from travel to insurance premiums has driven some soldiers into the unforgiving arms of debt.

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I look forward to the testimony of today's witnesses and yield back the balance of my time.

Chairman TOM DAVIS. Thank you very much.

Mr. Hayes.

Mr. HAYES. Thank you very much, Mr. Chairman, and thank you, Congressman Cummings, for your kind remarks.

I showed Colonel Lovejoy and, of course, Colonel McAlister this coin that is always in my pocket for the 82nd Airborne, and it just reminds me of the incredible service not only at Fort Bragg and our wonderful soldiers, but Specialist Taylor and others around the globe and around the country. Thank you so much for what you do.

Our concern here, Chairman Davis, always is to bring to light what the issues are but, more importantly, solve the problems and make sure that these circumstances do not reoccur, but also that anything else that might be lurking out there in the unintended consequences category hopefully we can scoop that in our net as well.

Again, thank you for inviting me here to be with you today, Chairman Davis, for this critical hearing and for the opportunity to participate in the oversight of this important issue. I am very proud to have Fort Bragg, home of the 18th Airborne Corps, 82nd Airborne Division, the epicenter of the universe, here today. The service members and their families are our top priority.

I care about our soldiers at Fort Bragg and appreciate the sacrifices that they have made to ensure freedom for all of us. Whether our soldiers are stationed there permanently or are on temporary medical hold, it is vital that they are given the best care and services. That is why I have been happy to work with this committee on the investigation into the effects of the military pay process and to make sure that our Army Guard and Reserve who are injured or wounded in combat have the best treatment possible.

When I learned of the allegations that Guard and Reservists at the Medical Retention Processing Unit at Bragg were being overpaid and that this was sometimes resulting in their referral to debt collection agencies, I was, needless to say, outraged. Unfortunately, I was to learn that this Army problem is not specific to the base in my district, but was also occurring at 21 other sites for medical in-processing. That is why the Government Accountability Office investigation and this hearing are so very important.

Thank you to all of our witnesses. We appreciate you bringing your experiences, your wisdom, and things that can only come from the field, thank you for bringing that today. I want to welcome Colonel McAlister of the Fort Bragg Finance Battalion and share my appreciation for him for facing the challenges under extremely heavy uptempo—he is doing a great job—challenges they have faced due to lack of resources and personnel to give our wounded soldiers the attention they deserve. We want to help.

Many strides have been made in terms of addressing the pay and personnel system integration at the Department of Defense. I am committed to doing whatever is necessary to ensure that our Nation's soldiers do not fall victim to this continuing bureaucratic nightmare. It is our duty to take care of those who serve our country in the Nation's armed forces, and I look forward to working with the Department of Defense to address these issues.

Thank you for your presence and, more importantly, thank you to the men and women in uniform for your incredible service.

Thank you, Mr. Chairman. I yield back.

[The prepared statement of Hon. Robin Hayes follows:]

# Opening Statement of Congressman Robin Hayes (NC-8)

**COMMITTEE ON GOVERNMENT REFORM**
**OVERSIGHT HEARING**

***"Financial Friendly Fire: A Review of Persistent Military Pay Problems"***

**Thursday, April 27, 2006 10:00 a.m.**
**2154 Rayburn House Office Building**

**Chairman Davis, Congressman Waxman –thank you for inviting me to be here with you today for this critical hearing, and for the opportunity to participate in the oversight of this important issue. I am very proud to have Fort Bragg in my District, and the servicemembers and their families there are *always* a top priority for me.**

**I care about our soldiers at Fort Bragg and appreciate the sacrifices they have made to ensure freedom for all of us. Whether our soldiers are stationed there permanently or are on temporary medical hold, it is vital that they are given the best care and services. That is why I have been happy to work with**

**this Committee on the investigation into the effects of the military pay process on our Army Guard and Reservists who are injured or wounded in combat.**

**When I learned of these allegations that Guard and Reservists at the Medical Retention Processing Unit at Bragg were being overpaid and that this was sometimes resulting in their referral to debt collection agencies, I was outraged. Unfortunately, I was to learn that this Army problem is not specific to the base in my District, but was also occurring at the 21 other sites for medical in-processing. That is why the Government Accounting Agency investigation and this hearing are so very important.**

**Thank you to all of the witnesses for being with us today to share your stories and shed more light on this problem and what is being done to correct it. I want to welcome Colonel McAlister of the Fort Bragg Finance Battalion and appreciate him share the challenges they have faced due to lack of resources and personnel to give our wounded soldiers the attention they deserve.**

**Though many strides have been made in terms of addressing this pay and personnel system integration at the Department of Defense, I am committed to doing whatever is necessary to ensure that our nation's soldiers do not fall victim to this continuing bureaucratic nightmare. It is our duty to take care of those who serve our country in the nation's armed forces and I look forward to working with the Department of Defense to address these issues.**

Chairman TOM DAVIS. Thank you very much.

Mr. Waxman.

Mr. WAXMAN. Mr. Chairman, thank you for holding this oversight hearing today. I am pleased that the committee continues to focus on exposing and addressing numerous deficiencies in our military pay system. These problems have become painfully apparent during the recent unprecedented call-up of National Guard soldiers and Reservists.

I would like to welcome the soldiers and their families who are with us today and praise your heroism in serving our country. I also want to commend you for your bravery in speaking out on behalf of your fellow soldiers on the indignities that you have suffered. I hope that the Pentagon takes the necessary actions following today's hearing to help you and your families.

Today we will be hearing yet again about pay problems in the Army's financial and accounting systems. In 2003, the committee held its first hearing on pay irregularities that had arisen regarding compensation of soldiers contributing to the military efforts in Afghanistan, Iraq, and elsewhere. At that time, the Army said the problems were anomalies.

Yet, here we are 3 years later, and the Army still has not fixed the problems. At the committee's request, the Government Accountability Office has been conducting an ongoing review of DOD pay administration systems. GAO tells us that internal control weaknesses, poor training and other human capital problems, and the lack of integrated financial systems continue to exist.

Now we are learning that the newly discovered accounting errors have incorrectly assigned millions of dollars in debt to hundreds of Guard and Reserve soldiers. We will hear from GAO today that DOD delays in reimbursing soldiers, pay errors, and other DOD accounting and administrative problems have resulted in about $1.5 million in debts for soldiers who have served in Iraq and Afghanistan.

These incorrectly assigned debts have a very real human cost. The hardships to soldiers caused by these errors can be both burdensome and stigmatizing. Whether it is struggling to pay household bills, car payments, mortgages, or being hounded by debt collectors for bad credit, our veterans continue to suffer after they return from the battlefield. And these debt problems may take months or years to resolve.

Mr. Chairman, I hope this hearing will be the last the committee needs to hold on military pay problems. Our Nation will continue to rely upon Guardsmen and Reserve soldiers into the foreseeable future. Fixing the multiple pay problems affecting these individuals is integral to demonstrating them the respect and care that they so rightly deserve.

Thank you again, and thanks to the soldiers and their families for being here today.

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

**Statement of**
**Rep. Henry A. Waxman, Ranking Minority Member**
**Committee on Government Reform**
**Hearing On**
**Financial Friendly Fire: A Review of Persistent Military Pay Problems**

**April 27, 2006**

Mr. Chairman, thank you for holding this oversight hearing today. I am pleased that the Committee continues to focus on exposing and addressing numerous deficiencies in our military pay system. These problems have become painfully apparent during the recent unprecedented call-up of National Guard soldiers and Reservists.

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Thank you, and again, thank you to the soldiers and their families for being here today.

Chairman TOM DAVIS. Mr. Waxman, thank you. You know, we have held hearings on pay problems, then health, now debt collection. There always seems to be a new wrinkle. They solve one, and other things seem to spring up. But I hope this is the last one we have to hold.

I am going to move to our first panel. We are very honored and grateful to our first panel of witnesses for coming forward today to share their personal experiences and expertise with the committee. Mr. Gregory Kutz is back. He is the financial management and assurance from the U.S. Government Accountability Office.

Lieutenant Colonel John M. Lovejoy, U.S. Army Reserve, 364th Civil Affairs Brigade, Portland, OR. Thank you for being with us.

We have Specialist Frank Mangum, former Alabama Army National Guardsman with the 279th Signal Battalion, accompanied by his wife, Paulette, and thank you very much for being with us.

And Specialist Brandy Taylor, former U.S. Army Reservist with the 296th Transportation company, Brookhaven, MS.

Along with Mr. Kutz, I want to recognize Gary Bianchi, Gayle Fischer, and Mary Ellen Chervenic of the GAO who have gone beyond the call of duty to assist this committee with its investigation, just quality work. We appreciate it. The committee thanks you very much for your outstanding work.

I also want to welcome and thank Mrs. Paulette Mangum for coming here today. We consider your husband's service and sacrifices and your service and sacrifices, and we salute you.

We also welcome Ms. Jamesa Taylor, who is here supporting her cousin, Specialist Brandy Taylor.

I just want to thank all of you very much for being here and taking part in this important hearing.

It is our policy on the committee that we swear witnesses before you testify, so if you will just rise with me and raise your right hands.

[Witnesses sworn.]

Chairman TOM DAVIS. We are going to start, Mr. Kutz, with you and move straight on down. We have a light in front of you. If you have a written statement, that entire statement is already in the record and questions will be based on that. And thank you once again for being with us. Greg, you are on.

## STATEMENTS OF GREGORY D. KUTZ, MANAGING DIRECTOR, FORENSIC AUDITS AND SPECIAL INVESTMENTS, U.S. GOVERNMENT ACCOUNTABILITY OFFICE; LIEUTENANT COLONEL JOHN M. LOVEJOY, U.S. ARMY RESERVE, 364TH CIVIL AFFAIRS BRIGADE, PORTLAND, OR; SPECIALIST FRANK MANGUM, FORMER ALABAMA ARMY NATIONAL GUARD, 279TH SIGNAL BATTALION; AND SPECIALIST BRANDY TAYLOR, FORMER U.S. ARMY RESERVE, 296TH TRANSPORTATION COMPANY, BROOKHAVEN, MS

### STATEMENT OF GREGORY D. KUTZ

Mr. KUTZ. Mr. Chairman and Congressman Hayes, thank you for the opportunity to discuss pay problems for Army soldiers. As you mentioned, Mr. Chairman, this is the fifth in our series of pay-related testimony before this committee. I want to commend you, Mr.

Chairman, and Representatives Shays, Platts, Ruppersberger, and Hayes for your consistent and aggressive oversight of military pay.

The bottom line of my testimony today is that sick and injured soldiers continue to experience frustration and financial problems with an outdated, error-prone military pay system.

My testimony has two parts: first, actions taken by DOD; and, second, the results of our two reports that are being released today.

First, I want to make clear to you that this committee's oversight has made a difference. Based on your requests, our past work has resulted in 84 recommendations for improvement to soldier pay and travel reimbursements. According to DOD, they have taken action on 70 of these recommendations. Improvements include specific actions to help wounded soldiers, enhances training of soldiers and finance personnel, and improved customer service.

However, although these actions result in an improved system, the fundamental problems remain. In essence, DOD is using substantial human effort and work-arounds to compensate for the current outdated, error-prone military pay system.

Second, our two reports being released today are further evidence that soldiers remain vulnerable to pay problems. Our first report shows battle-injured soldiers struggling to deal with debts primarily caused by pay problems.

This work started in February 2005, after I read an e-mail from Staff Sergeant Ryan Kelly from the Army Reserve. Mr. Kelly was wounded by a roadside bomb in Iraq in 2003, resulting in the loss of his right leg below the knee. What struck me about this e-mail was that Sergeant Kelly was representing that his pay-related debts had been reported to a credit bureau.

The posterboard, which is on the monitor, shows excerpts from Staff Sergeant's Kelly's credit report.

[The information referred to follows:]

GAO

# DFAS Credit Report Example for Staff Sergeant Ryan Kelly

## Credit report summary

| | |
|---|---|
| #BANKRUPTCIES | 0 |
| #SATISFACTORIES | 9 |
| PAST DUE | 2249 |

## Credit report detail

| | | | |
|---|---|---|---|
| DFAS #442968857 | 02/05<br>12/04 | 2230<br>2249 | 2249 |

Source: GAO.

Mr. KUTZ. As you can see, the summary section shows $2,249 of past due debt. Below that, you can see that the source of the only negative credit on the entire report is the Defense Finance Accounting Service [DFAS]. Although it is hard to believe, wounded warriors such as Staff Sergeant Kelly were being reported as bad credit by the Department of Defense.

Subsequently, DOD established the Wounded-in-Action data base and is attempting to better handle these soldiers' debts. Our report provides suggestions for legislation to expand debt relief authority and exempt soldiers from credit bureau reporting and private collection agency actions.

Our Fort Bragg report provides another example of pay problems, this time for sick or injured soldiers receiving medical treatment. Although initial allegations were that 37 Army National Guard and Reserve soldiers had pay problems, our investigation showed that 232 were overpaid. These overpayments ultimately can result in debt and garnishment of wages.

Examples of the impact of problems from our two reports include: battle-injured soldiers' debts reported to credit bureaus; injured soldiers being pursued by private collection agencies; and soldiers and their families struggling to pay their bills.

I am honored to be at the table today with the other witnesses, who will share their stories with the committee.

In conclusion, DOD is trying very hard to compensate for the current outdated, error-prone military pay system. However, until this system is reengineered, soldiers will continue to experience frustration and financial problems. Mr. Chairman, I encourage you to continue your oversight for as long as it takes to ensure that our soldiers have the world-class military pay system that they deserve.

Mr. Chairman, this ends my statement. I look forward to your questions.

[NOTE.—The GAO report entitled, "Military Pay, Hundreds of Battle-Injured GWOT Soldierts Have Struggled to Resolve Military Debts, GAO–06–494, April 2006" may be found in committee files.]

[The prepared statement of Mr. Kutz follows:]

United States Government Accountability Office

GAO

Testimony
Before the Committee on Government Reform, House of Representatives

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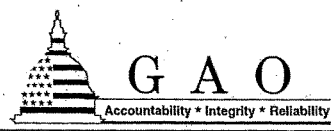
# MILITARY PAY

# Military Debts Present Significant Hardships to Hundreds of Sick and Injured GWOT Soldiers

Statement of Gregory D. Kutz, Managing Director
Forensic Audits and Special Investigations




GAO-06-657T

April, 27, 2006

# MILITARY PAY:

## Military Debts Present Significant Hardships to Sick and Injured GWOT Soldiers

### What GAO Found

Continuing pay problems resulted in overpayments and debt for sick and injured Army soldiers serving in GWOT. As with GAO's prior work, these pay problems resulted in significant frustration and financial problems for the soldiers and their families. Our audit of separated Army GWOT soldier debt identified nearly 1,300 separated battle-injured soldiers and soldiers who were killed in combat during the first 4 years of GWOT deployment who had incurred a total of $1.5 million in debt as of September 30, 2005. DOD has authority to write off debts of deceased soldiers and generally does not pursue collection action on the debts of soldiers who were killed in action. However, we found that hundreds of battle-injured soldiers were pursued for repayment of military debts through no fault of their own, including at least 74 soldiers whose debts had been reported to credit bureaus and private collection agencies at the time we initiated our audit in June 2005. Although the Debt Collection Act gives DOD authority to use these debt collection tools, in response to our audit, the Army temporarily suspended collection action on debts of battle-injured soldiers until a determination could be made about whether these soldiers' debts were eligible for relief. In addition our investigation of pay problems related to Army National Guard and Reserve soldiers assigned to the Fort Bragg MRPU identified overpayments of approximately $218,000 related to 232 sick and injured soldiers. Many sick and injured Fort Bragg soldiers faced garnishment of wages and other debt collection action resulting from their pay errors. The table below illustrates experiences of 3 case study soldiers.

**Case Study Examples on Impact of Injured Soldier Pay Problems Resulting in Debt**

| Soldier | Injury | Debt | Impact of debt on soldier and family |
|---|---|---|---|
| Army Reserve Staff Sergeant | Lost right leg below the knee | $2,231 | This separated soldier spent 1-1/2 years on disputes and appeals before multiple debts and errors were resolved. Army debt, the only blot on the soldier's credit report, prevented him from obtaining a loan to purchase a house. |
| National Guard Staff Sergeant | Brain damage and post traumatic stress. | $12,662 | Failure to record this soldier's separation in the pay system resulted in forfeiture of 3 month's pay while the Army attempted to recover his debt. As a result, the soldier's utilities were turned off and his family was separated. |
| National Guard Sergeant | Vehicle injury involving IED crater | $2,050 | This Fort Bragg MRPU soldier's hostile fire and hardship duty pay continued for about 6 months after he was processed into the MRPU. Pay deductions to recover military debt had a rippling effect on the soldier's ability to pay other basic household expenses. |

Source: GAO analysis.

Congress recently gave the Department of Defense (DOD) authority to cancel some GWOT soldier debts. Because of restrictions in the law, debts of injured soldiers who separated at different times can be treated differently, and soldiers who paid their debts are not eligible for refunds. Also, because this authority expires in December 2007, soldiers and their families could face bad credit reports and visits from collection agencies in the future.

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to discuss our recent work on Army military pay. This testimony, which is the fifth in a series of reports and related testimonies to this committee, is part of a continuing body of work related to military and travel pay for soldiers who have served in the Global War on Terrorism (GWOT) since the terrorist attacks of September 11, 2001. Our previous work[1] identified hundreds of Army National Guard and Reserve soldiers who experienced substantial pay and travel reimbursement problems caused primarily by ongoing challenges in the areas of human capital, processes, and automated systems. Our recent work, which is presented in two reports that the committee is releasing today,[2] presents two more examples of the overall result of a broken military pay system.

Collection action on military debt has affected GWOT soldiers from all Army components—Active, National Guard, and Reserve—and involves soldiers who were injured or killed in combat as well as soldiers who suffered from sickness and nonbattle injuries. Our Fort Bragg investigation looked into allegations that there were overpayments made to sick and injured in-service soldiers who were in Medical Retention outpatient[3] status. The Fort Bragg Medical Retention Processing Unit (MRPU) is 1 of 23 Army MRPUs. Once overpayments are identified, they result in debt, which must be repaid to the government. Our audit of soldier debt focused on GWOT soldiers who were injured in battle and had separated from the

[1] GAO, *Military Pay: Gaps in Pay and Benefits Create Financial Hardships for Injured Army National Guard and Reserve Soldiers*, GAO-05-125 and GAO-05-322T (Washington, D.C.: Feb. 17, 2005); *Army National Guard: Inefficient, Error-Prone Process Results in Travel Reimbursement Problems for Mobilized Soldiers*, GAO-05-79 (Washington, D.C.: Jan. 31, 2005) and GAO-05-400T (Washington, D.C.: Mar. 16, 2005); *Military Pay: Army Reserve Soldiers Mobilized to Active Duty Experienced Significant Pay Problems*, GAO-04-990T (Washington, D.C.: July 20, 2004) and GAO-04-911 (Washington, D.C.: Aug. 20, 2004); and *Military Pay: Army National Guard Personnel Mobilized to Active Duty Experienced Significant Pay Problems*, GAO-04-413T (Washington, D.C.: Jan. 28, 2004) and GAO-04-89 (Washington, D.C.: Nov. 13, 2003).

[2] GAO, *Military Pay: Inadequate Controls for Stopping Overpayments of Hostile Fire and Hardship Duty Pay to Over 200 Sick or Injured Army National Guard and Army Reserve Soldiers Assigned to Fort Bragg*, GAO-06-384R (Washington, D.C.: Apr. 27, 2006) and Military *Pay: Hundreds of Battle-Injured GWOT Soldiers Have Struggled to Resolve Military Debts*, GAO-06-494 (Washington, D.C.: Apr. 27, 2006).

[3] For the purposes of this testimony, "outpatient" means soldiers who are being medically evaluated for specialized treatment. This may include surgery, which would require hospitalization at a later date.

service and soldiers who were killed in combat and owed military debt related to overpayments and other errors. We performed our Fort Bragg investigation from August 2005 through March 2006 in accordance with quality standards for investigations established by the President's Council on Integrity and Efficiency. We performed our soldier debt audit from June 2005 through March 2006 in accordance with generally accepted government auditing standards.

The Debt Collection Act of 1982[4] provides a statutory basis for federal agencies to use appropriate debt collection tools, such as interest charges, offset, and private collection agencies. Collection action on military debts consists of pay offset for soldiers who are still in the service and escalates to collection through debt notification letters, credit bureau reporting, and private collection agency action when soldiers have left the service and have not paid their military debts. Debts of separated soldiers may also be collected through offsets against federal income tax refunds; retirement pay; and federally administered benefits payments, such as Social Security Administration benefits. These offsets are handled by the Department of the Treasury Offset Program, referred to as TOP.

Today, I will summarize the results of our recent work with respect to the (1) overpayments made to Army National Guard and Reserve soldiers at the MRPU at Fort Bragg and the extent and reported causes of debt for battle-injured Army soldiers who have left the service and (2) the effects of overpayments and debt-related problems for case study soldiers and their families. Debt collection action presents the most serious hardships on injured soldiers who face physical limitations and continuing medical treatment. I will also discuss the Army's actions to address pay and debt management problems and how current debt relief authority can be made more soldier-friendly.

## Summary

Continuing pay problems resulted in overpayments and debt for sick and injured Army soldiers serving in the GWOT. As shown in our prior work, these pay problems resulted in significant frustration and financial problems for the soldiers and their families. Our audit of separated Army GWOT soldier debt identified nearly 1,300 separated battle-injured soldiers and soldiers who were killed in combat who had incurred $1.5 million in debt during the first 4 years of the GWOT deployment (October 2001

[4] Pub. L. No. 97-365, 96 Stat. 1749 (1982).

through September 2005).[5] According to DOD, the primary cause of this debt related to military pay problems. As a policy, the Defense Finance and Accounting Service (DFAS) has authority to write off debts of soldiers who were killed in combat. However, according to DFAS officials, military debt can be satisfied from the final pay of these soldiers,[6] and DFAS may pursue collection action on other deceased soldiers' debts.

We found that hundreds of battle-injured soldiers were pursued for repayment of military debts through no fault of their own, including at least 74 soldiers whose debts had been reported to credit bureaus and private collection agencies at the time we initiated our audit in June 2005. In response to our audit, Army and DFAS officials told us that they had suspended collection action on these soldiers' debts and recalled their reports to credit bureaus and their referrals to private collection agencies and TOP until a determination could be made as to whether these soldiers' debts were eligible for relief.

In addition, our investigation of pay problems related to Army National Guard and Reserve soldiers assigned to the MRPU at Fort Bragg—1 of 23 MRPUs—identified overpayments of approximately $218,000[7] to 232 sick and injured[8] Army National Guard and Reserve soldiers. Many sick and injured Fort Bragg soldiers faced garnishment of wages and other debt collection actions resulting from these pay errors.

As illustrated by our case studies, debt collection action resulted in significant frustration and financial problems for soldiers and their families. For example, our Fort Bragg investigation found that several sick and injured soldiers who were still in the service experienced large, unexpected deductions—as much as $1,172 from a single paycheck—for repayment of debt resulting from the Army's failure to stop hostile fire and hardship duty pay for soldiers who were in Medical Retention status. The

[5] We determined that these data were reliable for the purposes of our audit.

[6] Circumstances in which debt can be offset against a fallen soldier's final pay include normal adjustments to collect outstanding advance pay and minimal overpayments within the current month and other outstanding debt, such as nonsufficient fund checks.

[7] As a result of the lack of supporting documents and data reliability concerns, we likely did not identify precise overpayment amounts. We have provided information on the overpayments we identified to cognizant Fort Bragg officials for further research to determine the proper amounts that are owed to the government or the soldiers.

[8] The term injured includes battle-injured and non battle-injured soldiers.

longer it took the Fort Bragg Finance Battalion to stop the overpayments, the greater the amount of debt that accumulated for the soldier and the greater the financial impact since more money eventually would be withheld from the soldier's pay or sought through debt collection action after the soldier had separated from the service.

Case studies related to both of our reports showed that sick and injured soldiers sometimes went months without paychecks[9] because debt caused by overpayments of combat pay and other errors was offset against their military pay. Similarly, work performed for both of our reports also showed that when debts were not paid after the soldiers separated from the service, they were subject to credit bureau reporting and collection agency actions. Out-of-service debt collection actions created additional hardships on the soldiers by preventing them from getting loans to buy houses or automobiles or pay off other debt, and sending several of the soldiers into financial crisis. Some battle-injured soldiers forfeited their final separation pay to cover part of their military debt, and they left the service with no funds to cover immediate expenses while facing collection action on their remaining debt. Because of their lack of income, 16 of 19 separated battle-injured soldiers who contacted us during our audit told us that they had difficulty paying basic household expenses. Because they were unable to pay their military debts, 16 of these soldiers' debts were reported to credit bureaus, 9 soldiers were pursued by collection agencies, and 8 soldiers had their income tax refunds withheld under TOP.

Preventing debt from occurring in the first place is the best solution to this problem. Our past reports included over 80 recommendations for improvements in human capital, processes, and automated systems to address pay and travel problems. Although the fundamentally flawed, error-prone system remains, the Department of Defense (DOD) and the Army have taken a number of actions to address these problems and help prevent them from occurring in the future. These actions represent primarily human efforts and workarounds intended to compensate for the current system. For example, the Army and DFAS have created a Wounded-in-Action (WIA) database of personnel, payroll, and medical data on soldiers who became sick, were injured, or were killed in combat. This database provides useful information for identifying and resolving soldier pay and debt problems. The Army and DFAS have also issued

[9] We found that after voluntary allotments and other required deductions, many times there was no net pay due the soldier.

standard operating procedures and initiated training and oversight activities at several Army field locations.

Our Fort Bragg report recommends that in conjunction with the Army's proactive efforts to improve Army National Guard and Reserve pay account management, DOD and the Army follow up with finance offices supporting the 22 MRPUs that were not part of our investigation to determine the extent to which overpayments had occurred at these locations and ensure that appropriate corrective action is taken.

Opportunities also exist to make the debt collection process more soldier friendly. Our report on debts of battle-injured soldiers raises a number of matters for congressional consideration with regard to expanding debt relief authority in current law, including providing uniform debt relief to injured GWOT soldiers and exempting these soldiers from credit bureau reporting and private collection agency and TOP action.

## Continuing Pay Problems for Army Soldiers

Continuing pay problems resulted in overpayments and debt for sick and injured GWOT Army soldiers. When Army and medical unit commanders fail to report changes in soldier duty status and location, overpayments of combat-related pay, such as hostile fire pay, hardship duty pay, and family separation pay, continue—sometimes for several months past the time the soldier is eligible to receive this combat-related pay. As illustrated by our case studies, which are discussed in the next section of our testimony, changes in duty status and location occur when soldiers become sick or injured or they do not deploy with their units and when soldiers are injured after deployment or sustain battle injuries and are medically evacuated.

Our investigation into allegations of pay problems related to 37 soldiers assigned to the MRPU at Fort Bragg identified actual overpayments of approximately $218,000 to 232 sick and injured Army National Guard and Reserve soldiers in outpatient status during the period April 2003 through June 2005. These overpayments occurred in part because unit and medical commanders failed to record changes in duty status and location of sick and injured soldiers. Data available during our case studies showed that it took from 14 to 203 days to stop overpayments once a soldier visited the Finance Battalion. As demonstrated in our past reports, finance offices in theater were often unable to start or stop hostile fire pay or hardship duty pay as required because of problems with human capital, processes, and the lack of integrated pay and personnel systems. When overpayments were not detected or they were not detected in a timely manner, the dollar

amount of soldier debts continued to increase. Debts that remained unpaid after these soldiers left the service were subject to collection through credit bureau reporting, private collection agencies, and TOP offsets of income tax refunds and other designated federal payments.

Our audit of separated Army GWOT soldier debt identified nearly 1,300 battle-injured soldiers who left the service owing $1.5 million, including almost 900 battle-injured soldiers whose debts totaled about $1.2 million and about 400 soldiers who died in battle whose debts totaled over $300,000. As a policy, DFAS does not pursue collection action on the debts of fallen soldiers. However, Army and DFAS officials told us that under certain circumstances,[10] military debt can be satisfied from the final pay of fallen soldiers. In addition, DFAS may pursue collection of debts of other deceased soldiers. We found that hundreds of separated battle-injured soldiers were pursued for repayment of military debts that occurred through no fault of their own, including 74 soldiers whose debts had been reported to credit bureaus, private collection agencies, and TOP at the time we initiated our audit in June 2005. Although the Debt Collection Act gives DOD authority to use these debt collection tools, in response to our audit, the Army temporarily suspended collection action on debts of battle-injured soldiers until a determination could be made about whether these soldiers' debts were eligible for relief.

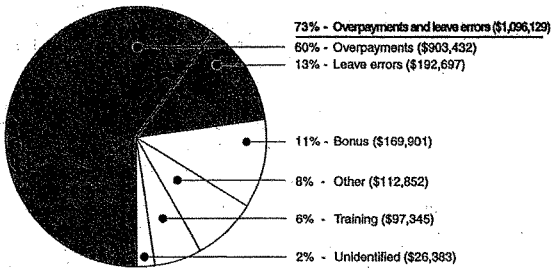
As illustrated in figure 1, Army and DFAS data for fiscal years 2002 through 2005 showed that 73 percent of the debts for the nearly 1,300 separated battle-injured soldiers and soldiers killed in combat related to errors in pay calculations, combat pay errors, and erroneous leave payments during fiscal years 2002 through 2005. The remaining 27 percent of these soldiers' debts related to repayment of enlistment bonuses (11 percent) where soldiers did not complete the required term of service or they improperly received more than one bonus; payments for tuition and training (6 percent) where soldiers did not complete their training or they did not fulfill service requirements related to their training; and other expenses (8 percent) related to unpaid bills for family medical services, housing and household moves, insurance premiums, travel advances,[11] and

[10] Circumstances in which debt can be offset against a fallen soldier's final pay include normal adjustments to collect outstanding advance pay and minimal overpayments within the current month and other outstanding debt, such as nonsufficient fund checks.

[11] In accordance with 41 C.F.R. § 301-71.305 federal employees are required to account for outstanding travel advances when they file travel claims. Any unused amount of a travel advance is required to be repaid.

loss or damage of government property. The reasons for the remaining debt (2 percent) were not recorded in the Defense Debt Management System.

**Figure 1. Dollar Amounts of Battle-Injured and Fallen Soldier Debts by Major Reason.**




Source: GAO analysis.

Other debts relate to provisions in law and DOD business rules in effect at various times. For example, until mid-2005, soldiers were required to repay portions of their enlistment bonus, special pay, and educational benefits and stipends when they failed to fulfill their required terms of service because of early separation as a result of their war injuries. According to DFAS officials, although unit commanders and finance offices are authorized to write off debts for lost and damaged equipment when soldiers who were injured or killed by hostile fire are medically evacuated from the theater of operation, they have not always done so. In addition, unpaid bills for family medical services, housing and household moves, insurance premiums, and outstanding travel advances generate debt. Because Army units and medical facilities have not always prepared or processed changes in orders when a soldier's duty status or location changed, soldiers do not have the documentation needed to submit vouchers for travel reimbursement. The new WIA Support Team's standard operating procedures for soldier pay account review require identification and processing of all soldier travel claims.

## Overpayments and Debt Collection Action Have Placed Significant Hardship on Sick and Injured Soldiers and Their Families

Debt collection actions have caused a variety of problems for injured and sick Army GWOT soldiers. Case studies related to both of our reports showed that sick and injured soldiers sometimes went months without paychecks because debt caused by overpayments of combat pay and other errors was offset against their military pay.[12] Work performed for both of our reports also showed that when debts were not paid after the soldiers separated from the service, they were subject to credit bureau reporting and collection agency actions and offsets. Out-of-service debt collection actions created additional hardships on the soldiers by preventing them from paying for basic household expenses, getting loans to buy houses or automobiles or pay off other debt, and sending several of the soldiers into financial crisis. Some battle-injured soldiers forfeited their final separation pay to cover part of their military debt, and they left the service with no funds to cover immediate expenses while facing collection action on their military debt.

### Fort Bragg Soldier Case Studies

Case studies developed as part of our Fort Bragg investigation showed that some soldiers and their families had to expend significant time and effort dealing with pay problems and resulting debt while recovering from sickness and injuries. Several soldiers experienced large, unexpected deductions—as much as $1,172 from a single paycheck—for repayment of debt resulting from the Army's failure to stop hostile fire and hardship duty pay for soldiers who were in Medical Retention status.

As illustrated in table 1, for 9 of the 10 MRPU soldiers in our case studies, it took pay technicians at the Fort Bragg Finance Battalion from 14 to 203 days to stop the overpayments once the soldiers visited the Finance Battalion. The resulting overpayments ranged from $553 to $2,300. The Finance Battalion could not provide documentation for us to determine the amount of time it took to stop overpayments for one of our case study soldiers. The soldiers' injuries ranged from those inflicted by improvised explosive devices (IED) to post-traumatic stress disorder.

[12] We found that after voluntary allotments and other required deductions, many times there was no net pay due the soldier.

**Table 1. Examples of Fort Bragg Soldier Pay Problems**

| Soldier | Medical condition | Arrival date | Finance visit | Stop pay transaction date | Days elapsed before appropriate pay changea | Estimated overpayments (debt)b |
|---|---|---|---|---|---|---|
| #1 Sergeant, Army National Guard | Injury from vehicle accident involving an IED crater. | 6/14/2004 | 6/14/2004 | 1/3/2005 | 203 | $2,050 |
| #2 Specialist, Army National Guard | Knee injury, broken leg—undiagnosed for 6 weeks. | 7/9/2004 | 7/15/2004 | 11/5/2004 | 113 | $1,075 |
| #3 Sergeant First Class, Army National Guard | Depression – sent to MRPU at Fort Bragg and redeployed to Iraq. | 7/1/2004 | 7/18/2004 | 11/3/2004 | 108 | $1,300 |
| #4 Specialist, Army Reserves | Remained at Fort Bragg when his unit deployed to Iraq. | 7/12/2004 | 7/23/2004 | 12/14/2004 | 144 | $848 |
| #5 Sergeant Army National Guard | IED injuries to arm while in Iraq. | 6/29/2004 | 7/26/2004 | 12/23/2004 | 150 | $2,000 |
| #6 Staff Sergeant, Army National Guard | Stroke—medically evacuated to Landstuhl and transferred to Walter Reed and Fort Bragg. | 7/6/2004 | 7/30/2004 | 11/5/2004 | 96 | $1,300 |
| #7 Specialist, Army National Guard | Kidney disease in Iraq, hospitalized at Landstuhl, and then sent to Walter Reed and Fort Bragg. | 9/13/2004 | 9/15/2004 | 12/8/2004 | 82 | $1,025 |
| #8 Specialist, Army National Guard | Depression and anxiety; never deployed. | 10/5/2004 | 10/13/2004 | 3/10/2004 | 148 | $1,823 |
| # 9 Lt. Colonel, Army Reserves | Experienced heart trouble in Iraq; sent to Fort Bragg. | 11/2/1004 | 11/4/2004 | 11/18/2004 | 14 | $553 |
| # 10 Lt. Colonel, Army Reserves | Contracted legionnaire's disease in Africa. | 3/8/2004 | Unknown | 9/2/2004 | Unknown | $2,300 |

Source: GAO.

[a]Days elapsed equals the number of days between the date the soldier visited Finance and date ineligible pay was stopped.

[b]Estimated overpayments equals hostile fire and hardship duty payments made to a soldier after arrival at Fort Bragg MRPU.

Soldier #6 in the table above, an Army National Guard soldier, suffered a stroke on June 26, 2004, while serving in Iraq. He was medically evacuated

and arrived at Fort Bragg in early July 2004. Our investigation revealed that the soldier visited the Fort Bragg Finance Battalion on July 30, 2004, as part of his MRPU processing. Despite following MRPU procedures, this soldier's hostile fire and hardship duty pay continued until November 5, 2004—approximately 4 months after his initial visit to the Finance Battalion. By this time, the soldier's overpayments had resulted in debt of $1,300. The Fort Bragg Finance Battalion eventually collected about $972 of this amount from a single paycheck, which was about 50 percent of the soldier's disposable pay. As a result, the soldier's wife told us that she had to defer paying some of their bills, including the monthly payment on their second mortgage.

## Separated Battle-Injured Soldier Case Studies

Case studies related to our audit of separated battle-injured soldier debt showed that several of these soldiers also had gone without a paycheck for several months while they were in Army medical facilities undergoing treatment for their war injuries because debt caused by overpayments of combat pay and other errors was offset against their military pay. One soldier said he had no money for food while several soldiers told us they received assistance from family members. When these soldiers leave the Army, they generally do not have jobs and many of them face continuing medical treatment for battle injuries, making it difficult to hold a job. Some soldiers told us that their final separation pay was offset to cover their debt and they left the service with no funds to pay immediate expenses.

Because of the lack of income, 16 of the 19 soldiers who contacted us during our audit told us that they had difficulty paying for basic household expenses. The Army's failure to record separation paperwork in the pay system and other payment errors resulted in over $12,000 of debt for one severely battle-injured soldier who suffered brain damage when his convoy came under attack. Although the soldier's family expected that he would receive retirement pay when his active Army pay stopped upon his separation, the soldier had no income for several months while the Army attempted to recover his military debt. As a result the soldier's family was unable to pay household bills, the utilities were shut off, and the soldier's dependent daughter was sent out of state to live with relatives.

In addition, three soldiers told us that they were erroneously identified as absent without leave (AWOL) by their units while they were actually in the hospital or receiving outpatient care for their war injuries. The AWOL status for at least two of these soldiers created debt because it appeared that the soldiers received pay when they were not in duty status. At the

time these soldiers were listed as AWOL by their Army units, they were actually receiving medical treatment. One soldier was receiving outpatient therapy for her knee injury under the care and direction of an Air Force physician based on an Army medical referral and the other soldier was in a military hospital at Fort Campbell. Debt-related experiences of 19 separated battle-injured soldiers who contacted us included the following.

- Sixteen soldiers had their military debts reported to credit bureaus, 9 soldiers had debts turned over to private collection agencies, and 8 soldiers had their income tax refunds withheld under TOP.
- Sixteen could not pay their basic household expenses.
- Four soldiers were unable to obtain loans to purchase homes, meet other needs, or obtain VA educational benefits because of service-related debt on their credit reports.
- At least 8 soldiers were owed travel reimbursements at the same time they were being pursued for collection of their service-related debts.

Table 2 illustrates examples of the effects of debt collection actions on 10 of our separated Army battle-injured case study soldiers and their families. Debts imposed the greatest hardship on battle-injured soldiers who have had to endure financial problems while they cope with adjusting to physical limitations caused by their injuries.

**Table 2.Examples of Battle-Injured Soldier Pay Problems Resulting in Military Debt after Separation**

| Soldier | Type of Injury | Debt amount | DOD-reported debt reason(s) | Impact on soldiers and family members |
|---|---|---|---|---|
| #1 Staff Sergeant, Army Reserves | Lost right leg below the knee. | $2,231 | Payroll and leave payment errors. Also, erroneous Servicemen's Group Life Insurance (SGLI) and Survivor Benefit Program (SBP) premium billings. | Soldier spent 1-1/2 years on disputes and appeals before multiple debts, errors and unreimbursed travel expense were resolved. Soldier said he deferred purchase of a house because of military debt included on his credit report. The Army debt was the only blot on the soldier's credit report. |
| #2 Staff Sergeant, Army National Guard | Brain damage, in a coma for 3 months, and post traumatic stress disorder (PTSD). | $12,662 | Combat pay and calculation errors, including payment for unused leave. Soldier also was erroneously reported as AWOL while actually receiving treatment in a Department of Veterans Affairs hospital. | Family had no income while debt was recouped. According to a family member, the soldier's utilities were turned off, and his young daughter was sent to live with relatives out of state. |
| #3 Staff Sergeant, Active Component | Paralyzed from waist down. | $14,959 | Combat pay and calculation errors. | Soldier received reduced pay or no net pay over a 4-month period while he was at Walter Reed and his wife and four children were in Germany. The soldier separated from the Army in January 2005 and his debt was not resolved until February 2006. The soldier is still pursuing underpayment of hostile fire pay and combat zone tax exclusion and "unreimbursed" travel expense. |
| #4 Specialist, Army Reserves | Inoperable shrapnel in knee. | $1,575 | Unearned portion of reserve enlistment bonus because of erroneous AWOL report and overpayment of hardship duty pay. | After the soldier struggled with her Army Reserve unit to resolve AWOL errors, she experienced collection action on other military debt. The soldier told us she was unable to get a $500 loan because of the past due Army debt of $1,079 on her credit report. |
| #5 Sergeant Active Component | Leg injury. | $563 | Outstanding travel advance error. | Soldier was asked to travel to Fort Polk to brief Stryker Brigade on Iraq experience. He submitted his travel voucher several times, but DFAS lost it and reported a travel advance debt to credit bureaus. |
| #6 Corporal, Active Component | Chest injury, damage to lung and left arm, in a coma for two weeks, and PTSD. | $2,030 | Combat pay and calculation errors. | Soldier, a single parent with four young children, was told that DFAS would audit her $2,030 debt. She said she never heard from DFAS and was unaware she owed a balance of over $500 until the debt appeared on her credit report. |

| Soldier | Type of injury | Debt amount | DOD-reported debt reason(s) | Impact on soldiers and family members |
|---|---|---|---|---|
| #7 Sergeant, Active Component | Limited use of right leg. | $6,472 | Pay calculation errors. | Soldier was contacted by a private collection agency and his 2004 income tax refund was withheld to offset his debt. Soldier said he was unable to obtain a loan to buy land for his house trailer due to military debt on his credit report, and he had to pay a higher interest rate on his car loan. |
| #8 Private First Class, Army Reserve | Shoulder injury. | $3,716 | Unearned portion of reserve enlistment bonus. | Soldier said he was unsuccessful in gaining assistance from Fort Hood to resolve his debt. He was contacted by a private collection agency, and the government took his 2004 tax refund to offset the debt. |
| #9 Staff Sergeant, Army National Guard | Nerve damage in wrists and head and shoulder injury. | $3,434 | Erroneous annual leave payment, repayment of basic training program expense. Also, erroneous SGLI premium billings. | The soldier separated from the Army in October 2004 and said he received a check for about $1,800 for unused leave 10 months later in July 2005. He told us he received his first debt letter in November 2005 but was unable to pay his debt. |
| #10 Specialist, Active Component | Loss of hearing and PTSD. | $476 | Pay calculation errors. | Soldier said she was unable to obtain a loan to purchase a house because of military debt on her credit report. The soldier would have had to pay a higher interest rate because of Army debt, and she could not afford the resulting higher monthly payment on the loan. |

Source: GAO.

Five soldiers and family members told us that they had contacted their unit finance offices multiple times for assistance in resolving their pay and debt problems. However, the soldiers said that finance personnel either did not get back to them as promised or the finance personnel they spoke with said they could not help them with their problems. DFAS and Army officials we spoke with acknowledged that finance office personnel at some locations lacked the knowledge needed to accurately input transactions to soldier pay accounts. DFAS officials told us they recently initiated actions to train Army finance office personnel at several locations.

## DOD Actions to Address Pay and Travel Reimbursement Problems

Our past reports included over 80 recommendations for improvements in human capital, processes, and systems to address pay and travel problems. Preventing these problems from occurring in the first place is the best solution. Efforts to fundamentally reengineer the current system into an integrated pay and personnel system have fallen far short of expectations. DOD and the Army have taken a number of actions to improve human capital and correct process weaknesses. For example, the Army and DFAS have created a WIA database of personnel, payroll, and medical data on soldiers who were sick, injured, or killed in combat. This database provides useful information for identifying and resolving soldier pay and debt problems. The Army and DFAS have also issued standard operating procedures and initiated training and oversight activities at several Army field locations. In addition, the Army established a formal Ombudsman Office in May 2005 to assist Army Guard and Reserve soldiers in resolving a variety of pay and travel problems. Over the past few months, DFAS has deployed staff to several field locations to train the finance staff on the processing of pay transactions. Although these actions are positive, they primarily represent workarounds and substantial human efforts to overcome the error-prone, labor-intensive system that exists today.

## Opportunities for a More Soldier-Friendly Debt Collection Process

Our analysis of debt relief authority in the National Defense Authorization Act for Fiscal Year 2006 identified additional opportunities to alleviate the burden that military debt and collection action places on sick and injured soldiers. For example, the act could be clarified to make debt relief available to soldiers regardless of when they separated from active duty. Currently, soldiers who separated from the Army more than 1 year ago are not eligible to obtain debt relief, and soldiers who paid debts are not eligible for refunds.

Case studies included in both of our recent reports showed that some battle-injured soldiers did not receive debt notification letters until 8 to 10 months after they separated from the Army. One battle-injured soldier who separated in October 2004 told us that he received his debt notification letter in November 2005—more than 1 year after he separated from the Army. All but three of our case study battle-injured soldiers separated from the Army more than 1 year ago, and these soldiers' eligibility for debt relief under the act has already expired. Another non-battle-injured soldier included in our Fort Bragg investigation who separated from the Army National Guard in June 2005, received his debt notification letter at the end of March 2006—10 months after he separated from the service—stating that his debt would be reported to credit bureaus, if not paid within 30 days and to private collection agencies if not paid within 60 days.

Further, the current debt relief authority is not permanent; it will expire on December 31, 2007.

Our report on debts of battle-injured soldiers raises a number of matters for congressional consideration with regard to expanding debt relief authority in current law, including providing uniform debt relief to injured GWOT soldiers and exempting these soldiers from credit bureau reporting and private collection agency and TOP action. Our report on MRPU soldier overpayments recommends that DOD follow up with the 22 MRPUs that were not part of our investigation to determine the extent of overpayments at those locations and ensure appropriate corrective action is taken.

## Concluding Comments

Our most recent work shows that wounded soldiers continue to struggle with a broken pay system. These pay problems have resulted in significant frustration for injured soldiers and their families. In addition, we found instances of soldiers injured fighting the GWOT being referred to credit reporting agencies and collection agents. This is especially problematic for injured soldiers who are facing other difficult challenges. Although DOD has taken action to improve the military pay system, most of the progress to date represents workarounds and human efforts to overcome what remains today as a fundamentally flawed system. Absent a successful reengineering of the current pay system, problems for soldiers will continue. Consistent oversight by Congress will be needed to ensure that DOD provides our soldiers with the world class military pay system that they deserve.

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

## Contacts and Acknowledgments

For further information about this testimony, please contact Gregory D. Kutz at (202) 512-7455 or kutzg@gao.gov. Major contributors to this testimony include Gary Bianchi, Mary Ellen Chervenic, Dennis Fauber, Gayle Fischer, Jason Kelly, Renee McElveen, Richard Newbold, and John Ryan. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this testimony.

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Chairman TOM DAVIS. Thank you very much.

Colonel Lovejoy, thanks for being with us.

**STATEMENT OF JOHN M. LOVEJOY**

Lt. Colonel LOVEJOY. My name is Lieutenant Colonel John Lovejoy, and I am an officer in the U.S. Army Reserve. Although I am appearing in uniform today, I am speaking only for myself. I do not represent any position of my unit, the Army, the Army Reserve, or the Department of Defense. I am a graduate of the U.S. Military Academy and have a Master of Science degree in engineering management from the University of Missouri-Rolla. My current duty station is the 364th Civil Affairs Brigade out of Portland, OR.

I would like to thank the members of the committee and the Honorable Tom Davis for inviting me to testify today. I hope that my testimony will illustrate the type of pay problems a Reservist or National Guardsman can face when called to active duty. Generally, my experience with the Army pay system has been positive. However, the "system" did make mistakes with my pay during my last deployment. The more serious problems usually occur when a soldier does not get paid. However, I am here to talk about the impact of being overpaid.

I was mobilized in December 2003 for Operation Iraqi Freedom. Nine months later, I was having chest pains, but not serious enough to be medically evacuated out of theater since I only had about a month left on my tour of duty. I left Iraq in October 2004 and was retained on medical hold at Fort Bragg, NC. I remained on medical hold for 7 months until July 3, 2005, when I was released from active duty to return to my Reserve unit.

My first pay issue occurred when my hardship duty and hostile fire pays were not stopped after I left the Iraqi theater. I made three separate visits to the Fort Bragg Finance Office trying to stop these pays. I was overpaid a total of $553, with the last overpayment received on December 15, 2004. To prepare for this hearing, I reviewed all of my leave and earnings statements [LES], and found that the Army had over-collected $150 in hardship duty pay and under-collected $225 in hostile fire pay. I counted 17 LESs that contained remarks only, adjustments to pay, or debt collections from the period November 2004 to February 2006.

The collections made by the Army in my case were somewhat confusing, but I was confident that the Army would correct my pay. I have an example of a confusing collection action from my November 15, 2005, LES. Please refer to the monitor.

[The information referred to follows:]

# Leave and Earnings Statement for Lieutenant Colonel John Lovejoy

Save Print View other LESs CHK DT 051115 Go

**DEFENSE FINANCE AND ACCOUNTING SERVICE MILITARY LEAVE AND EARNINGS STATEMENT**

| ID | NAME (Last, First, MI) | SOC. SEC. NO. | GRADE | PAY DATE | YRS SVC | ETS | BRANCH | ADSN/DSGN | PERIOD COVERED |
|---|---|---|---|---|---|---|---|---|---|
| | LOVEJOY JOHN M | [redacted] | O06 | 780607 | 27 | 000000 | USAR | 5570 | CHK DT 051115 |

| ENTITLEMENTS | | DEDUCTIONS | | ALLOTMENTS | | SUMMARY | |
|---|---|---|---|---|---|---|---|
| Type | Amount | Type | Amount | Type | Amount | *Amt Fwd | |
| A MILEAGE PAYMENT | 16.50 | DEBT PAYMENT | 11.00 | | | *Tot Ent | 16.50 |
| B | | | | | | *Tot Ded | 11.00 |
| C | | | | | | *Tot Alt | |
| D | | | | | | *Net Amt | 5.50 |
| E | | | | | | *Q Fwd | |
| F | | | | | | *EOM Pay | |
| G | | | | | | | |
| H | | | | | | | |
| I | | | | | | | |
| J | | | | | | | |
| TOTAL | 16.50 | | 11.00 | | | | |

| LEAVE | BF Bal | Erndd | Used | Cr Bal | ETS Bal | Lv Lost | Lv Paid | Use/Lose | FED | Wage Period | Wage YTD | NHS | Ex | Addl Tax | Tax YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

DEBT PAYMENT 11.00

PAY & ALLOW DEBT(DQ03) DEBT BALANCE $48.32
ORIGINAL DEBT $50.00 01 DEC 04 15 DEC 04
UNPAID DEBT BALANCE *TOTAL*: $48.32

[redacted]

* AS OF 14 OCT 01, 041 HIGH TEMPO DEPLOYMENT DAYS ACCRUED
SINCE 1 OCT 00 (OR SINCE ENTERING MILITARY SERVICE) *
DENTAL PREMIUM QUESTIONS? CALL UCCI AT 1-800-866-8499
PAY & ALLOW DEBT(DQ03) DEBT BALANCE $48.32
ORIGINAL DEBT $50.00 01 DEC 04 15 DEC 04
UNPAID DEBT BALANCE *TOTAL*: $48.32
TOTAL PERFORMANCE FY 05: UTA 04 AFTP 00 ET 00 ATA 00
JPT 00 AAUTA 00 AANT 00 RMA 00 SUP IDT TNG 00
MIDDT 00 RMAM 00 ATADT 012 PHDA 000
ADJUSTMENT PAY: TVL TRNG MILEAGE $16.50 050920 050920
YOUR CURRENT STATE CLAIMED IS: WASHINGTON
SERVICEMEMBER GROUP LIFE INSURANCE COVERAGE: $400,000
SUPPLEMENTAL MILEAGE PAYMENT
SUPPLEMENTAL MILEAGE PAYMENT
PLEASE VERIFY YOUR STATE OF LEGAL RESIDENCE FOR STATE INCOME
TAX PURPOSE. CONTACT YOUR PAYROLL OFFICE TO FILE A NEW DD FORM
2058 TO CHANGE/ESTABLISH THE CORRECT STATE IMMEDIATELY.
-EFF 1 DEC 05 YOUR SGLI DED WILL INCREASE $1.00 PER MONTH FOR
TRAUMATIC INJURY PROTECTION (T-SGLI). VISIT WWW.INSURANCE.VA.GOV
OR UNIT.
-JAN 06 TRICARE DENTAL PREMIUM RATE INCREASES. FOR INFO GO TO
WWW.TRICAREDENTALPROGRAM.COM OR CONTACT UCCI CUSTOMER SERVICE
(PHONE NUMBERS LOCATED ON WEBSITE).

Lt. Colonel LOVEJOY. Note in the remark block in the center, "Original Debt $50.00," with the dates 01 December to 15 December 2004. Above that in the deductions columns is a debt payment of $11—$11 from $50 should leave a balance of $39, but the LES indicates an unpaid balance total of 448.32. Nowhere on this LES is this discrepancy explained. It appears the $50 collection was for hardship duty pay, but I am not sure.

My second pay issue occurred when my active duty pay was not stopped after I was released from active duty. I was overpaid for two pay periods totaling about $7,600. I owed this amount back to the Army. Luckily, I had earned subsequent pay for a 4-week military exercise, and that pay plus 33 days of accrued leave repaid my debt, or I would still be paying the debt back over several months from my weekend drill—now known as battle assembly pay.

Civilian employers have the flexibility to resolve their mistakes by working closely with the affected employee. In fact, mistakes found over a year old are more likely to be written off by a company rather than attempting to collect from an employee, especially if the company was responsible for the mistake. The Army does not operate that way. The Army usually takes action without consulting with the affected soldier. As a result, the soldier usually bears the burden when the soldier's pay is suddenly corrected. The Army can do a better job of fixing pay errors to minimize the impact on the soldier.

I have the following recommendations for the committee's consideration which, if implemented, will truly take care of soldiers.

First, routinely provide a point of contact for any collection action in the remarks block of the soldier's LES. Many Reservists and National Guardsmen are separated from their home units and need a point of contact.

Second, write a letter to the soldier explaining any errors and the action that will be taken to correct the error.

Third, for collections greater than $300, provide the soldier with options for repayment.

Fourth, provide the soldier with detailed information on how to apply for relief from the debt if that debt creates a hardship.

Fifth, give brigade commanders the authority to relieve debt on any mistakes made by the Army.

And, finally, complete all collection actions in a timely manner.

I also concur with Mr. Kutz's recommendations that bad debts caused by the Army's errors should not be reported to collection agencies or credit bureaus. The two panel members to my left agree with all of these recommendations. These actions will minimize the impact on a soldier's pay due to overpayment or error.

Again, thank you for the opportunity to share my experience with you. I would be happy to answer any questions that you might have.

[The prepared statement of Lt. Colonel Lovejoy follows:]

**April 27, 2006**

**Statement of Lieutenant Colonel John M. Lovejoy**
**U.S. Army Reserve**
**364th Civil Affairs Brigade**

I would like to thank the members of the committee and the Honorable Tom Davis for inviting me to testify today. I hope that my testimony will illustrate the type of pay problems a Reservist or National Guardsman can face when called to active duty. Generally, my experience with the Army pay system has been positive. However, the "system" did make mistakes with my pay during my last deployment. The more serious problems usually occur when a soldier does not get paid. However, I am here to talk about the impact of being overpaid.

**Combat Assignment and Illness**

My name is Lieutenant Colonel John M. Lovejoy, and I am an officer in the United States Army Reserve. My current duty station is with the 364th Civil Affairs Brigade out of Portland, Oregon.

In civilian life, I was working as a financial comptroller for an electrical contractor when I received mobilization orders and deployed to Bosnia in January 2000. I remained on active duty until October 2000. While I was deployed, my civilian employer's business had declined, and I lost my job after my return due to significant reductions in the workforce. Thanks to the protections afforded by the Soldiers' and Sailors' Civil Relief Act, I negotiated a settlement. I received mobilization orders and deployed to Bosnia for a second tour of duty in January 2002. I remained on active duty until November 2002.

In November 2003, I was transferred to the 425th Civil Affairs Battalion, out of Santa Barbara, California. I received mobilization orders for Operation Iraqi Freedom and deployed to Iraq in February 2004. In early September 2004, I was having chest pains, but not serious enough to be medically evacuated out of theater since I only had about a month left on my tour of duty. I remained in Iraq until October 7, 2004, and flew out of Kuwait on October 21, 2004. When I went through the demobilization process at Fort Bragg, North Carolina, I was retained on medical hold to determine the cause of the chest pain. Further tests resulted in a cardiac catheterization medical procedure, which cleared me of any heart problems. I remained on medical hold until July 3, 2005, when I was released off active duty and medically cleared to return to my reserve unit.

I have had few pay problems throughout most of my Army career, both as an active duty officer and as a reservist. Most of my pay problems occurred during my last deployment as a reservist.

**Struggle to Stop Hardship Duty**
**And Hostile Fire Overpayments**

The first pay issue occurred October 2004 when my hardship duty pay was not stopped after I left the Iraqi theater. Although my military identification card was swiped through a card reader during outprocessing in Kuwait, this action failed to end the tax-free earnings and associated hostile fire and hardship duty pays received while in theater. My November 15, 2004, Leave and Earning Statement (LES) showed receipt of $225 hostile fire pay and $50 hardship duty pay. I believed that October 2004 was the last month that I was entitled to draw these special pays. I immediately notified the finance office at Fort Bragg of the error and requested a stop on these special pays. The next LES, dated November 26, 2004, showed some activity that was confusing to me. The LES showed an overpayment of another $50 hardship duty pay with the remark "Adjustment Pay." Then the same LES showed a debt collection of $25.59 and a remark "Original Debt $50." The remaining $24.41 was deducted on my December 1, 2004 LES to complete the collection of the $50. The December 1, 2004 LES also showed receipt of another $50 hardship duty pay. I again visited the Fort Bragg finance office on or about December 1, 2004, to complain about receipt of this overpayment of hardship duty pay. I provided another copy of the latest assignment order to stop the tax exemption and associated special pays.

When my December 15, 2004 LES showed another overpayment of $225 hostile fire pay and $3.33 hardship duty pay, I returned to the finance office on or about December 15, 2004. I asked again if the stop action was entered. I was told by the finance clerk that the stop action for the tax exemption and special pays had been entered and would be effective as of November 1, 2004, since that was the date I was assigned to a medical hold unit. The December 30, 2004 LES showed another collection action of $50 for hardship duty pay. The collections made thus far were still confusing, but I was confident that the Army would correctly complete its collections actions. However, I did not see another collection action until approximately a year later. This led me to believe that maybe I was given an exemption that allowed soldiers to continue to draw hardship duty pay if they were injured and medically evacuated from hostile fire areas, even though I did not exactly fit that category. I still expected another collection action but never followed up again with the finance office since my confidence in its ability to fix my pay had diminished significantly by the time I was released from active duty.

Now back in reserve status, on November 8, 2005, I received a remark LES "Overpmt Deploy 041102-041215". On the next LES dated Nov. 15, 2005, a $50 collection was started with the remark "Original Debt $50.00 01 Dec 04 - 15 Dec 04" with no further explanation. The LES shows a debt payment of $11 with no explanation of the breakdown. Since the unpaid debt is $48.32, I assume that $1.68 was collected against the $50 debt, and the remaining $9.32 debt is a dental premium. For some reason, the dental premium shows up as a debt collection each month instead of its own line item. The $50 collection action was completed on my December 1, 2005 LES. The $50 collection appears to be for overpayment of hardship duty pay, but I am not sure. Since I had no point of contact for this action, I was not confident that I could get a straight

answer from anyone other than the person that made the entry into the pay system. The dollar amount did not justify wasting time trying to track it down without a point of contact. On January 4, 2006, I received a remark LES that specified collection action for overpayments of hardship duty pay of $100 from 041101 - 041130 and $3.33 for 041201, and hostile fire pay of $225 from 041201 - 041230. These pays were collected on my February 22, 2006 LES. I was surprised that it took 17 months to make that collection, but at that point in time, I hoped that completed the Army's collection action.

My second pay issue occurred when my active duty pay was not stopped when I was released from active duty on July 3, 2005. I do not understand how such an error could have occurred, but it did. Luckily, I was only overpaid for two pay periods totaling 28 days of basic pay plus benefits. On July 3, 2005, I was owed 33 days of accrued leave, which was to be paid on July 15, 2005. However, the overpayment error prevented this payment. After my active duty pay was stopped, orders were cut for me to participate in a military exercise called Ulchi Focus Lens in Korea from August 8, 2005 to September 5, 2005. The pay from this exercise plus the accrued leave covered my debt for overpayment of the 28 active duty days totaling about $7,600. As a result, the collection action was completed on September 9, 2005. However, had I not been dropped from the active duty pay system, I would not have been able to participate in the Korea exercise. Military orders cannot overlap.

Neither one of the above major pay issues were serious because I anticipated the repayment of the money that was overpaid. There are soldiers who do not closely monitor their pay. These soldiers usually experience pay problems when they must pay back the overpayments.

**The Army Could Provide Better Customer Service By Implementing the Following Recommendations**

In my personal opinion, the Army should work closer with a soldier when it makes a mistake. The Army pay system is all automated. The soldier gets an LES that contains a debt amount and line item explanation, and then the debt collection starts immediately. In most cases the collection actions are specific and self-explanatory. In other cases, the line item explanations are unclear and of a general nature. Civilian employers have the flexibility to resolve their mistakes by working closely with the affected employee. In fact, mistakes found over a year old are more likely to be written off by a company rather than attempting to collect from an employee, especially if the company was responsible for the mistake. The Army does not operate that way. The Army usually takes action without consulting with the affected soldier. As a result, the soldier usually bears the burden when the soldier's pay is suddenly corrected.

The Army can do a better job of fixing pay errors to minimize the impact on the soldier. I have the following recommendations for the committee's consideration. First, routinely provide a point of contact for any collection action in the remarks block of the soldier's LES. Many reservists and National Guardsmen are separated from their home units and need a point of contact! Second, write a letter to the soldier explaining any errors and the

action that will be taken to correct the error. Third, for collections greater than $300, provide the soldier with options for repayment. Fourth, provide the soldier with detailed information on how to apply for relief from the debt. Fifth, give brigade commanders the authority to relieve debt on any mistakes made by the Army. And finally, the Army needs to complete all collection actions in a timely manner, or be required to outline to the soldier in detail its intended actions and reasons for the action. The soldier should then be given an opportunity to respond by a deadline before the collection action is taken.

**Concluding Remarks**

These recommendations, if implemented, will truly take care of soldiers and will minimize the impact on a soldiers' pay due to overpayment or error.

Again, thank you for the opportunity to share my experience with you. I would be happy to answer any questions you might have.

Chairman TOM DAVIS. Thank you very much, Specialist Mangum. Thank you for being with us.

**STATEMENT OF FRANK MANGUM**

Mr. MANGUM. Thank you for inviting me here today to testify before this committee. I am here in the hope that my story may benefit other Guard and Reserve soldiers returning from the global war on terrorism. I wish to preface this statement by simply stating that in my case, if something could go wrong, it did. I feel that I am not the average case to come before you, but the exception to you. The average soldier does not have as many problems as seem to have plagued me. I sincerely hope this testimony will help improve the financial and medical care given to returning soldiers.

My name is Frank Mangum, Jr., and I'm a 36-year-old former National Guard soldier from Decatur, AL. I was a member of the 279th Signal Battalion attached to Bravo Company for deployment to Iraq in support of Operation Iraqi Freedom. I volunteered for this deployment in October 2003, and deployed to Iraq in February 2004. My unit was stationed at Camp Caldwell, which is near Kurkush. During my deployment, I served as a 35 Echo, or a Radio/COMSEC Repairer, for my unit.

On April 2nd, I injured my right knee during physical training. Medical personnel onsite treated the injury, which they determined to be minor. Even though I was in a considerable amount of pain, I continued to perform my duties while following up with the doctor at Camp Caldwell about my knee.

I was eventually sent to the hospital at Camp Anaconda in Baghdad for physical therapy. I was seen by a doctor there who recommended my medical evacuation from the theater, because he suspected more serious problems than originally thought. This evacuation from Iraq was on June 28th.

I arrived at Fort Bragg on July 5th, and inprocessed into the Fort Bragg Medical Retention Unit [MRPU], on July 9th. After inprocessing into the MRPU, it took 6 weeks before I was seen by an orthopedist. The orthopedist ordered x-rays and a series of physical therapy sessions for me. Six weeks later, I was again seen, and he recommended me for a medical discharge because I could no longer perform my duties as a soldier, because I had a condition known as "runner's knee." I was discharged from the military on June 19, 2005.

After being medically discharged, all returning Guard and Reserve soldiers are given 6 months of continued health coverage, which I used to seek another opinion on my knee in July 2005. This time the doctor I saw ordered an MRI and a set of x-rays. After reading the results, the doctor asked me when I had broken my leg in the past. I had never had my leg diagnosed as being broken in the past. The doctor determined that I had most likely broken it in my accident in Iraq, 15 months earlier. He also found a tear in the meniscus in my knee, plus severe damage to the cartilage in the kneecap. Surgery was performed to remove the cartilage and the torn portion of the meniscus. The break was not repairable.

My pay issues started upon my arrival at Fort Bragg. As part of my inprocessing to the Fort Bragg MRPU, I visited the Fort Bragg

Finance Battalion on July 15th to have my pay account reviewed for accuracy by a financial clerk. Yet I still continued to receive the hostile fire and hazardous duty pay through October 31st. My overpayments grew to $1,075 in spite of my complaints to the MRPU and the Finance Office.

I had $299 deducted from my pay on November 15th, which a Fort Bragg finance official told me was for overpayment of hardship duty pay. This prevented me from coming home to visit my family in Alabama over the Thanksgiving holiday. I still had bills to pay, and I couldn't afford to do both. My paycheck was reduced by another $23 on December 15th. My LES did not describe what the deduction was for. And this is similar to the problem that is faced by Colonel Lovejoy.

Since there were no further deductions from my paychecks, I assumed that my debt was paid. I was wrong. As shown on the poster board, I received a letter from DFAS, dated March 21, 2006, regarding a $775 debt for overpayment of military pay. I contacted DFAS to dispute the amount, and I was told that I still had to pay this entire $775, file my dispute, and after DFAS investigated the matter, they would refund the difference if any difference was found. If I did not make full payment, I would be subject to interest charges, administrative fees and possibly face collections and credit issues. I question why this took 15 months to be sorted out.

I had an award of severance pay in the amount of $11,266 that I had been awarded at the time of my discharge on June 19, 2005. I was told this would take 2 weeks to put in my bank account. It took 8 months.

The final chapter to the financial side of my story ends with the aftermath of my injury. Before I was deployed to Iraq with my Guard unit, I was a sheet metal mechanic in the construction industry. I was required to climb ladders all day long. My wage was between $15 and $17 an hour. I can no longer do this job. I now make $8 as a manager for the local Burger King franchise.

My service in Iraq cost me my health, my money and my job. Now I'm being asked for more. Do I regret serving in the Army? Not for 1 minute. I would go back in if they would let me, and straight back to Iraq to boot. This is the greatest Nation in the world, and I would gladly give my life to defend her. I ask nothing of this Nation in return except to care for me as I have cared for her.

I thank you again for the opportunity to share my experiences. I would be happy to answer any questions you may have.

[The prepared statement of Mr. Mangum follows:]

**April 27, 2006**

**Statement of Specialist Frank Mangum**
**Alabama Army National Guard**
**279th Signal Battalion**

Thank you for inviting me here today to testify before the committee. I am here not for the purpose of bashing anyone, but in the hope that my story may benefit other Army National Guard and Army Reserve soldiers returning from fighting the Global War on Terrorism. I sincerely hope that this testimony will help improve the financial and medical care given to returning soldiers.

**Combat Assignment and Injury**

My name is, Frank Mangum Jr., a former specialist in the Alabama Army National Guard assigned to the 279th Signal Battalion. I was a 35E COMSEC/RADIO Repairer. I am now honorably discharged from the service for an injury I received in the line of duty in Iraq on April 2, 2004.

I am writing this testimony to try and help people understand the cracks in the system that is currently in place to provide for deployed Guard and Reserve soldiers, and to help fill in those cracks. It is also an expression of my love for this country and the Armed Forces that helped to make this nation great, and who guard its greatness. I appreciate all who are working to help the soldiers and their families through difficult times and to ensure that mistakes are not repeated.

I wish to preface this statement by simply stating that in my case, if something could go wrong, it did. I feel that I am not the average case to come before you, but the exception to the rule. The average soldier does not have as many problems as seem to have plagued me.

I began my Army National Guard career in December 2001, signing up just after 9/11 in the hope of serving my country through a very difficult time. I went through Basic Training at Fort Benning, Georgia, and Advanced Individual Training at Fort Gordon, Georgia, from January 2002 until February 2003. I attended normal weekend drills for 7 months and in late September 2003, our company was addressed by the Brigade Commander. He was there to ask for volunteers for deployment to Operation Iraqi Freedom. I volunteered without hesitation or regret.

In October 2003, I was assigned to B Company, 279th Signal Battalion. In November 2003, my unit arrived for pre-deployment training at Fort Bragg, North Carolina, where we remained until January 2004. We deployed to Camp Udairi, Kuwait, and remained at Camp Udairi for most of February conducting additional training and adapting to the climate. In late February 2004, we convoyed across the border into Iraq. During this three-day convoy we did take some light small

arms fire and one vehicle in the convoy was hit by an Improvised Explosive Device (IED). Luckily, there were no injuries. We arrived at Camp Caldwell, which is located near Kirkush and Baqubah, in early March 2004. Due to some problems with tent assignments, my company slept outside for three days where we watched the other units arriving move directly into tents. When accommodations were made, we were placed into three tents. We had more than 35 soldiers in each tent with our officers and the 1st Sergeant taking one tent for themselves and operations (they were crowded too).

Camp Caldwell is also known as the Kurdish Military Training Base, and as such is a very well-developed base. There were several buildings completed and many more were under construction when we arrived. Unfortunately for us, these buildings were also being handed over to the Iraqis, even the buildings where the soldiers in the previous unit that we relieved had lived. We may have been cramped, but we still felt lucky because other fellow soldiers were still sleeping on the ground elsewhere. We even had two open KBR dining facilities, or so we thought.

I will pause here a moment to say that our unit deployed to provide communications for the 30th Heavy Separate Brigade, which fell under the command of the 1st Infantry Division (ID). That placed us under the 1st ID as well. It was no surprise that in late March 2004 we received a visit from the Commanding General of the 1st ID and his Command Sergeant Major.

They were there to inspect the camp because we had some problems with the facilities. These problems included the housing of soldiers, Morale and Welfare services, and the most pressing issue – our bathroom facilities. There were only six portable units on site for more than 3,000 soldiers! In the process of this inspection, the Command Sergeant Major inspected the dining facilities. He then began to look at soldiers' unit patches and started to ask what unit they belonged to. Guard soldiers were instructed to fall out of the dining facility and into formation so that the Command Sergeant Major could address us. At this time we were told that the dining facilities were not to be used by Guard soldiers because our units had no contract to use them. If we did not obey this order, we would be subject to disciplinary actions in accordance with the UCMJ. We were to eat at mobile kitchens or eat Meals Ready to Eat (MREs). After we were thrown out of the dining facility, we sat and watched as day after day food was discarded because there were not enough 1st ID soldiers on Camp Caldwell to eat all of the food prepared.

During my first month in Iraq, we had no mail service and the phones and computers were still being set up. When I finally received my mail, I learned that I had not been paid for the first month of my deployment. My wife had to file an inquiry and fortunately the problem was fixed in a week and she began receiving my pay again. This was not the only problem. It also took two months to start receiving hostile fire and hardship duty pay, even though we had to scan in our military IDs to show we had entered a combat zone. We were told that this would

expedite the pay process. If it still took two months to start the extra pay, even though we scanned our military IDs when we arrived in theater, then the process should be re-evaluated for a faster method of getting the soldiers' money to the soldier and his family.

After the first month, we had a finance office open on site. This allowed us to draft money from our pay to buy things that we needed from local suppliers. This drafted money would be deducted from our paychecks on a later pay period. I have experienced debt repayments on two separate occasions where my original debt was removed twice. The first was in Iraq and it took weeks to get the money refunded. It was such a hassle to prove the first time, when it happened again at Fort Bragg where no money had been advanced to me, I decided to just let it go. I was having enough problems at the time with being overpaid and the finance office doing nothing about it, that I did not want to open another can of worms.

My injury occurred in April 2004 at Camp Caldwell, while playing soccer for physical training (PT). I dropped to one knee to block a shot, striking my right knee against a rock sticking up out of the ground. It hurt, as you can imagine, but I continued to play for another 10 minutes or so. After that I reported to work call and began to do my job. After just a few minutes of standing at the repair bench, my knee began to throb and the pain was getting so bad that I had to stop working and check it out. My knee was badly bruised, swollen, and had a large, egg-sized pouch of fluid forming on the kneecap. I went to my sergeant to inform him of my injury. He looked at my knee and took me to the medical tent on site right away.

When we arrived at the medical tent, a medic took my vital signs and inspected the injury. He quickly left to find a doctor who came in and looked at my knee. He told me that there was an orthopedist on site and he was going to send for him to look at my knee because he would feel better if someone with experience with bone and joint injuries made a diagnosis. This doctor came and conducted a physical examination of my injured knee and thought that it was just sprained. I was placed on quarters and given instructions to rest, ice the injury, keep a compression bandage on it, and keep my leg elevated. I was also given Motrin to take for pain.

After the five days of quarters, I was to return for a follow-up exam. I did as instructed and at the second exam, my knee was still swollen and bruised with very little difference. I was again placed on quarters with the same instructions for care with another follow-up to be conducted in five more days. At this exam, the swelling in my knee had decreased and the fluid was dissipating slightly, but I still had considerable pain when walking. Again, I was placed on quarters but I was given a set of crutches to walk with. I had follow-up exams every three days for another two visits.

I had had five visits with the same doctor over close to three weeks with little change in my pain level. After the last three-day follow-up, the swelling in my knee had decreased to almost normal, the fluid was still there but decreasing, but I still

had pain. A more thorough exam was conducted and I was told I had chondromalacia, or runner's knee, which is a genetic condition. I questioned why I had never had a problem with my knee before this if the problem was genetic. I was then told that the rock had merely triggered an early onset of this genetic condition. I was placed back on duty, including attending PT, but was instructed to use my crutches to walk with. I can tell you that it is very difficult to walk with crutches while wearing a Kevlar helmet, Kevlar vest, full ammo load, protective mask, and carry a weapon. That is exactly what I did for two weeks because it was my duty.

**"Suck it Up and Drive On, Specialist"**

After the last two weeks of walking with crutches, I was taken off medical profile, even though I was still in pain and had a small amount of fluid left on my knee. I tried to do the PT runs, but found that when I ran or walked for long distances my knee would swell and the pain would increase. I returned to the doctor after a week of trying to run or walk for PT. I was given a no running or walking for PT profile for two weeks. When the profile ran out, I again tried to run but had the same pain and swelling as before, so after another week, I again returned to the doctor. He conducted another exam at this time and told me, "It's about time for you to suck it up and drive on, specialist." He did give me another two-week profile against running. This profile ran out and I did try to "suck it up," going two weeks with pain and knee swelling when I ran. I still walked with a limp but was able to walk farther than I had been able to at first.

I then consulted with my sergeant about the problem and asked him what I should do. He recommended that I try to talk to the doctor and see if he would grant me a P-2 profile. This would keep me from having to run for PT for the rest of my time in Iraq, and then I would be able to get the knee examined when we returned home. So, I went back to see the same orthopedist that I had been seeing all along. This time when the doctor came into the room and saw me he asked, "Are you too stupid to understand me, specialist? I have explained to you that there is nothing else that I can do for you! If you had done this on my doorstep in Raleigh, North Carolina, I would still not be able to help you!" I then told him that my sergeant had recommended this visit and had instructed me to inquire about a P-2 profile so that I didn't have to keep running. I told the doctor that I would not bother him again if I got this profile and I would wait and see a doctor about the knee when I got back home. He blew up! He then yelled at me, telling me that I was stupid and not only was I stupid; he was also going to charge me with malingering. He then stormed out of the room saying how stupid, idiotic, and lazy some people are. I was speechless!

About a minute later the medic came in and gave me a prescription for more Motrin and told me the doctor had told him to schedule me for physical therapy to take place at Camp Anaconda, near Balad. Two days later I left in a convoy for Camp Anaconda, but we were turned back due to an insurgent attack in Baqubah. So, I was rescheduled to fly out on a helicopter two days after that.

When I arrived at Camp Anaconda, I was given quarters for the duration of my stay and told when I was to report to the hospital for physical therapy. The following morning I went to physical therapy and after being examined by the therapist, it was recommended that I remain overnight to be seen the next day by the hospital's orthopedist. When the orthopedist examined me he asked me to explain how the injury occurred and asked me to describe the symptoms that followed. He then asked for my x-rays and I told him that none had been taken. He ordered a set of x-rays that day and viewed them that afternoon. He then said that he did not see anything on the x-rays but did not like the way my knee moved during his exam. He recommended that I be evacuated to Landstuhl, Germany, where they would "fix me up". I asked if it was really necessary to go, and he advised me that if I refused treatment I would be ineligible for V.A. care later. I went but wish I had stayed.

Upon my arrival at Landstuhl on June 28, 2004, I was taken to Landstuhl Army Medical Center where I in-processed and was assigned to the local MRPU. The following morning I was taken back to the hospital for an exam by their orthopedist who picked my leg up, bent it once, and dropped it saying, "F*** it! You're going home anyway." Then he walked out and I had to follow him to find out if I could at least get an MRI done while I was there. He agreed to that and an MRI was scheduled for me the next day.

**Orthopedist Orders My Medical Evacuation To Fort Bragg, North Carolina**

On the day following my MRI, I was told to report back to orthopedics to pick up the results. I reported as instructed, but no results were found in the computer. I was then instructed that I would be evacuated back to Fort Bragg, North Carolina, for further evaluation and treatment. This occurred on July 1, 2004, and since it was the 4th of July weekend, I was held over until the 5th.

It is important to stop here and say that when I left Camp Caldwell, I expected to just be gone a few days. All of my gear–excluding my helmet, body armor, protective mask, and weapon–was left behind. I had only the clothes on my back and one change of clothes when I arrived in Germany. I was given $250 in Germany to purchase clothing and a suitcase, and I was given an extra pair of desert boots. I had to trust my unit to bring back my personal possessions. This went badly for me as well! When I arrived back home after my discharge, I went to get my gear at my unit. My unit had been home for two months at this time. I found that all of my stuff had been gone through and most of it had been stolen. This included a laptop computer, 120 music CDs, and much more.

I arrived in Fayetteville, North Carolina, around 11 p.m. on the 5th of July and called the contact number we had been given for pick-up from the airport to be taken to Fort Bragg. There was no answer. Another soldier who was evacuated with me then offered to have his ride take me to a local motel where I could stay

for the night and then call for pick-up in the morning. I only had $40 on me, but it seemed that I really had no choice. The room cost $32 and change. The next morning I called the pick-up number again, but it was wrong. I spent two hours calling to find who was supposed to pick me up. When I finally found out whom, they asked if I could just take a taxi to get to the post. I told them I was out of money, so they finally agreed to send a driver.

When I arrived on post I found that my military ID had not been returned to me in Germany where they used it to book my flight. Since it was after noon already, I asked the driver if he would take me to get a new military ID issued. He said that I had to in-process at the hospital first. I was dropped off at Womack Army Medical Center on Fort Bragg, with my luggage, and without a clue of where to go or a guide to help. I had only a piece of paper to tell me where I needed to be in the hospital to get signed off as in-processed. This was a Friday, so I did what I could, but at 3 p.m. the offices began to close. I then called for another pick-up and asked again to be taken to get an ID card. I was told I had to in-process with the MRPU first. Getting a military ID card was a pressing issue because I would not be able to go to the dining facility to eat, be able to go to a store on post to buy anything, be able to cash a check, be able to leave the post, or get back on post if I did leave. So, at the MRPU I was very sure to tell the sergeant who checked me in that I did not have an ID and that I needed to get one. He told me not to worry, that it would not take that long to in-process with the company, and they would make sure that I had an ID by close of business. I met my Platoon Sergeant and told him about my ID problem and he reassured me that I would get one before the ID section closed for the weekend at 5 p.m. Finally at 4:45 p.m., the Platoon Sergeant came back to tell me that I would not in-process the company that day because the office personnel had gone for the day. I reminded him about the ID but it was too late and the ID section had closed.

This occurred on July 6, 2004. I had not eaten all day and I only had $7 to last all weekend. I did what I could and ate from the vending machine until Monday. It was a long weekend followed by a long Monday.

Monday began and I still had to finish all in-processing that had been missed at the hospital and finish in-processing the company. I complained again about the ID and the sergeants just laughed and asked how well I had eaten over the weekend. When I was briefed about company rules and regulations by the First Sergeant, I informed him of my problem. He gave me a counseling statement for losing my ID and then had someone drive me to get one. It was 4 p.m. on Monday, July 9th.

On Tuesday, I in-processed with the MRPU clinic and was given an appointment with a provider the following week. Then I was given a job by the MRPU. Despite my leg injury, and the limp that I still walk with, I was assigned to push patients around the hospital in wheelchairs. When I protested, I was told that I had no profile preventing me from performing that job. I further explained that I had just arrived and had not seen a doctor yet. I was told, "Then you don't have a profile yet." This was the kind of insanity that was going on when I first got to the MRPU.

When I first came into the MRPU, of all the staff, only the Company Commander and the First Sergeant were not returning injured soldiers. All of the other staff members had to do their jobs and track all of the soldiers in their charge, as well as see to their own medical care. Thankfully, this problem was solved at Fort Bragg's MRPU when the Army brought in a staff of Reservists to take over the daily platoon and staff duties.

I did push wheelchairs for a day, but a sergeant saw me and noted my limp. He contacted the MRPU and requested that I be allowed to work for him since it was obvious that I was having trouble just walking. The request was granted and I began work under this sergeant as a Health Benefits Advisor. My job was to counsel soldiers and their families about their healthcare under Tricare. I would resolve billing issues, verify Tricare accounts, and track ongoing cases with billing problems. I was in this position for five months, until a properly trained and qualified civilian was hired. I then became the Assistant Non-Commissioned Officer (NCO) in Charge of Clinical Operations for Womack Army Medical Center, even though I wasn't an NCO. I was a specialist! I served in this office for six months until the time of my discharge on June 19, 2005. I was even recommended for an Army Commendation Medal for this service, but I was discharged prior to receiving it and no one seems to know how to find out if it was approved.

**Shortage of Army Doctors at Fort Bragg**
**Resulted in Many Soldiers Receiving Poor Medical Care**

My medical care from the time I arrived at Fort Bragg until my departure was not the best. I will preface this with the knowledge that the Army desperately needs more doctors! The lack of adequate numbers of doctors directly corresponds with the poor care that I and many other soldiers received. As I previously stated, it took a week just to see my primary care provider. She put in a referral for orthopedics and five weeks later I got to see an orthopedist. I had had many appointments made during this five-week period for orthopedics, but every time I arrived for my scheduled appointment I was told by the receptionist, "I'm sorry, but we are unable to see Medhold soldiers today. You will have to make another appointment."

The day that I was finally seen, I was told this as well. I got mad and slapped the desktop saying, "This is unacceptable!" An officer in a lab coat walked around the corner and asked what my problem was. It turns out this officer was the doctor I was supposed to see that day. I informed him that this was my sixth appointment that had been cancelled on me because Medhold soldiers couldn't be seen that day. He then questioned the receptionist why she had turned away any Medhold soldier and she told him that she had been instructed to do so if the clinic was too busy. He corrected her and saw me immediately.

**My Undiagnosed Broken Leg**
**Results in My Medical Discharge**

During his examination, this doctor explained to me that by rule he had only 90 days to evaluate, diagnose, treat, and have a prognosis for any MRPU patient. Since I had already been at Fort Bragg for about 45 days, the best he could do was get a set of x-rays taken, look to see if the results of my MRI had gotten into the computer system from Landstuhl, and give me four visits to physical therapy. He also added that I was likely to go before the medical board for discharge based on the time constraints.

Six weeks later, I had gone through my physical therapy and taken my x-rays, and was seen again. The MRI results were still not found and he could not see anything wrong with my x-rays. Based on my lack of progress in physical therapy, I was recommended for a medical discharge with a diagnosis of Chondromalacia, or runner's knee. At this time my knee was getting worse, making a grinding sound when flexed and sometimes locking up at the joint. I was still in pain.

I tried to contact my Guard unit in Alabama to see if they could help, but they would never respond to my calls. My wife tried to contact them for me and was told to tell me that I had the right number. I tried to call many times, leaving messages to call me back, without result. My MRPU Platoon Sergeant tried to call for me and he got no return calls. I gave up and waited for the Army to discharge me. I waited for eight months and was discharged.

After my discharge I was given six months of continued Tricare coverage. I put this to use by getting a good second opinion from a local orthopedist that I was referred to by my local military doctor. He ordered new x-rays and a new MRI as well as a physical exam. His first question to me was, "When did you break your right leg?" I had never injured that leg to my recollection, other than my PT injury in Iraq, 15 months earlier. He then pointed to an area of my tibia where it joins the knee to show me where the break had healed poorly. He then showed me the MRI where it could be seen that the cartilage behind my kneecap was severely damaged and that there was a tear in the meniscus as well. I had surgery close to two weeks later to remove the damaged cartilage and to remove the torn portion of the meniscus.

Thanks to this surgery my knee no longer grinds but I still have some pain. I walk with a brace on both knees and use a cane as well. Two years of limping takes its toll. I have been told that I will have knee replacement surgery one day, but that I am too young now. I feel this could have been avoided if the doctor at Camp Caldwell had simply sent me to Camp Anaconda for x-rays to begin with.

Instead, my military career ended June 19, 2005. I received a medical discharge with a zero percent disability rating. I was given a lump sum severance pay of $11,266.20 and was told by the PEB liaison officer that the money would be in my

bank account in two to six weeks. This was just another pay problem in a long line of pay problems.

**My Pay Problems Began at the Fort Bragg MRPU**

I have already discussed the problems with the combat pays and the advances from pay. I had other and worse pay problems. They began back at the MRPU at Fort Bragg.

Despite in-processing with the MRPU, the hospital, and the finance office, I continued to receive hostile fire and hardship duty pay. This pay is $325 a month combined together. I knew I would have to pay back any amount that I was overpaid, so I started reporting the overpayments to my chain of command. My Platoon Sergeant told me they were aware of the problem and that it was affecting many soldiers in the MRPU. The following month when I received the pay again, I complained again. The next morning the First Sergeant for the MRPU addressed the company, stating that several soldiers were receiving pay that did not belong to them and for anyone who was overpaid to come forward and report it to the company staff office so they could get it corrected. I followed his instructions and was told to follow my report to the company up by also telling the finance office directly. I was given a phone number to call, and the person who answered told me that the problem did not originate with Army finance but with the Guard and Reserve finance system. I was told there was nothing they could do to correct the problem. I told my Sergeant about this and he said not to worry it, it would get handled soon. The last overpayment I received was October 15, 2004, four months after my arrival at Fort Bragg.

**Hardship Posed by Paycheck Deductions for Overpayments of Hardship Duty Pay**

In late October 2004, we were again addressed by the First Sergeant who told us to expect the debt to start being collected soon and they would not stop taking pay until the debt was collected. On November 15, 2004, my pay was reduced from a debt collection of $299.22 being removed from my pay. This prevented me from being able to travel home for the Thanksgiving holiday to see my wife and two children because bills don't stop for the holidays and I pay my bills. Another debt collection was taken on December 15, 2004, in the amount of $22.66. After this deduction from my pay there were no further monies removed for debt. I did inquire about the two deductions that were taken and was told by company staff that indeed those deductions were for the overpayments I had received and since there were no further deductions I was properly paid.

Apparently, I am wrong or DFAS is wrong because I received a debt notification letter from DFAS on March 21, 2006. In the letter, DFAS states that I have a current debt of $775. I called the phone number provided in the letter to dispute the amount. A DFAS employee told me that I must pay the full $775 or I would

owe administrative fees and accrued interest, even if I filed a dispute and was found to be correct. At this time I still had to pay in full. If I did have a legitimate dispute and could prove it, I should send the proof in with the full payment and should my claim be correct after the DFAS investigation I would receive a refund for the difference. If I did not pay in 30 days I would incur interest and administrative charges. If I did not pay in 60 days I would face the debt being reported to the credit bureau and possibly go into collections. It was my understanding that the 60 days was to pay the entire amount back. I wonder how this debt could even happen or should have been allowed to happen. I had no part in creating the debt and did all I could do to stop it. However, now my family and I will suffer to pay back someone else's mistake with penalties and interest. This just adds insult to injury!

If the previous pay problems weren't enough, there is the matter of my severance pay. Upon my discharge I was awarded a lump sum of $11,266.20 that was to be paid in two to six weeks after my discharge. It wasn't. After the sixth week, I went to Redstone Arsenal, my local base, and checked with the finance office there to find out what was going on. Gail, the employee that I talked to, took my information and asked me to give her a week to look into it for me and she would have an answer. She called Fort Bragg's finance office and told me that they made her feel like she did not know what she was doing. She then instructed me to go to the Inspector General's (IG) office on post and file a complaint with them. The IG took my complaint, but told me that they would have to forward it to Fort Bragg's IG for investigation because the complaint involved Fort Bragg's finance office. I was told I should hear from their IG's office in one to two weeks. I never heard from anyone.

This convinced me to file a Congressional Inquiry into this situation, which I did in January 2006, with the local office of Congressman Bud Cramer. In two weeks I began to get calls on this matter. I finally heard from the IG office two months after filing my complaint with them. It was Mr. Cawthorn of the Alabama Pay and Finance Office who was the biggest help in solving this problem. He found that the source of my problem stemmed from the fact that Fort Bragg never forwarded my discharge to the state. The last document that was sent from Fort Bragg was an extension order for the MRPU. My home unit also shares the blame because they did not acknowledge my discharge when I returned home. I received the payouts on this on February 17 and 22, 2006. This problem took eight months to solve.

The slow payment of my severance pay caused my family to use up our savings after the surgery to fix some of my knee problems. When this pay finally arrived, I was forced to use part of it to pay for my follow up medical care, bills that had fallen behind due to my inability to work, and I had to pay for braces for my youngest son. I mean no disrespect, but I feel that I am working now just to pay back the government for the privilege of serving my country and daring to get injured in the process.

The final chapter to the financial side of my story ends with the aftermath of my injury. Before I was deployed to Iraq with my Guard unit, I was a sheet metal mechanic in the construction industry. I specialized in hanging HVAC ductwork. This was a physical job requiring me to climb ladders all day long. My hourly wage was between $15 and $17 per hour. I cannot do this anymore with a bad knee. I now make $8 an hour as a manager for the local Burger King franchise.

**Concluding Remarks**

My service in Iraq cost me my health, my money, and my job. Now I'm being asked for more. Do I regret serving in the Army? Not for a minute! I would go back in if they would let me, and straight back to Iraq to boot. This is the greatest nation in the world and I would gladly give my life to defend her. I ask nothing of this nation in return except to care for me as I have cared for her.

Again, thank you for the opportunity to share my experience with you. I would be happy to answer any questions you might have.

# DFAS Debt Letter Sent to Specialist Frank Mangum

**If you do not pay your debt within 60 days, we may report the debt to credit bureaus and refer it to a commercial collection agency. We will also assess a penalty charge of 6% per annum on any portion of the debt's principal delinquent for more than 90 days.**

DENVER CENTER
6760 E IRVINGTON PL
DENVER CO 80279-7500

FRANK CHARLES MANGUM JR
[redacted]

March 21, 2006
Account No. [redacted]

www.dod.mil/dfas/money/debt

The Defense Finance and Accounting Service is the Department of Defense (DoD) collection agency for individual debts owed to DoD. The organization maintaining your active duty military pay account has advised us that you are indebted to DoD as a result of overpayments before your recent separation. The account statement explains the reason for the debt. If you have already paid the debt or believe the debt is invalid, contact us immediately as we want to work with you to resolve this matter. Call us toll free at 1-800-963-0668, Monday through Friday, 7:00 a.m. to 4:00 p.m., Mountain Time, or visit our website at www.dod.mil/dfas/money/debt. You may also mail your explanation and relevant supporting documents, including your account number, to DFAS-PODC/DS, 6760 E. Irvington Place, Denver CO 80279-7500. Do not send your payment to this address.

In order to avoid interest, administrative charges, and penalties, as authorized under the Debt Collection Act of 1982 and the Debt Collection Improvement Act of 1996, you must make full payment of this debt within 30 days of this notice. We have included instructions for mailing payments on the account statement. Send your payment, along with the bottom portion of your account statement, to ensure proper credit to your account. We encourage prompt payment since we must charge interest at the current Treasury Department tax and loan account rate and an administrative charge to cover our delinquent debt processing costs on any amount not paid within 30 days. If you do not pay your debt within 60 days, we may report the debt to credit bureaus and refer it to a commercial collection agency. We will also assess a penalty charge of 6% per annum on any portion of the debt's principal delinquent for more than 90 days.

If you are financially unable to make full payment, you may make monthly installment payments. The minimum acceptable installment amount is the "PAYMENT DUE" amount on your account statement; we must receive it within 30 days. We will charge interest on the unpaid balance.

Again, we want to work with you to resolve this matter as quickly as possible. Please contact us immediately if you have any questions.

CUSTOMER SERVICE BRANCH
Directorate of Debt and
Claims Management

Enclosures

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Chairman TOM DAVIS. Thank you very much.

Specialist Taylor, thank you for being with us.

**STATEMENT OF BRANDY TAYLOR**

Ms. TAYLOR. Mr. Chairman and members of the committee, my name is Brandy Taylor. I'm a former Army Reserve Specialist with the 296th Transportation Company. Thank you for this opportunity to take part in this hearing, to share my experience with the Army debt problem.

I entered on duty with the Army Reserve in July 2001 as a Food Service Specialist. My unit deployed to Iraq in February 2003, and I was assigned to drive a 5-ton supply truck. In March 2003, my unit was attacked on the way to Baghdad, and I was wounded by mortar fire, which left shrapnel in my right knee.

I had a series of six surgeries, none of which were successful. After I returned to the United States, I was sent to a military hospital at Keesler Air Force Base in Biloxi, MS.

Upon my arrival at Keesler, I made several attempts to contact my unit to let them know my status and location. The Air Force doctor arranged for me to receive physical rehab near my home in Leakesville, MS. My rehab continued until July 2003, and I was medically discharged November 2003.

I became aware that I had a military debt when a collection agent contacted me 2 months after I separated. The collection agent told me that I owed the Government money because my unit had listed me AWOL. I was told that I had to repay $975 of my enlistment bonus, and $600 related to overpayment of my hardship duty, a total of $1,575. I told the collection agent that I was never AWOL, and he told me to contact my unit to resolve this problem.

I contacted my unit Admin Officer, who said she would correct these problems. However, I received another call from the collection agent in late 2004. I told the collection agent that the Admin Officer was correcting my paperwork. However, when I contacted my Admin Officer to check on the status, she was not in, and she never returned my call. As it turned out, she was away at school.

The collection agent hounded me for months until I faxed him orders and related documents. The collection agent then told me that I should hear from DFAS in a few months. However, DFAS never contacted me.

In April 2004, the Government withheld my tax refund of $576 to cover the military debt. At this point I assumed that my debt issues had been corrected.

I experienced significant frustration and financial difficulties during my 2½ year struggle with the military debt. I planned to use my tax return to pay off bills. When I couldn't pay my bills, then this caused other problems. I had to quit attending college to work more hours to pay bills.

As shown on the poster board, although DFAS supposedly recalled my debt from the credit bureau, in November 2005, when I attempted to obtain a $500 loan, my application was denied because my credit report showed unpaid DFAS debt. When Christmas came, I had no money. Previously I always paid my bills on time. Now I had bills that I couldn't pay. In January 2006, I again applied for a loan. It was also denied for the same reason, DFAS debt.

Although DFAS recalled my debt of $1,575 from the credit bureau two times, as shown on the poster board, the military debt appeared on my credit report again, the end of March 2006, just 4 weeks ago. I understand that this was a result of error made by both DFAS and the credit bureau. The bottom line is that even though my debt should have been corrected, I still couldn't get a loan to pay off my bills.

Mr. Chairman and members of the committee, I want to thank you again for this opportunity to share my experience. I want to note that the Army awarded me a Purple Heart for my combat injury, and the Mayor of Leakesville gave me a key to my hometown. And yet, there was this terrible man from the collection agency hounding me and making me feel like a criminal.

The military was quick to pursue me for debts that were their mistake, and they were extremely slow in correcting their error, resulting in significant stress and additional cost and effort to me. I was a 24-year-old war hero, and shouldn't have had to deal with this. It was my faith, and is my faith in God that keeps me going. I would be happy to answer any question that you might have.

[The prepared statement of Ms. Taylor follows:]

**April 27, 2006**

**Statement of Specialist Brandy Wynette Taylor**
**U.S. Army Reserve**
**296th Transportation Company**

Mr. Chairman and Members of the Committee:

My name is Brandy Taylor. I am a former Army Reserve Specialist with the 296th Transportation Company, based in Brookhaven, Mississippi. Thank you for the opportunity to take part in this hearing to share my experiences with Army pay and debt problems. It is my hope that sharing my experiences will help the Congress and the Army make needed improvements so that other soldiers will not experience similar problems.

**Combat Assignment and Injury**

I entered on duty with the Army Reserve in July 2001 as a Food Service Specialist with training in meal planning and preparation. My unit received orders to go to Iraq on January 16, 2003. On February 18, 2003, we left the United States for the Middle East. Upon arriving in Iraq, I was assigned to drive a 5-ton supply truck and deliver Meals Ready to Eat (MREs) in a war zone. I wasn't doing much cooking.

It was very dangerous to enter Baghdad from the south so we were told to head north, past the city, and then turn south and drive into Baghdad from the north. On March 23, 2003, my unit was attacked on the way into Baghdad. During the attack, I was wounded by mortar fire, which left shrapnel imbedded in my right knee. Fortunately, I was the only soldier hurt.

I was first treated at local field hospitals, undergoing two surgical procedures there. Once I was stabilized, I was sent to Kuwait where I had two more surgical procedures. From Kuwait, I traveled to Spain where I underwent two additional surgical procedures. None of the surgical procedures were successful. The military medical staffs were unable to remove the shrapnel from my knee. I was then sent to Germany and from there I was transferred to a military hospital in Baltimore, Maryland. Shortly thereafter, I was sent to a military hospital at Keesler Air Force Base (AFB), in Biloxi, Mississippi. I arrived at Keesler AFB around April 8, 2003.

**Loss of Visibility on Army Rolls**
**During Medical Treatment**

Upon my arrival at Keesler AFB in April 2003, I made several attempts to contact my unit to let them know my status and location and advise them that I was being treated for my combat injury. I left messages on several occasions for my unit Sergeant at the two

locations I had for him in Hattiesburg, Mississippi and Brookhaven, Mississippi. However, months went by and there was no response.

While at Keesler AFB, I was told that I would require physical therapy to rehabilitate my knee. Colonel Nicholls, a medical doctor on staff at the Keesler AFB Hospital's Orthopedic Center, gave me two treatment options. The first option was to receive rehab treatment at the Keesler medical facility. However, because there were no Army facilities in the area and since I was not a member of the Air Force, I was told that I would have to rent an apartment nearby and pay for it myself. The other option was to go home to Leakesville, Mississippi, and commute to a rehab center near my home. Given the difference in cost, this was an easy decision.

On approximately April 10, 2003, I went home to begin my rehab sessions at Encore Rehabilitation, Inc. Dr. Nicholls made the arrangements with Encore and told me to "go home and get well." I was required to travel to the Keesler AFB Orthopedic Center (a two-hour round trip) every two weeks to be examined by Dr. Nicholls. I received rehab treatment in this fashion until July 2003, when Dr. Nicholls cleared me, noting that I had successfully completed my rehabilitation. During this period, I considered myself a member of the Army Reserve. I was getting paid and my checks were automatically deposited in my bank account. The only difference was that my pay was no longer tax exempt because I was back in the United States and no longer serving in a combat zone.

About this same time in July 2003, my unit Sergeant called to say he had been looking for me. I responded that I had been looking for him, too! My Admin Officer told me to report to Fort Stewart, Georgia, and to remain there until my unit returned from Iraq and was demobilized. I did as ordered and was placed in Medical Hold status at Fort Stewart. On November 17, 2003, I was medically discharged from the Army Reserve.

**Struggle to Resolve AWOL Status and Military Debt**

After my separation, the pay checks that I received while being treated at the Encore Rehab Center in my hometown and the Army Reserve enlistment bonus I received when I joined the Army Reserve in 2001 became issues of interest to DFAS with regard to military debt. I first became aware that I had military debt when I was contacted by a collection agent in January 2004. The collection agent told me that I owed the government money related to being paid for a period of time that was not worked, indicating that my unit had listed me as absent without leave (AWOL). Because of the AWOL report, my unit said I had to repay $975 of my enlistment bonus for time not served. This debt was the result of my unit's failure to track my status after I was medically evacuated and placed in the Medical Hold process. In addition to the AWOL debt, I also learned that I had a $600 debt related to overpayment of hardship duty pay. I did not agree with these debts because they were not my fault. Together the two debts totaled $1,575.

Although these debts were not my fault, I struggled for well over two years to resolve them and encountered harassment by a collection agency and problems with my credit

report. When I was first contacted by the collection agent, I told him that I was never AWOL. I explained that I was receiving supervised rehabilitation for my war injury during the period in question. The collection agent told me to contact my unit and have them complete and submit the necessary paperwork to waive the debt. When I contacted my unit Admin Officer in Brookhaven, Mississippi, she told me that the unit Sergeant had listed me as AWOL during my outpatient rehabilitation treatment in 2003.

When I explained that I was receiving rehab treatment under military supervision, the Admin Officer said that the Sergeant had really messed up my paperwork. My unit Admin Officer said she would correct this problem and I traveled to Brookhaven on two occasions to meet with her and fill out the paperwork and have the debt waived. Although my Admin Officer told me that she would take care of everything, I received another call from the collection agent in late 2004. The collection agent asked about the status of my debt waiver paperwork. I told him it was being handled by my unit Admin Officer. However, when I contacted the Admin Officer to check on the status, she was never in and she never returned my calls. As it turned out, the Admin Officer was away at school.

Although the collection agent was cooperative at first, he soon became very mean and nasty. He hounded me for months, telling me that I owed the government money because I had been AWOL and was still getting paid. I explained again that I was never AWOL but was in fact being treated for a combat related injury at an approved rehabilitation center in Leakesville, Mississippi. I explained this to the collection agent many times, but he refused to listen.

Because I was unable to get any support from my unit, in February 2005 I had to locate and compile all of the records related to the period of my rehab treatment by myself and fax them to the collection agent. I called him to confirm that he had received the material and he confirmed that he had. The collection agent told me that I would hear from DFAS in a few months; however, DFAS never contacted me. Then, in November 2005, I received a check for about $576 related to the release of my 2004 income tax refund which had been withheld under the Treasury Offset Program to cover part of my military debt. At this point, I assumed all of my debt issues had been cleared.

**Hardship Posed by Military Debt**

I experienced significant frustration and financial difficulty during my 2-1/2 year struggle to resolve my military debt. I had planned to use my 2004 income tax refund to pay off a bill payer loan I had obtained when I separated from the service. When I could not pay off this loan, it caused other problems. I had to quit attending college where I was studying computer science in order to work more hours and increase my income to pay my bills. In November 2005, when I attempted to obtain a $500 loan to pay off my credit card balance, my loan application was denied because my credit report showed an outstanding military debt, which was listed as DFAS debt. When Christmas came, I had no money. Previously, I had always paid my bills on time. Now I had bills that I could not pay and I had to decide which bills I could pay and which bills I would pay late. In

January 2006, I again applied for a loan and it was denied for the same reason—DFAS debt.

Although DFAS recalled my reported debt of $1,575 (including a past due debt of $1,079) from the major credit bureaus on two separate occasions, the military debt appeared on my credit report again at the end of March 2006. I understand that this was the result of errors made by both DFAS and the credit bureau. However, the Army's referral of my debt to the major credit bureaus in the first place created the opportunity for these errors to occur. The bottom line was that I still could not get a loan to pay off my credit card balance and as a result, I incurred credit card interest charges, which are quite high. The military was quick to pursue me for debts that were their mistakes, and they were extremely slow in correcting their errors, resulting in significant stress and additional cost and effort to me.

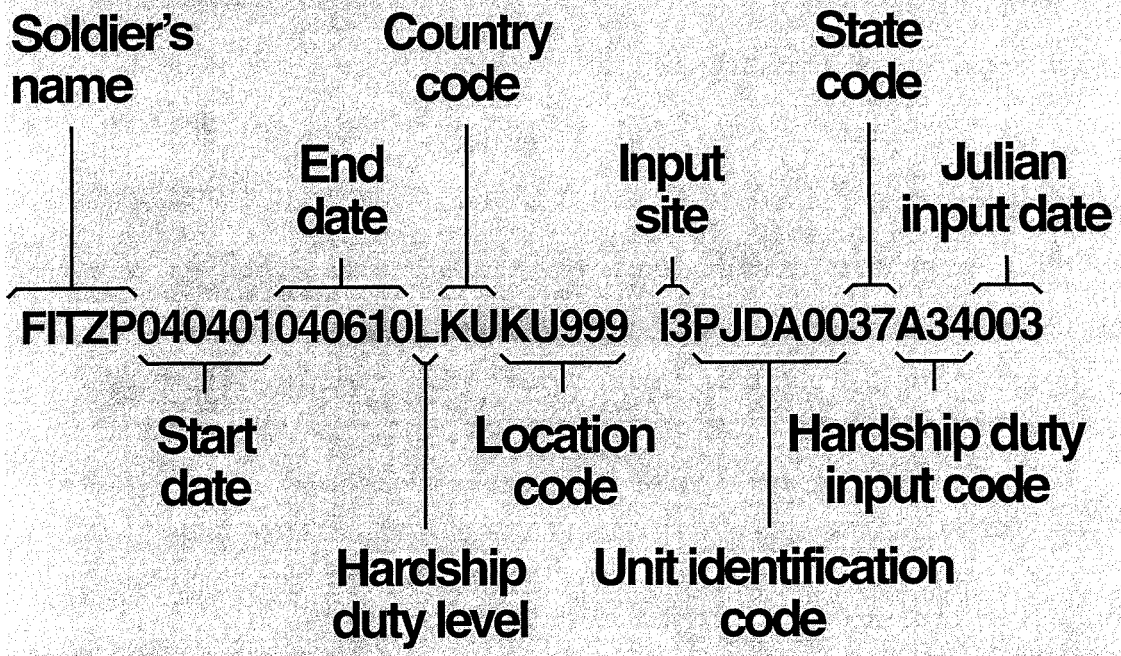
**Concluding Remarks**

Mr. Chairman and Members of the Committee, I want to thank you again for the opportunity to share my military debt experience with you. In reflecting on my experience, I want to note that the Army awarded me a Purple Heart for my combat injury, the Mayor of Leakesville gave me the key to my hometown, and here was this terrible man from the collection agency hounding me and making me feel like I was a criminal. I was a 24 year-old war hero and should not have had to deal with this kind of stuff. It is my faith in God keeps me going. I would be happy to answer any questions you might have.

Credit Report Chronology for Specialist Brandy Taylor

| | | |
|---|---|---|
| **7/5/05** | DEBT RECALLED | **DFAS recalls debt** |
| **10/7/05** | ✓ | **DFAS debt appears on credit report** |
| **11/8/05** | LOAN DENIED | **Loan denied** |
| **3/2/06** | ☒ | **DFAS debt does not appear on credit report** |
| **3/28/06** | LOAN DENIED | **DFAS debt reappears on credit report and loan is denied** |

DJMS-RC Pay Data: Experience Required to Decipher Hostile Fire Pay Transaction



Chairman TOM DAVIS. Well, Thank you very much.

I will start the questions. Let me just ask each of you—your experiences under the DOD Army pay systems I think are appalling. Was there anyone in the Army, DOD, the staff at the medical finance centers or anyone at all who has apologized to you for making these mistakes? Ms. Taylor.

Ms. TAYLOR. No, sir.

Chairman TOM DAVIS. Mr. Mangum.

Mr. MANGUM. No, sir.

Chairman TOM DAVIS. Colonel Lovejoy.

Lt. Colonel LOVEJOY. No, sir.

Chairman TOM DAVIS. Who has been the most help to you? Is there anybody you could single out that has really helped you as you moved up the line? And then I am going to ask is there any people that really just sloughed this thing off?

Ms. TAYLOR. GAO.

Chairman TOM DAVIS. GAO was very helpful?

Ms. TAYLOR. Yes.

Mr. MANGUM. GAO was very helpful to me, as well as Mr. Cawthorn in my Alabama Pay and Finance Office.

Chairman TOM DAVIS. Thank you.

Lt. Colonel LOVEJOY. Mr. Chairman, in my case, the Fort Bragg Finance Office was the most help to me when I tried to stop the active duty pay. And I was really frantically trying to stop that because while I was still in the active duty pay system, I couldn't do anything in the reserve system. I couldn't be paid in the reserve system, and I also believe to include going on military missions, so I was really working hard to get that stopped, and the Finance Office did help me get that accomplished in short order.

Chairman TOM DAVIS. We often hear about the one Army in which active duty and Reserve component soldiers in an integrated seamless organization. With respect to your pay, your travel, medical treatment, do you think that you all received comparable treatment to your active duty counterparts?

Mr. MANGUM. Mr. Chairman, I feel that we got no equal treatment at all.

Chairman TOM DAVIS. Do you agree with that, Specialist Taylor?

Ms. TAYLOR. Yes, I agree with him.

Chairman TOM DAVIS. Colonel Lovejoy.

Lt. Colonel LOVEJOY. I don't know if I really detect any difference.

Chairman TOM DAVIS. It is just that the difference being, when you move from system to system, it is not seamless and you get lost. It is not that you are discriminated against when you are on the field, right? But it is just the fact that the systems, they are not integrated, that once you move from one system to another, you seem to move into anotherworld, whereas somehow things fall through the cracks. We have held hearing after hearing here where people have stayed and not received medical attention for months because they are lost in the system between the States and the Federal system, where the pay systems moved over and didn't get adjusted. I guess that is where I am at, Colonel Lovejoy, if that gives you a sense of it.

Lt. Colonel LOVEJOY. Yes, sir. And I was going to say, it did affect me, now that I think about it—something I didn't bring up in my testimony—but I had another pay issue before I deployed. We were allowed to make up our drill assemblies, and I had made up those, but I submitted those when I was already on active duty, and was told I couldn't be paid because I was now in the active duty system, and I was told I had to wait until I got off of active duty before I could get paid in the reserve system. And then after I got off the active duty system and tried to get paid in the reserve system, they said, "Well, it's too old, so we can't do it. That was too long ago." And then it took a while before I got to the right person, who then told me, "Yes, we could have paid you while you were on the active duty system. All we had to do was get that to Fort McCoy."

So a lot of people didn't have the right answer for me, and even though I pursued it and asked several people, and I got the same answer, the same wrong answer, and then it wasn't till almost 2 years later or 18 months later I got the right answer, but then it was quite a bit later.

Chairman TOM DAVIS. Specialist Taylor, I look at your poster regarding your credit report and your attempts to get loans to cover debt, to cover living expenses and pay off interest fees on credit cards. You were discharged from the Army in November 2003?

Ms. TAYLOR. Yes, sir.

Chairman TOM DAVIS. And this is 2006.

Ms. TAYLOR. Yes, sir.

Chairman TOM DAVIS. And it looks to me that DFAS is still having problems with notifying the credit agencies that your debt was removed?

Ms. TAYLOR. Yes, sir. I went to the bank, and he pulled up my credit report, and it was still there.

Chairman TOM DAVIS. Now, roughly a month ago, after telling you that they had recalled your debt from collection agencies on March 28th, the DFAS debt reappeared on the credit report, is that right?

Ms. TAYLOR. Yes, sir.

Chairman TOM DAVIS. Has anyone from DFAS contacted you recently to resolve this?

Ms. TAYLOR. No, sir not even a letter.

Chairman TOM DAVIS. Wow. Thank you very much.

Mr. Kutz, let me just ask, as we discussed at prior meetings, DOD has been trying to re-engineer its military pay systems for a long, long time. This is the fifth hearing we have done. It seems that some of the representations made at our prior hearings that a new re-engineered system would be in place by 2005, and be in place by 2006, are not going to come to pass. How long has DOD been trying to develop new, more automated and integrated pay systems?

Mr. KUTZ. Actually, Comptroller General Bowsher had testified on this back in the mid and early 1990's, so this goes back, Mr. Chairman, at least 10 years, possibly, at least to the first Gulf war, and so they've been attempting—it was called something other than DIMHRS in the 1990's. I think they've changed the name. But

the concept of integrating personnel pay systems has been around for well over a decade.

Chairman TOM DAVIS. How much have they spent on this?

Mr. KUTZ. Hundreds of millions. I don't have the exact numbers. Hundreds of millions on DIMHRS and at least 50 million on what's called the Forward Compatible Pay System, which was terminated recently.

Chairman TOM DAVIS. I don't want to be flip, but it looks like they are spending more effort getting $50 bucks back from Colonel Lovejoy, than they are in getting this thing resolved properly. Is there any end in sight?

Mr. KUTZ. Well, certainly, I think that the folks like Colonel McAlister on the next panel, who have to deal with this, need to plan as if DIMHRS will never come to pass. In other words, they have to continue the human efforts and work-arounds to make sure that the soldiers are taken care of, because if they had planned for DIMHRS and Forward Compatible Pay, which were promised in 2002, 2004, 2005, 2006, they would have been in bigger trouble than they are today, so I think they indefinitely need to keep the human effort and work-arounds in place to take care of soldiers as best they can.

Chairman TOM DAVIS. Is it fair to say that hundreds of millions of dollars have been wasted?

Mr. KUTZ. I would say yes. And, again, this is a broader issue than just the military pay. We have testified before your committee and Chairman Platts' subcommittee before on business system modernization, which is on our high-risk list for the Department of Defense. And so they have had difficult fielding business systems through all of their business lines, and we're talking about billions and tens of billions there.

Chairman TOM DAVIS. What do you think are the root causes of their failure to implement the new technology in the area of military pay?

Mr. KUTZ. Well, I think, Congress, has been more than generous giving DOD money to modernize its system, so it's not a lack of money. I think it's a lack of sustained leadership, accountability and basic project management and oversight. It isn't as if this is new technology. This is off-the-shelf——

Chairman TOM DAVIS. The private sector is doing this stuff every day, aren't they?

Mr. KUTZ. It is off-the-shelf packages. I will say though, Mr. Chairman, that the military pay system is significantly more complicated than any other system I have seen, because you know as soldiers move in and out of theater, they have different—there's dozens of different special pays that they——

Chairman TOM DAVIS. Just look at the LES. I mean it is pretty complicated.

Mr. KUTZ. It's complicated, yes.

Chairman TOM DAVIS. What happened to the Forward Compatible pay system?

Mr. KUTZ. I don't know, but it's been terminated, and that was promised at one of your prior hearings in 2005 to be delivered, and again, I would expect it was ineffective management and oversight of the project.

Chairman TOM DAVIS. My last question is, would the plan, Defense Integrated Military Human Resource System, the DIMHRS, solve all the problems that you have identified over the course of this work?

Mr. KUTZ. No. I think that no software alone is going to solve the problem. I think that unless DIMHRS is considered to be people processes and automated systems, but I think you still have to re-engineer the processes and make sure that the right human capital is in place at the right places.

Chairman TOM DAVIS. When a returning soldier comes back and has a problem with pay, with their health care, with all this, is there an ombudsman that they can call? Has DOD set up where they can call somebody that will get on that problem and solve it?

Mr. KUTZ. Yes. As I mentioned in my opening statement, as a result, in many respects, of your past hearings, there's more 800 numbers, there's better customer service, there's more customer service, there are more case people, case workers for injured soldiers. So I think in the last several years we've seen increased human efforts again to compensate for the broken system.

Chairman TOM DAVIS. But still, as we can, it has fallen through the cracks in some cases.

Mr. KUTZ. People can fall through the cracks, yes.

Chairman TOM DAVIS. And we have some examples. Thank you very much.

Mr. Hayes.

Mr. HAYES. Thank you, Mr. Chairman. Specialist Mangum and Taylor, you have a great career ahead of you in public speaking. Thanks for very eloquent and accurate presentations.

As the chairman alluded to, we talk about an army of one, I want to assure—and I am sure I speak for the chairman, Mr. Platts and other members of this committee—that we want to treat you as though it is an army of one. Every single one of you is vitally important. It is appalling and embarrassing what has happened, but stuff happens, the point being, anything that we can do to make sure this never happens again is what we want to do.

Brandy, who is your Congressman? Do you know? Don't mean to embarrass you.

Ms. TAYLOR. No, sir. [Laughter.]

Mr. HAYES. Unfortunately, I travel around a lot with the military, and typically they don't know you can always call your Congressman if, for whatever reason, you are not receiving the help that you need. It is either Bennie Thompson, Chip Pickering, Roger Wicker or Gene Taylor. And we will jump at the chance.

And, Frank, do you know who yours is?

Mr. MANGUM. Yes, Mr. Hayes, I do. My Congressman is Bud Cramer.

Mr. HAYES. I am sure Bud would—and again, it is not our point as Congressman to give a hard time to any of the agencies, but this is a complex problem. It seems to me—and I had a good conversation with Colonel McAlister before we began the hearing—when you are in your unit, you are the team. The army of one is a team and you got your sergeant major or whatever the leadership is, and you have ways to go. But once you are separated from that team, then the potential and chances of problems increases dramatically.

So, again, let me encourage you through this process to help us think through, as you have seen your own circumstance, so that we have a system, a safety net in place, where you have always got some place to go.

Again, looking forward, prevention of the problem, what has happened at Bragg and many of our other installations, because of op tempo, a tremendous number of deployments, they had the personnel who would normally have handled what your case called for, deployed. The other personnel who would be sort of the backup were in training. So, Mr. Chairman, again, an unexpected gap. That is not an excuse, but we know that happened now. Again, what is the backstop that we can provide?

Mr. Kutz, having heard what you have heard—it has been very instructional—have you got any thoughts of what we might ought to definitely have on our action list leaving here today?

Mr. KUTZ. Again, I think that this committee's oversight and actions by the Department in the areas of human capital and customer service and process improvements have been positive. And so I would expect that since we started looking at this 3 years ago, that there are fewer problems.

However, fundamental problems have not been fixed, and so there is still a high probability of soldiers having pay problems. So the real solution is to re-engineer and have an integrated pay personnel system that links to the medical records system, and quite frankly, also the Defense travel system. So this is a fairly complicated systems issue that needs to be resolved, but I think there's no solution within the next several years from what I can tell.

Mr. HAYES. Well, surely to goodness, we can do better than that. We are from the Government. We are here to help you. Let's find something we can do. Any thoughts, either Frank or Brandy, in those situations, if you are wounded, leave your unit, come to Womack at Bragg—let's say your family is stationed at Landstuhl—all of a sudden you are not getting combat pay, but you should be getting overseas duty pay. So be sure we put our finger on each one of those kinds of situations. Everybody tells me how wonderful computers are. Well, once computers start putting out bad information, that is a force multiplier I don't know how you bring back into control. Any thoughts at this point, either of you?

Mr. MANGUM. Yes, sir, I do have thoughts. Communication between the Reserve and Guard components and the regular Army seems to be breaking down. I know that in the case of my unit, we were given a lot of misinformation when we got to Bragg. We had housing problems. We had initial pay problems, just simply because our command and control group did not have the correct information. Where they got their information from were several sources, and often these sources conflicted each other.

When we first arrived at Bragg we had housing issues, as I've previously stated, and we were without barracks our first night. We just kind of piled in with other units that had empty beds, just simply to sleep that evening. We didn't have a chow hall that evening. When we get into Iraq we ran into similar problems. We slept outside for 3 or 4 days simply because there were no tents made available to us.

Then we had problems—there was a KBR dining facility on post, on the camp, and we were underneath a regular Army unit, we were eating in that dining facility because we assumed, hey, a soldier's got to eat, that's where we eat. There was a command sergeant major from that regular Army unit that came through, and tossed out all the Guard and Reserve soldiers. We were put into a formation after we got tossed out of the dining facility, and told there was no contract for the Guard and Reserve element to eat in that dining facility, so we had to leave. We were told to eat out of our mobile kitchens or eat MREs for the duration of our stay or until we got a contract to eat in his dining facility.

After that problem—eventually resolved that, but it took about 4 or 5 months. We could sit, for that 4 or 5 months, from where I worked, and watch the food just being thrown away, and we were sitting, eating rations out in the field, and Specialist Taylor can attest to the quality of those rations because she is a cook.

Thank you.

Mr. HAYES. I see my time has expired, Mr. Chairman. Any of those thoughts that you would write down—I was in Iraq, first group in, I know what it is like then, so I know exactly what they put you in, but I've also been back since and seen a KBR facility, and that just makes it even more—please keep a close record, and let's make sure that this is, after-action, never to happen again.

Thank you, Mr. Chairman.

Chairman TOM DAVIS. Mr. Shays, followed by Mr. Platts.

Mr. SHAYS. Thank you, Mr. Chairman.

As has been pointed out, we have had a number of hearings. Mr. Kutz, why is it that we end up with a hearing and feel like we have solved the problem or are close to solving the problem, and then we have another hearing and we learned we had—what accounts for that?

Mr. KUTZ. Well, I think, again, it has to do with there's been a lot of progress in the short-term fixes. The real fundamental problem is the long-term fixes. And I recall several years ago we had the business systems modernization hearings with your subcommittee, and we discussed even at those that the GAO high-risk area business systems modernization, that this isn't just a military pay problem, it's a logistics issue and other lines of business where they've been unable to deliver these longer term fundamental fixes. So I would commend them for the short-term actions, but the long term, as you said, never seems to get resolved.

Mr. SHAYS. I think nothing outrages my constituents more than thinking we would send men and women into battle and that they would have to worry that back home bills aren't being paid and their spouses are dealing with not only the agony of their being in Iraq or Afghanistan or somewhere else, but then, you know, someone is calling to ask them to pay their bills. But what I have not been introduced to, and this is new to me, is that we have a problem with people AWOL when they have been injured in battle. I just want to apologize to all of you that you have had to go through this. What I wrestle with is once we know someone has gone through this, and it becomes public can I make an assumption that the three soldiers before us, you know, tomorrow the problem is solved, or are they going to still be having to deal with this issue?

I mean that is an immediate issue and it is a micro issue not a macro, because all of you are here to tell your story, to solve it for everyone. But can I go home tomorrow and know that Specialist Taylor will have no more problems, Mr. Kutz?

Mr. KUTZ. Again, I think—I'll let them answer it on their own, but I think that it depends. It depends on what you're talking about. Some things can be fixed short term, but as we've talked about before, once a pay problem happens, oftentimes—I think Chairman Davis said that in his opening—can take months or years to resolve, so the real solution is preventing the pay problems in the first place because once they happen, it can be a nightmare scenario.

Mr. SHAYS. That suggests to me that we don't have ombudsmen and folks that we can turn to, who will every day be available when someone encounters that problem. And I thought we were seeing ombudsmen available.

Newt Gingrich says this, you know, that sometimes just having a hearing, the problem gets solved because we focus attention and resources go. But the one thing I have always found to be true, almost always, is at least the people came and testified to their problem, and if their problem isn't going to be dealt with, then we are in a more serious problem than anyone can imagine.

I would like each of you to tell me what you think you will still encounter after this hearing.

Lt. Colonel LOVEJOY. Mr. Shays, I'm thinking probably the worst. I'm thinking that the Army is going to collect back the $225 hostile fire pay, but I'll be retired by that time, because I will be retired within the next 2½ months. So I will get a debt letter, and I might be working on a house in Alabama, may not get my mail, and then this is turned over to a collection agency because I didn't pay for the $225. And then, of course, they over collected $150 from me, so then I'd have to work to try to get that back. And then the—we haven't talked about the tax consequences——

Mr. SHAYS. We are not talking about $150,000, we are talking about $150?

Lt. Colonel LOVEJOY. Right, we're only talking about $150.

Mr. SHAYS. We are not talking about $1,500, we are talking about $150?

Lt. Colonel LOVEJOY. Well, we're talking about what this could do as a negative remark on my credit report, which I do not want that blemish, and I would love to just be able to cut a check for $75——

Mr. SHAYS. You know, I had a Mayor that people would go to and say, "Mayor, could you fix this ticket?" And it was illegal to fix tickets. But he would take the ticket—and everybody thought this guy was a genius—and then we found out all he did was paid himself. I mean it would almost be better for us to just come to one of us, and we can—next?

Mr. MANGUM. So I fully expect after I go back home to be in Specialist Taylor's shoes. I expect at one point to be hounded by collection agencies. I've been told that I can obtain a waiver and possibly I have obtained this waiver, but Specialist Taylor thought her problem was solved, and she was still getting negative reports.

Mr. SHAYS. Anyone in the audience from the liaison of the National Guard, the Reserve, the Army? Anyone, just raise your hand. You do not have to identify yourself, just raise your hand. Would you guys meet me after, please? Thank you.

Ms. Taylor, could I just ask Ms. Taylor to respond? Is that all right?

Chairman TOM DAVIS. Sure.

Mr. SHAYS. Ms. Taylor.

Ms. TAYLOR. I expect that everything will be OK, but I have to go through the point where I had to go to my bank and constantly get him to run a credit report, and still say, no, I was denied. So for me to go to my bank and say, "Now, can I get a loan because this is taken off of my credit report," still, back in his mind, well, what if something else comes up on her credit report?

Mr. SHAYS. You served again where?

Ms. TAYLOR. I served in Iraq.

Mr. SHAYS. And you were there and you were injured, correct?

Ms. TAYLOR. Yes, sir.

Mr. SHAYS. How long were you there before you were injured?

Ms. TAYLOR. I was there—I went in February 18, 2003, and I was injured March 23, 2003.

Mr. SHAYS. Let me just say this to you. Are you her representative, Mr. Hayes?

Mr. HAYES. I don't represent Mississippi, but I will be glad to annex it and take care of her.

Mr. SHAYS. OK. [Laughter.]

You looked like you were about to tell me that you were already helping her. I just want to say——

Mr. HAYES. Would the gentleman yield just a moment?

Mr. SHAYS. Absolutely.

Mr. HAYES. What I will assure you is, because of the nature of the investigation that is here before this committee—as it well should be—but I can promise you that Chairman Hunter and the full Armed Services Committee will be totally aware, and all of their posts will be involved in whatever clean-up, fix-up and repair needs to be done.

Mr. SHAYS. Just in closing—thank you for your promise, Mr. Chairman. In closing, obviously, we have a systemic issue to deal with. We appreciate GAO's work on it. We know the military is trying to wrestle with it, but we are not seeing the kind of success that we want to see.

I hope that each one of you is in personal contact with your individual Congressperson. If you were one of my constituents, I would assign a case worker that you could call every day until this problem was resolved, and I believe that if you are not getting satisfaction from your Congressperson, I want you to call my office. I am going to give you my card, and I am going to give you my personal phone number, if somehow it falls through the cracks.

Thank you.

Chairman TOM DAVIS. Thank you.

Mr. Platts, followed by Mr. Clay.

Mr. PLATTS. Thank you, Mr. Chairman. I have a statement I would like to have entered into the record.

Chairman TOM DAVIS. Without objection.

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

**COMMITTEE ON GOVERNMENT REFORM**
**SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, FINANCE AND ACCOUNTABILITY**
***REP. TODD RUSSELL PLATTS, (PA-19) CHAIRMAN***

***Full Committee Oversight Hearing:***

# *Financial Friendly Fire: A Review of Persistent Military Pay Problems*

*Thursday, April 27, 2006, 10:00 a.m.*

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***OPENING STATEMENT OF CHAIRMAN PLATTS***

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Mr. Chairman, thank you for holding this hearing and for taking the lead on this important topic. I have been pleased to be part of the Committee's efforts through my Subcommittee, and it is my hope that in working with the Department of Defense and the Government Accountability Office we can help reform the systems that are the root causes of these errors.

I have traveled several times to Afghanistan and Iraq, and I am always struck by the fact that the number one concern of our men and women in uniform is the wellbeing of their families back home. That is why this issue is so important to me, because pay errors and debt notices affect not just the soldier but also the families. The last thing a deployed soldier, airman, or Guardsman should have to worry about is whether his or her paycheck is correct. And no soldier who has been wounded in the line of duty should be saddled with this worry, which is why I was glad to see that debt forgiveness for Wounded-in-Action soldiers was included in the 2006 Defense Authorization Act.

To the soldiers who are here today, thank you for your service and your sacrifice on behalf of our country. Thank you, also, for being here today and sharing your stories with the Committee. My hope is that the situations detailed in your testimony have been resolved, and if that is not the case, I make a commitment to you here today that I will do whatever I can to assist you in rectifying your cases.

Your presence at this hearing helps us to learn about why these errors are occurring so that we can make changes and prevent them from happening in the future. The key to addressing the problem on a large scale is understanding the root causes and remembering that management issues should not be relegated to the back burner. While we often tend to focus on expensive, complex weapons programs and military hardware in a time of war, we in Congress need to place just as much emphasis on ensuring that the Department of Defense has effective management systems – payroll, financial management, personnel, logistics – to fully support the warfighter.

Thank you, Mr. Chairman.

Mr. PLATTS. Thank you, and I want to thank you and your staff for holding this hearing and staying very engaged on this issue, and especially thank our witnesses for being here today and sharing your specific involvement in this issue.

Mr. Kutz, we know you have been very engaged with this full committee as well as my subcommittee, and appreciate your efforts on behalf of these soldiers and all of our men and women in uniform.

And to our three military personnel, first, my heartfelt thanks for your service to our Nation. We are the most blessed Nation in the world with the most blessed freedoms in the world because of you who have one uniform, are wearing the uniform, and all of your fellow men and women in uniform, past and present. So my sincere thanks. And certainly my regrets for the way our Nation, through the bureaucracy, has treated you in trying to get your pay and compensation straight.

I think that a point that was made was the dollar amounts is one thing, but the impact long term, especially on your credit reports, is what is problematic, as creditors are looking not at maybe necessarily the amount, but any blemish. And to no fault of your own you have had blemishes. And as Chairman Shays so well stated, you know, whatever problems remain certainly need to be addressed for you as well as for all, and with DFAS and other personnel engaged in this issue here in the room, I would certainly fully believe that we take one case at a time, and eventually we get them all, and here are three cases we need to make sure we get right, and then we move on to the fourth and fifth and down the line till we get them all right.

In the second panel, those who will be testifying certainly are in a position to help make sure we get them right, and if not, all of us here today stand ready to assist you and your individuals cases.

On specific—and I want to make sure I understood—Specialist Taylor, your testimony is that even as late as this past month, your credit report was still showing errors?

Ms. TAYLOR. Yes, sir.

Mr. PLATTS. And has action been taken to correct that specific——

Ms. TAYLOR. Yes, sir, it's been taken off. I went to my bank, and he also told me there was a credit bureau made this on my credit report. So he knows where it came from.

Mr. PLATTS. So you believe that right now it has been corrected?

Ms. TAYLOR. I hope so. It was taken off twice, so we don't know.

Mr. PLATTS. Again, if not, and with the other witnesses being back with this committee, and us as Members and staff, if you continue to have problems, you will have a lot of advocates here, helping to correct.

I want to touch base, Mr. Kutz, on your knowledge of the issues. You referenced kind of what I will call the heroic efforts, the workarounds that are occurring. Am I accurate in saying that egregious errors were made over the last 10 years, and specific to Iraq, probably in 2003, 2004, and what we are still dealing with is a lot of problem solving relating to errors that happened in 2003 and 2004, and that because of the focus of Chairman Davis and this committee and GAO, that DFAS and all involved in these issues have

tried to make sure we are not repeating those errors in 2005 and now in 2006? Is that a fair statement?

Mr. KUTZ. Not completely. I mean we still found problems in 2005, and they're being still resolved. I think that given what has happened as a result of your hearings, is there are probably fewer problems to deal with, and there's more customer service people in place to deal with them quicker. But the fundamental problems remain, and the soldiers are still vulnerable. They are always one step away from disaster basically. If you don't have trained people or—I think you'll hear at the second panel, the trained people got deployed. Then you have a real problem, and a lot of people, in the case of Fort Bragg, over 200 people fell through the cracks and had significant problems as late as 2005.

Mr. PLATTS. And where it is not happening and we are catching them is not because of yet permanent fixes, but because of heightened awareness, a heightened effort within a flawed system, that they are trying to make sure that they catch those flaws before there is a problem. Is that fair?

Mr. KUTZ. Yes, that's accurate. I mean I think they're trying to put as many safety nets, band-aids, whatever you want to call them in place to the fundamentally flawed system in place today.

Mr. PLATTS. I think that is something that we do want to recognize the personnel, that in response to the errors that have come forward through Chairman Davis and his committee and subcommittee and GAO, that the message is being heard, and there is an effort to correct the error so that the terrible situation that the three of you have suffered through is not repeated, ideally, at all, and certainly it is the exception, not the norm, and that we acknowledge that ongoing effort is, but we still got to get to what, Mr. Kutz, you have well highlighted, the importance of a permanent solution, which we hope DIMHRS in the end will lead to be. That remains to be seen.

Mr. KUTZ. That's where the real failure is at this point, as you know. I mean, there's been hundreds of millions or more spent, possibly more, because they've been trying to do this for over a decade, to do the integrated pay personnel, and here we sit today, they're re-baselining and replanning, and I don't really know how much has actually been accomplished to solve the problem systematically and permanently.

Mr. PLATTS. And that is clearly what we need, is the permanent systemic changes. The end of the Forward Compatible Pay System in January, $52 million roughly spent, it seems like there is some good and bad news in that announcement. Bad is that some of that $52 million was spent without a benefit, but good in that some of it was spent, is now going to be transferred to the DIMHRS effort, because the way I understand that is that FCP was intended to be a kind of interim fix while they get to DIMHRS. Deputy Secretary England, he and his staff, they are really trying to focus on this, and made a determination it is just not good management to keep spending money on this interim that has been delayed, as opposed to use what already is gained there, and really focus on a permanent solution. Is that your understanding?

Mr. KUTZ. Yes. Hopefully, they have learned something from the $52 million that they have spent, and I think one of the other good

things is they may have recognized the failure and stopped additional money from being wasted on something that wasn't going to provide benefit to taxpayers and to the people sitting at the table here.

Mr. PLATTS. What is somewhat outrageous, I think, is we are talking about going after soldiers who have gone into harm's way for us over $150, $200, and we talk millions that is spent without a result for the taxpayers to prevent the problems from occurring in the first place.

In the Defense Reauthorization Act, we gave additional authority for the waiver of debt such as we are discussing here. Is there—are you aware of any cases that authority is not being used you believe it should be, or is it more just getting people through the process that their case is heard for the waiver to be considered?

Mr. KUTZ. I think that was a step in the right direction some of the authority granted, but there's additional things that we proposed in our report, such as expanding that beyond 2007, providing the ability to refund solider—some soldiers now have already paid their debts, where others have been waived, and from a fairness perspective, we believe that refunds is something that Congress should consider allowing for soldiers.

Also, the current policy and the way it is set up is that they can only go back 1 year to provide relief. So soldiers, if you're released from active duty and a year has passed, you are no longer eligible. You know, we have offered any possibility for the Congress to consider taking that back all the way to 2001, the beginning of the global war on terrorism efforts, so that other soldiers can be fairly treated there also.

Mr. PLATTS. I am sure I am over my time, Mr. Chairman. On that final point, if we can work with GAO and Chairman Hunter at Armed Services, as we look to Defense reauthorization later this year, to incorporate those recommendations, which are important about fairness, that those who pay the debt should have that same opportunity to have that forgiveness and that we look prospectively as well.

Finally, just again, my sincere thanks to our courageous men and woman here today for your service. I know that my family and I are free and safe because of you and all who wear the uniform, and may God watch over you in your lives ahead.

Again, Mr. Chairman, thanks for your efforts on these issues. Thank you.

Chairman TOM DAVIS. Thank you very much, Mr. Platts.

We now go to Mr. Clay, accompanied by his chief aide here.

Mr. CLAY. Thank you very much. Will is here with us today. I guess this is take your——

Chairman TOM DAVIS. You need to understand, before we start, Mr. Clay succeeded his father, and then this is young Will who is in training here. He is not old enough to run yet, but he is getting some firsthand experience.

Mr. CLAY. Thank you very much, Mr. Chairman. Also, thank you for conducting this hearing, and thank you all for being here today.

Specialist Mangum, you not only encountered pay problems, but you experienced a host of other problems while in service, from the lack of available bathroom facilities when you arrived in Iraq, prob-

lems with obtaining medical treatment, theft of personal items, and hassles in medical processing. We could hold an entire hearing just on your experiences. [Laughter.]

Instead of helping you get back on your feet, the solution given to you by the Army was to suck it up. Could you please describe the attitude and treatment given to you when you dared to raise questions about your medical condition? And by the way, how is your family doing? I see your wife has joined you. How are they doing? Go ahead.

Mr. MANGUM. My family is doing fine. You know, of course, we've had some financial problems because of the re-collections. I've already stated that it was a problem to get back home for the holidays and cover bills. So I chose to cover the bills to try to save my credit rating. And now I'm probably facing more credit issues because of this re-collection.

In regards to how soldiers were treated, in Medical Retention at Fort Bragg, any soldier that raised a congressional inquiry was put on the back burner. They were actually moved to the back of the list, if you would, on medical treatment. We sort of started back at square one. As my position that I was given during my time at the medical holding, as Assistant NCO IC of Clinical Operations for Womack Army Hospital, even though it wasn't an NCO, I got a lot of information on how things were moving through the hospital. It was part of my job to help other medical hold soldiers get through the system, and I saw firsthand congressionals come through, and flat out, there were lies told.

There are people that are in control of the medical hold program there that I have directly heard stated in the office that I worked in, state that they were there just to move the soldier home. If they could be treated at home, they had 6 months worth of tri-care, they could get it handled there.

Mr. CLAY. Thank you for that response. It is apparent that we need to make it clear to those at Fort Bragg and elsewhere that our soldiers deserve the best medical treatment that we pay for as taxpayers, and that this is not a political game. It is about life and death for you all.

Let me go on to Specialist Taylor. Your testimony showed the numerous attempts you made to notify your unit of your whereabouts and status. Yet, despite your repeated attempts over a 2½ year period, you were continually listed as AWOL, and as a result, suffered pay discrepancies and were hounded by credit collection agencies for the mistaken debt which appeared on your credit report.

What do you believe should be an appropriate review period or grace period for DFAS to take before it reports debt to major credit bureaus for collection? I understand that since 2005, DFAS has suspended all reporting of military debt to private debt collection. So what do you think would be an appropriate review period or grace period for DFAS to take?

Ms. TAYLOR. First of all, I would like for them to first go and review the person, look at the person's stuff. Don't just say this person owes a debt. Go and check it out, investigate first beforehand, before saying a debt is old, and then holding a person, getting them put on a collection agency. Don't do that. Talk to the person. Get to know the person, find out what—because I told them that my

unit did this. They didn't want to get in contact with my unit. They told me to get in contact with my unit. Well, they could have went and got in contact with my unit themselves and found out their paperwork was wrong. I was never AWOL.

Mr. CLAY. So, Specialist, DFAS should be more thorough in their investigation, more careful in their investigation, and actually do a thorough investigation of the circumstances, without this willy-nilly make determinations that have an impact on someone's credit report.

It looks like my time is up, but I appreciate both of you all for being here today, as well as your service to this Nation. Thank you.

Mr. KUTZ. Congressman, could I just add a point? I mean, I think one of the issues we've seen that has been a problem that causes pay problems is the loss of track of soldiers, and that's what I think happened to Brandy. I mean they thought she was AWOL when she was actually being treated as an outpatient at an Air Force hospital. Which what happens then is she got paid. Subsequently, they go back and say she shouldn't have been paid because she was AWOL, and then that turns into debt.

You also had a situation at Fort Bragg, where soldiers that never deployed, the system said that they actually were in Iraq, so those soldiers that were still at Bragg that never deployed, received hardship duty and hostile fire pay, although they never went. So you have lots of problems that we've seen over the last 3 years, tracking soldiers, which drives pay issues.

Mr. CLAY. And this is the advantage we have for this new technology that we have purchased, that the military has purchased.

Mr. KUTZ. They need new technology to better do that, I would say.

Mr. CLAY. Don't they have the technology now? I mean aren't they using a computer system now to track these soldiers?

Mr. KUTZ. They are, but they do not have effective integrated pay and personnel systems, and that is driving many of the problems.

Mr. CLAY. Thank you for your response.

Chairman TOM DAVIS. Thank you.

Mr. Ruppersberger.

Mr. RUPPERSBERGER. Probably the second panel is who I should be asking this question to, but, Mr. Kutz, I want to ask you. First thing, let me say this. If you look at the different wars that we have had in this country, probably World War II more than any, when the whole country came together, but the only sacrifices that you see now, I think, are the men and women going to Iraq and Afghanistan and their families, and whatever we have to do to resolve this issue.

And the amount, I think the report you showed, about 1,300 that really were in a bad situation. It seems to me that we need to create a system—and I don't want to repeat what has been said before—but that we need a recommendation of a system, and not why it happened. I mean, learn from that, and find out right now, to make sure this doesn't happen again and we take care of the backlog that is there. That might mean—and maybe we have this—but I don't know—were you aware, when you did your analysis, did they have a help desk? You know, we have, in certain situations

like this, where you have a help desk, I mean, a very simple position that could make a big difference for a lot of these people, who could then follow through and deal with the collection agencies and all the things that occur when you get on a list of having bad debt.

Mr. KUTZ. There are Army, Guard and Reserve ombudsmen, and there are 800 numbers and there are various functions to put in place in many parts because of the prior hearings we have had here, I believe, and so that has been an improvement, but again, you still have the fundamental problems, and soldiers can still slip through the cracks, and I think today would be an example.

Let me just also say on the 1,300, the 1,300 is battle-injured soldiers that are separated, so the actual number of soldiers that had debt problems is going to be far more significant than that. That was just battle-injured, separated, so you still have soldiers that are in service, and so if you have non-battle-injured, sick and—you're going to have others.

Mr. RUPPERSBERGER. I am going to stop a bit because I want to stay focused, but I mean, the wounded veteran issue is an entirely different issue. Once the men and women leave the military hospitals and go throughout the country, are not getting the rehab or what they need to take them to the next level, and it's not any physical rehab, mental rehab, and also job issues that are out there, which is something that hasn't been dealt with and should.

But I want to get back to, you know, your analysis. Because of hearings, we have help desks, but are they functioning? Just because we put in a position, what is the mission or the plan to make sure that every single individual who served our country in Iraq and Afghanistan has been injured, where are we as far as fixing that problem? And you need to put together a system, and there needs to be somebody who is overseeing that system to hold the people working there accountable. Does that exist? Does your research show that it is working now, or what kind of backlog that we have? I mean this should be a high-priority issue that should be resolved from the highest level within a month.

Mr. KUTZ. I think the second panel can better answer that, but my analysis——

Mr. RUPPERSBERGER. I am not going to be here for the second panel. I have to go to another hearing.

Mr. KUTZ [continuing]. My analysis of it, I mean, with respect to short-term fixes of customer service and other process improvements, band-aids to the current system, there has been a lot of action and a lot of focus. It has been a very high priority focus based on our assessment of DOD's actions.

With respect to the fundamental fixes that would prevent the problems from happening in the first case, they have not made much progress on that, and they've spent hundreds of millions of dollars trying to implement the integrated pay personnel system, and re-engineered system, and I think at this point they haven't gotten very far, so that's where the real issue is.

Mr. RUPPERSBERGER. Why do you think they haven't gotten far in that regard?

Mr. KUTZ. Again, we have a high-risk area, DOD business system modernization. You've got basic project management. It isn't as if the technology doesn't exist for this, it's a matter of actually ef-

fectively planning, implementing, testing and executing implementation of that.

Mr. RUPPERSBERGER. So then we need a system, say, call it a manual system to back it up until this works when you are dealing with men and women serving our country.

Mr. KUTZ. And they do have that in place, but again, the problem is so—the system is so fundamentally flawed that I don't think you can have 100 percent fail-safe system until you re-engineer and provide the new system.

I think that there are fewer problems than when we started looking at this 3 years ago, but I just don't think human effort alone is going to fix this.

Mr. RUPPERSBERGER. All you have to do is use common sense, and you can identify everyone who has been injured, and you just follow them through. I mean, you have their names. You know who they are. You have somebody assigned to them like a caseworker, and take them through—they don't know. They have been called up to duty. They come from all different walks of life, and I am not sure what their education, and whether they really understand debt, some do, some might not. Would you recommend—I am just looking for a solution here, and a system that has been set up, not to talk about—if we use technology that can't work, then we have to back it up with manual in certain areas of priorities.

All it is, this could be fixed tomorrow if the Secretary of Defense would make this a very high priority, to take care of injured men and women and to put the resources there. If it is from a manual point of view, to assign every person who is injured or comes up until this is fixed. Do you feel that——

Mr. KUTZ. I agree with you.

Mr. RUPPERSBERGER. Do you feel that can be done?

Mr. KUTZ. I agree they can do better, and I think that this needs to be a priority because there should be a zero tolerance for pay problems for sick, injured soldiers.

Mr. RUPPERSBERGER. My light is on and I have to stop. The chairman seems to be in a good mood today, so maybe he will let me ask one more question.

Chairman TOM DAVIS. This is very important, so I appreciate it.

Mr. RUPPERSBERGER. What would you recommend—you are outside looking in—that this could be fixed? How would we do it? Start at the top. I mean we have some leverage, not a lot.

Mr. KUTZ. Well, as a result of your request, as I mentioned in my opening statement—you were not here for that—but we have issued 84 recommendations and they have taken action on 70 of those, and so not all of the 70 are implemented, many of them are, and so if they implement all 84 of our recommendations, I think they'll be closer, but again, it appears that there are still people falling through the cracks, so to the extent that the customer service function has not served appropriately for the people at the table, then they need to take a re-look at what they've done.

Mr. RUPPERSBERGER. Mr. Chairman, from an accountability point of view, I would really request that we have another analysis and come back in the next month or so, and let us know where we are. And the second panel, I am sure, might address these issues. Unfortunately, I can't be here for that.

Chairman TOM DAVIS. Well, our staff is going to continue to bird-dog this, and we are just hearing things today, just like the mess hall, things that shouldn't happen, additional problems that we will get to with our next panel. So thank you very much.

Mr. Hayes.

Mr. HAYES. Quick comment. I assured Mr. Clay—if you all wonder what the conversations were—we are across-the-hall neighbors. We check each other. Womack will get a call about your situation, Frank. Jennifer Shirley is my MLA. She will give you the numbers and we will make sure that all that gets followed up on. Didn't like the sound of that.

Thank you, Mr. Chairman.

Chairman TOM DAVIS. Let me just say to each of you, we really appreciate your being here. We didn't get you up here just to hear you talk. We think this will make a difference. And if you can stay and hear the second panel, we are going to ask them some questions, and I am sure they are as eager to solve these issues. They don't like coming up here before the committee having to explain how things go wrong with systems, but this is important. We appreciate your willingness to speak out, and we think a lot of the other soldiers will benefit, because you have come forward today. So thank you very much.

I will dismiss this panel. And we will take a quick recess, but we are going to move to our second panel then, which is the Hon. J. David Patterson, who is the Principal Deputy Under Secretary of Defense in the Office of the Comptroller; Hon. Nelson Ford, who is the Principal Deputy Assistant Secretary of the Army for Financial Management and Comptroller; Zack Gaddy, who is the Director of Defense Finance Accounting Service, Defense; Mark Lewis, Assistant Deputy Chief of Staff, G–1, U.S. Department of the Army; and Colonel Mark McAlister, who is the Finance Officer of the 18th Airborne Corps at Fort Bragg, NC.

So we will just take a 2-minute recess and come back.

[Recess.]

[Witnesses sworn.]

Chairman TOM DAVIS. I think you know the rules on testifying. You have heard the first panel, and I would like to hear your response. I mean, this should not happen in 2001 in the U.S. military. And a lot of these decisions that led to where we are were before many of you were in your places, and so we are not trying to point fingers. We are trying to solve a problem here. But, Mr. Patterson, we will start with you and move straight on down, and welcome and thanks for being here. I am glad you were here to hear the first panel. I think that is helpful to all of us.

**STATEMENTS OF J. DAVID PATTERSON, PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE, OFFICE OF THE COMPTROLLER, U.S. DEPARTMENT OF DEFENSE; NELSON FORD, PRINCIPAL DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR FINANCIAL MANAGEMENT AND COMPTROLLER, U.S. DEPARTMENT OF DEFENSE; ZACK E. GADDY, DIRECTOR, DEFENSE FINANCE ACCOUNTING SERVICE, U.S. DEPARTMENT OF DEFENSE; MARK R. LEWIS, ASSISTANT DEPUTY CHIEF OF STAFF, G–1, DEPARTMENT OF THE ARMY, U.S. DEPARTMENT OF DEFENSE; AND COLONEL MARK A. McALISTER, FINANCE OFFICER, 18TH AIRBORNE CORPS, FORT BRAGG, NC, U.S. ARMY**

**STATEMENT OF J. DAVID PATTERSON**

Mr. PATTERSON. OK. Thank you, Mr. Chairman, Mr. Hayes.

I am very pleased to be here with my colleagues, Mr. Nelson Ford, Mr. Zack Gaddy, Mr. Mark Lewis, and Colonel Mark McAlister. And I think it is an important topic that we are discussing: the accuracy of the pay support to our wounded soldiers and, in fact, all of our military members.

But before I begin with my prepared remarks, let me be on the record as offering the Department's sincerest apology for the pain, anxiety, and inconvenience that we have caused these fine soldiers that you heard this morning.

The statements of my colleagues will outline what the Department of Defense is doing to address these pay problems experienced by a number of our military members and their families. Some of the problems we have discovered while others have been identified by the Government Accountability Office. So I will restrict my statements to some broader elements of the Defense Department policy and commitment.

First, be assured that keeping military pay straight is one of the most important priorities of the Department of Defense. None of our missions or goals will ever get very far if we do not take good care of our military people and their family, and that care starts with their compensation. And certainly what group could be more deserving of keeping pay straight than the troops who have been wounded in action? So our Department leaders are committed to moving as quickly as possible whenever we find problems affecting our military people and their families.

Second, the Department of Defense continues to make progress on solving the basic cause of these pay problems: the lack of an integrated personnel, pay, and medical system. Secretary Rumsfeld and other DOD leaders recognize that we need to overhaul our information and management systems to preclude problems, not simply put Band-aid fixes on the problems du jour. The Secretary has made clear that transforming how the Department of Defense does business is just as important as transforming our weapons or how our military fights. More to the point, all of these elements of Defense Transformation are interwoven. The Department has established a Personnel Pay Council made up of senior Defense Department executives whose responsibility it is to identify potential pay problems and put in place process remedies. I co-chair that Council.

Furthermore, and perhaps more important, the Department recently established the Business Transformation Agency [BTA], which is responsible for the development and the implementation of Defense business systems. As one of its top priorities, the BTA is taking the lead on the implementation phase of the Defense Integrated Military Human Resource System [DIMHRS], which will help us provide excellence in pay service to our military members. Additionally, the Deputy Secretary of Defense, Secretary England, is personally involved in ensuring that DIMHRS is implemented on schedule and on cost. Our plan is to have this system fielded by December of calendar year 2008.

Now, in previous hearings, the Department offered the Forward Compatible Payroll [FCP], system as an interim solution to our payroll tracking and distribution challenge. In a review of the DIMHRS implementation profile, we found that the Forward Compatible Payroll system was, as you mentioned, Mr. Chairman, over cost, behind schedule, and, truthfully, with little chance of reaching the desired level of performance. The expected fielding date of that system was such that it would be functional just about the time that DIMHRS was coming on board. Consequently, FCP was not an interim solution at all, but a duplicate system solution, and, therefore, the FCP program was canceled.

With that as an overview, I will defer to my Army and DFAS colleagues for a detailed discussion of our diagnosis of the pay problems we have discovered and the solutions that we are implementing to address those problems. But, again, I would offer to you that having been a forward air controller in Vietnam, I wanted my pay correct. Having been a deputy commander or airlift forces during Desert Storm and Desert Shield, I wanted my pay correct. I have a son-in-law flying KC–135s. I want his pay to be correct. And I have a son who is in the Air Force Special Forces who frequently deploys, and I want his pay to be correct.

So I have a personal stake in the fact that the Department of Defense provides pay support that is accurate, timely, and sensitive to our military members' needs. And I thank you for the opportunity to discuss this important subject that directly, clearly, affects the welfare of our troops and their families. And I look forward to your questions and comments, sir.

[The prepared statement of Mr. Patterson follows:]

Testimony

of

J. David Patterson
Principal Deputy Under Secretary of Defense (Comptroller)

before the

House Government Reform Committee

on

"Financial Friendly Fire: A Review of Persistent Military Pay Problems"

April 27, 2006

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Thank you, Mr. Chairman, Congressman Waxman, and members of the Committee. I am very pleased to be here with Mr. Gaddy, Mr. Ford, Mr. Lewis and Col McAllister to discuss the important topic of Accurate Pay Support for our Wounded Soldiers.

The statements of my colleagues will outline what the Department of Defense is doing to address the pay problems experienced by a number of our military members that we have discovered and that have been identified by the GAO. So I will restrict my statement to some broader statements of Defense Department policy and commitment.

First, be assured that keeping military pay straight is one of the most important priorities of the Department of Defense. None of our missions and goals will ever get far if we do not take good care of our military people, and that starts with their compensation. And certainly, what group could be more deserving of keeping pay straight than troops who have been wounded in action. So our Department leaders are committed to moving as quickly as possible whenever we find problems affecting our military people and their families.

My second point is that the Department of Defense continues to make progress on solving what is the basic cause of these pay problems: the lack of an integrated personnel, pay, and medical system. Secretary Rumsfeld and other DoD leaders recognize that we need to overhaul our information and management systems to preclude problems – not simply scrambling to patch together fixes. The Secretary has made clear that transforming how the Department of Defense does business is just as important as transforming our weapons and how our military fights. More to the point, all of the elements of Defense Transformation are

interwoven. Department has established Personnel Pay Council made up of senior Office of the Secretary of Defense executives whose responsibility it is to identify potential pay problems and put in place process fixes.

Furthermore and perhaps more important, the Department recently established the Business Transformation Agency (BTA), responsible for development and implementation of Defense business systems. As one of its top priorities, the BTA is taking lead on the implementation phase of the Defense Integrated Military Human Resource System (DIMHRS), which will help us provide excellence in pay service to our military members. Additionally, the Deputy Secretary of Defense is personally involved in ensuring that DIMHRS is implemented on schedule. Our plan is to have this system fielded by December of Calendar Year 2008.

In previous hearings, the Department offered the Forward Compatible Pay (FCP) system as an interim solution to the pay and personnel integration challenge. In a review of the DIMHRS implementation profile, we found that the Forward Compatible Payroll system was over cost, behind schedule and with little chance of reaching the desired level of performance. The expected fielding date of the system was such that it would be functional about the same time as DIMHRS. Therefore, FCP was not an interim solution, but a duplicate system solution, and therefore the FCP program was cancelled.

With that overview, I will defer to my Army and DFAS colleagues for a detailed discussion of our diagnosis of the pay problems we discovered and the solutions to those problems. Thank you for this opportunity to discuss a most significant subject that directly affects the welfare of our troops and their families.

Chairman TOM DAVIS. Thank you very much.

Mr. Ford, thanks for being here.

**STATEMENT OF NELSON FORD**

Mr. FORD. Thank you. Good morning. Chairman Davis, Mr. Hayes, my name is Nelson Ford, and I am the Principal Deputy Assistant Secretary of the Army for Financial Management and Comptroller, and I want to thank you for this opportunity to address debt-related problems for some of our injured soldiers who have separated from the Army.

I want to stress at the outset that the Army expects that every soldier will be paid accurately and on time, and it is our fault when that does not occur. This is even more important for deployed soldiers and those wounded while selflessly serving their country. During this period of tremendous upheaval in their lives, soldiers should not have to worry about being paid correctly.

I want to thank the committee for the emphasis you have placed on this issue. Mr. Chairman, for the past 2 years we have worked closely with the members of your staff resolving individual pay-related issues and implementing new policies and procedures to improve our ability to pay soldiers correctly and on time.

We have made significant improvements in the way we train our payroll personnel, we have improved our payroll systems, and, most importantly, we have changed the process for granting debt relief to soldiers who have been overpaid through no fault of their own.

Between DFAS and the Army, about 400 additional staff, military and civilian, have been augmenting existing staff to catch and correct pay problems before they turn into soldier debts. We are committed to maintaining these efforts until better systems are in place and proven to work. Let me provide some examples of what we are doing.

First, in the area of improved business practices for wounded soldiers, we have implemented three new policies: one, we no longer refer outstanding debts to collection agencies; two, all pay-related debts are suspended until a thorough review of the soldier's pay account is completed; and, three, if appropriate, we initiate debt relief on the soldier's behalf through the waiver and remission process.

Second, working with DFAS, we implemented the Wounded in Action Pay Management Program. This system captures medical information on soldiers from five different systems, both medical and personnel, and makes that information available to our finance and human resources personnel from a single data base that can be accessed through the Internet.

Since mid-October 2005, we have successfully stopped all applicable theater entitlements for 100 percent of the soldiers evacuated through Landstuhl. This alone has significantly reduced the possibility of payroll overpayments for wounded and injured soldiers.

Third, our efforts to make sure soldiers are paid correctly has reinforced the importance of making timely changes to soldier duty status in the payroll system. Our problems are a manifestation of the Department's struggles in developing and deploying an integrated personnel and pay system. As you have heard from Mr. Pat-

terson, we are strongly committed to resolving these problems through the fielding of DIMHRS.

We are also here to discuss the problems associated with the Medical Retention Processing Units [MRPUs], at Fort Bragg. We have investigated these problems carefully and confirmed that the issues are primarily local, not Army-wide. Colonel McAlister will address these issues in more detail. However, we continue to evaluate the support required for all the MRPUs.

In summary, I want to reiterate that every soldier deserves to be paid correctly and on time. Although we have made significant improvements in soldier pay, the process remains imperfect. The Wounded in Action Pay Management Program provides visibility for a large group of at-risk soldiers, but it is not a perfect solution. We need DIMHRS in order to gain further improvements.

In the meantime, we will continue to work with the committee, DFAS, and the GAO, to prevent and, if necessary, resolve the debts and other pay-related problems for all wounded soldiers.

Thank you very much for the opportunity to testify this morning, and I look forward to your questions.

[The prepared statement of Mr. Ford follows:]

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STATEMENT OF

MR. NELSON FORD

PRINCIPAL DEPUTY ASSISTANT SECRETARY OF THE ARMY
(FINANCIAL MANAGEMENT & COMPTROLLER)

BEFORE THE

COMMITTEE ON GOVERNMENT REFORM

U.S. HOUSE OF REPRESENTATIVES

ON

"FINANCIAL FRIENDLY FIRE: A REVIEW OF PERSISTENT MILITARY PAY PROBLEMS"

APRIL 27, 2006

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Chairman Davis, distinguished members of the Committee, my name is Nelson Ford, and I am the Principal Deputy Assistant Secretary of the Army for Financial Management and Comptroller. Thank you for this opportunity to address debt-related problems for some of our injured Soldiers who have separated from the Army.

I want to stress that every Soldier deserves to be paid accurately and on-time. This is even more important for deployed Soldiers and those wounded while selflessly serving their country. During a period of tremendous upheaval in their lives, these Soldiers should not have to worry about being paid correctly. While we in the Army, along with the Defense Finance and Accounting Service (DFAS), are committed to providing Soldiers the best pay support possible, our systems are not perfect and errors do occur. When problems do occur, we strive to identify them quickly and resolve them promptly and fairly.

Of the 516,508 Soldiers deployed in support of the global war on terrorism, approximately 12,000 have been either wounded or killed in action and of those, about 10% were identified as having a service-related debt recorded on the pay system at the time of separation from the Army. Many of these debts occurred because change-of-pay status adjustments were not made in a timely fashion after

Soldiers were evacuated from the theater. To date, we have identified a total of 364 separated, wounded Soldiers who experienced some type of active debt collection action, including 74 Soldiers whose debts were referred to an outside collection agency.

In most cases, the debts occurred through no fault of the Soldier. However, the Army is required by law (Debt Collection Act of 1982 (PL 97-365) and Debt Collection Improvement Act of 1996 (PL 104-134)) to pursue collection. Because the Army finance personnel responsible for debt collections had no way of knowing about the Soldiers' medical situation, our debt collection policies resulted in many unfortunate experiences for wounded soldiers and their families.

To address these issues, the Army and Defense Finance and Accounting Service (DFAS) linked pay account data with medical data and established a program called the "Wounded in Action Pay Management Program." The program identifies all soldiers receiving medical treatment in theater at the battalion aid station level and higher since October 2001 and allows finance and other administrative personnel to manually correct wrong pay and entitlement information. Further, beginning May 2005, the Army and DFAS implemented the following actions for Soldiers who received medical treatment while deployed:

1. **Debts of identified Soldiers are not referred to collection agencies,**
2. **Collection of identified Soldier debt is suspended until a thorough review of the Soldier's pay account is completed, and**
3. **Debt relief is initiated on the Soldiers' behalf through the waiver and remission processes, when appropriate.**

The Wounded in Action Pay Management Program has improved the Army's management of Soldiers debt. The program has identified over 60,000 Soldiers receiving medical treatment (cumulative from October 2001 through April 14, 2006). We have completed the review of over 35,000 of these accounts and are on track to complete the remaining reviews by September 2006. More importantly, this program enabled us to successfully correct pay entitlements for all 2,622 Soldiers medically evacuated from the theater through Landstuhl since its initiation, suspend debt collections of 5,807 accounts, and forgive the debt of 1,573 wounded Soldiers.

The Wounded in Action Pay Management Program also has impressed upon us the importance of making timely changes to Soldier duty status in the payroll system. While prompt notification of changes to theater-based entitlements upon medical evacuation is important, often we are unable to process separation transactions in time to adjust Soldiers pay before payday. The lack of timely duty status information available to finance personnel is a manifestation of the

Department's challenges in developing and deploying an integrated personnel and pay system.

The Department is continuing to develop the Defense Integrated Military Human Resource System (DIMHRS) to solve the personnel and pay integration problem. Until DIMHRS is ready for fielding, we will continue to use the Wounded in Action Pay Management Program to track medical conditions, review pay accounts for accuracy, and to process debt remissions and waivers on behalf of wounded Soldiers. However, this is not a perfect solution, and errors may still occur because the program does not offer the level of integrated information envisioned by DIMHRS.

Prompt processing of debt remissions and waivers is crucial and our performance is significantly better thanks to congressional actions in the Fiscal Year 2006 National Defense Authorization Act. As you know, this Act provided Service Secretaries broader debt relief authority that takes care of both enlisted Soldiers and officers for up to a year after leaving active duty. We now have the authority for more equitable treatment to our reserve component Soldiers and the ability to relieve debts not created by an erroneous overpayment.

The Committee has asked the Government Accountability Office (GAO) to recommend ways that Congress could enhance the fairness of the debt collection process for our wounded Soldiers and they have made some recommendations in their recent report. We concur with their recommendation to make the debt remission law permanent and to incorporate a one-time provision for debts of Soldiers wounded in action in the global war on terrorism who were separated more than one year prior to implementation of the act. We would also like for Congress to clarify that it is permissible to repay previously collected debts under the remission process in a manner consistent with the existing waiver process. These changes will enhance the fair and equitable treatment for all wounded Soldiers regardless of debt status at the time of separation.

In addition to the support for our wounded Soldiers no longer in the Army, I know this Committee is also concerned with pay and indebtedness issues for reserve Soldiers retained on active duty for medical reasons and assigned to an Army Medical Retention Processing Unit (MRPU). At the Committee's request, the GAO conducted an investigation into allegations of overpayments of theater entitlements to Soldiers assigned to the MRPU at Fort Bragg and confirmed that 232 Soldiers were overpaid an average of approximately three months of theater specific

entitlements. These conditions were primarily caused by local issues associated with the high operational tempo of the XVIIIth Airborne Corps.

Based on the results of the GAO investigation at Fort Bragg, the Army and DFAS recently reviewed the accounts of all Soldiers currently assigned to the Army's remaining 23 MRPUs. We did not find similar results at the remaining 23 MRPUs, and have concluded the problems GAO identified at Fort Bragg were isolated to that location. We reviewed the pay accounts of all 2,347 Soldiers assigned to the 23 MRPUs and found only 83 of the accounts had a pay problem caused by an overpayment. We will manage MRPU pay issues through the combination of regular compliance inspections and the audit of all pay accounts identified in the Wounded in Action Pay Management Program.

In summary, I want to reiterate that every Soldier deserves to be paid accurately and on-time. Although we have made significant improvements in Soldier pay, the process remains imperfect. The Wounded in Action Pay Management Program provides visibility of wounded Soldiers to finance personnel; but it is not a perfect solution. We need the integrated personnel and pay processes DIMHRS envisions in order to gain further improvements.

While the end objective of an integrated human resources system is not yet in place, we will continue to improve our current pay support for all Soldiers. To ensure continuous improvements, we will work with the Committee, Defense Finance and Accounting Service, and the Government Accountability Office in preventing and resolving the occurrence of debts and other pay related problems for our wounded Soldiers.

Thank you.

Chairman TOM DAVIS. Thank you very much.

Mr. Gaddy, thanks for being with us.

**STATEMENT OF ZACK E. GADDY**

Mr. GADDY. Thank you, Mr. Chairman.

Chairman Davis and distinguished members of the committee, my name is Zack Gaddy, Director of the Defense Finance and Accounting Service, and I am here today to discuss pay-related problems for soldiers injured while serving in a combat zone.

I would like to give you an overview of the progress the Army and DFAS have made to improve the accuracy of military pay to soldiers and actions we have taken to assist soldiers with relief from indebtedness. I am providing detailed information on this issue and a statement for the record.

One of my top priorities is to make sure our men and women in uniform are paid the right amount on time. For the past year, DFAS has worked closely with the Army to mitigate conditions causing soldier indebtedness. I had the privilege to visit soldiers who have been medically evacuated to both the Landstuhl and Walter Reed Medical Army Centers to see firsthand how the solutions we are developing are working.

Mr. Chairman, I was moved by their courage and spirit. Their efforts in fighting the global war on terrorism are exemplary, their contributions and personal sacrifices matchless. These young men and women are what make this the greatest Nation in the world, and they deserve timely, accurate pay. So let me explain how we in the Army have improved our accuracy.

In May 2005, DFAS developed and deployed a Wounded in Action Pay Management Program that links casualty and medical information with finance records. Using Army data, we identify and monitor all battle-injured and non-battle-injured soldiers who have served in a combat zone from October 7, 2001, to the present.

Over 60,000 pay accounts have been added to the program's data base. Since May 2005, we have reviewed over 35,000 of those accounts and should complete the remaining reviews by September 2006. As we find discrepancies, we take corrective action, including adjudication of any identified indebtedness.

Since September 2005, all identified pay and allowance indebtedness for ill and injured active-duty soldiers has been suspended, pending review of their pay account for possible adjudication. To date, we have assisted just under 1,700 soldiers with debt relief totaling approximately $1.5 million.

Also, in October 2005, DFAS and the Army deployed a team to Landstuhl, the point of medical evacuation from the combat zone, to stop Hardship Duty Pay-Location. This was one of the combat entitlements being overpaid and causing much of the soldier indebtedness. To date, over 2,800 entitlements have been stopped correctly by our team at Landstuhl.

Please put the chart up for how we handle this.

This chart shows you the pay support soldiers now receive when medically evacuated from Southwest Asia through Landstuhl and onward to U.S. medical centers and hospitals. Face-to-face meetings with patients and their families are an integral part of the process. Every step of the way, Army finance specialists discuss

current pay and entitlements, usually within 48 to 72 hours, and assist soldiers and family members with travel claim processing. They also track pay accounts until soldiers return to duty or separate from service. If indebtedness is discovered, the finance specialist initiates the relief request on behalf of the soldier.

We have also taken positive steps to alleviate the reporting of soldiers to credit bureaus over repayment issues. In June 2005, we suspended collection of debt for those wounded-in-action soldiers identified as no longer in the service. We also stopped reporting wounded-in-action soldier indebtedness to collection agencies and credit bureaus, and we stopped sending collection letters to the soldiers. These actions remain in effect until we can review and adjudicate each and every case of soldier indebtedness.

The Department appreciates congressional assistance provided on these issues in the fiscal year 2006 National Defense Authorization Act. Thanks to your actions, Service Secretaries now have broader debt relief authority to take care of injured and ill active-duty and Reserve component soldiers. They now have a wider range of debt collection for relief consideration, more time for due process, and processing time is shortened by several weeks.

Finally, I want to assure this committee that DFAS does not pursue debt collection for those who have given their lives in defense of our country. No known debts have been passed to the estates of those paying the ultimate price.

Mr. Chairman, soldiers wounded in action should not have to worry about whether they are getting the right pay. They need to focus on their medical care, the healing process, and their families. The Army and DFAS need to provide the proper fiscal care. Since this issue came to light, the Army and DFAS have focused their efforts on providing soldiers the pay they are due when they are due to receive it. When we find pay discrepancies, we work aggressively with the Army to fix them. I assure you this is one of my top priorities, and DFAS will continue to work with the Army and the other services to do our very best each and every day to pay our brave men and women in uniform correctly.

And, finally, I would like to offer my sincere thanks to those who have served, who are currently serving in Iraq and Afghanistan, and apologize for any problems we have caused them.

Thank you.

[The prepared statement of Mr. Gaddy follows:]

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STATEMENT OF

MR. ZACK E. GADDY

DIRECTOR
DEFENSE FINANCE AND ACCOUNTING SERVICE

BEFORE THE

COMMITTEE ON GOVERNMENT REFORM

U.S. HOUSE OF REPRESENTATIVES

ON

"FINANCIAL FRIENDLY FIRE: A REVIEW OF PERSISTENT MILITARY PAY PROBLEMS"

APRIL 27, 2006

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Chairman Davis, distinguished members of the committee, my name is Zack Gaddy, and I am the Director of the Defense Finance and Accounting Service (DFAS). Thank you for this opportunity to address pay-related problems for injured Soldiers.

Today I will discuss our partnership with the Army to improve the accuracy of military pay to Soldiers who sustained battle and non-battle injury or illness while serving in a combat zone, and those Reservists assigned to Army Medical Retention Processing Units throughout the nation.

I want to assure the members of this committee that making sure our men and women in uniform are paid the right amount, on-time, is my number one priority. Since the issue of pay problems for wounded-in-action Soldiers came to light last year, DFAS has worked continuously and closely with the Army to mitigate the conditions causing Soldier indebtedness.

Several weeks ago, I visited Soldiers who had been medically evacuated to the Landstuhl Army Regional Medical Center to see how the solutions we developed are working. On behalf of the Department, I wanted to observe first hand how the systems and processes we have in place are working.

Please let me describe the steps we have taken to mitigate the conditions causing Soldier indebtedness, how we have assisted the Army with relief from indebtedness, and how we manage indebtedness of those serving our nation.

DFAS developed, and in May 2005, deployed a database to link casualty and medical information with finance records. The "Wounded in Action Pay Management Program" uses data from the Army and identifies and monitors all battle injured and non-battle injured Soldiers who have served in a combat zone from October 7, 2001 to present. This capability provides positive identification and tracking of Soldiers, and results in the majority of combat pay and entitlements being started and stopped on time. This management tool significantly reduces the incidence of erroneous overpayment and associated Soldier indebtedness.

To date, over 60,000 Soldier pay accounts have been added to the program's database, and since May 2005, DFAS and Army Finance Offices have reviewed over 35,000 of those accounts. We are on track to complete reviews of the remaining accounts by September 2006. As we find any discrepancies, we quickly take corrective action, including adjudication of any indebtedness identified.

In fact, since September 2005, all identified pay and allowance indebtedness for battle injured Soldiers on active duty has been suspended, pending review of their pay account for possible adjudication. DFAS and the Army have assisted 1,561 Soldiers with debt relief totaling $1.46M; sometimes, on the Soldier's behalf without his or her knowledge.

Also, beginning in October 2005, DFAS and the Army instituted a process at the Landstuhl Army Regional Medical Center - the point of medical evacuation from the combat zone - to stop Hardship Duty Pay – Location; one of the combat entitlements that was being erroneously overpaid and causing much of the Soldier indebtedness. To date, 2,622 Hardship Duty Pay – Location entitlements have been correctly stopped by the Army WIA Team at Landstuhl.

As I mentioned, I just returned from Landstuhl where I had the opportunity to watch the process in action. I met with several Soldiers to get their views and I will tell you they believed the efforts of DFAS and the Army are working to ensure they are getting the correct pay. We will continue to refine this operation, but I think to date, the people we trained and deployed to work this issue have done an outstanding job.

The supporting chart shows movement and pay support of Soldiers who are medically evacuated from the Southwest Asia combat zone (Southwest Asia includes all areas designated, i.e.: Afghanistan, Iraq, Saudi Arabia and others), through Landstuhl Army Medical Center in Germany and onward to military medical Centers and Hospitals in the U.S.

In addition to the new tracking and pay account management tool, DFAS and the Army also resourced, trained and employed finance specialists to identify, correct and prevent pay problems. During the summer and fall of 2005, core training for WIA pay account management was provided to finance specialists who support major Army Medical Centers, Hospitals and Medical Treatment Facilities. Since February 2006, finance specialists have canvassed all Army Major Medical Centers and Hospitals to conduct required "face-to-face" meetings with inpatients and their family members (or medical attendants). During these meetings, finance specialists discuss current pay and entitlements, and assist Soldiers and family members with travel claim processing. Finance personnel track the pay accounts until Soldiers return to duty or separate from Service. If during this process indebtedness is discovered, the finance support specialist initiates a request for relief on behalf of the Soldier.

One of the issues I know this committee is also concerned with, is the reporting of Soldiers to credit bureaus over repayment issues. We have taken positive steps to address this issue. Effective June 2005, DFAS suspended collection of debt for those Soldiers identified as out-of-service "Wounded in Action ("Battle-Injured)." Additionally, we immediately suspended the practice of reporting WIA Soldier indebtedness to collection agencies and credit bureaus and we stopped sending collection letters to the Soldiers. These actions remain in effect until we can review and adjudicate each and every case of Soldier indebtedness.

Under current law, only debt related to erroneous overpayment of pay and entitlements or travel and transportation allowances is subject to waiver. The Department appreciates Congressional assistance provided in the Fiscal Year 2006 National Defense Authorization Act. Service Secretaries previously had the authority to remit indebtedness only for enlisted personnel who had not separated from service. Now, thanks to your actions, Service Secretaries have broader debt relief authority to take care of our injured and ill enlisted, officer and Reservists, for up to one year after separation from service. These Soldiers now have a wider range of debt eligible for consideration for relief, more time to process requests for relief, and processing time is shortened by several weeks.

Mr. Chairman, I know this committee is also concerned with pay and indebtedness issues for Reserve Soldiers assigned to Army Medical Retention Processing Units throughout the nation.

In June 2005, the Government Accountability Office (GAO) conducted an investigation into the pay support for Reserve Soldiers assigned to the Army Medical Retention Processing Unit (MRPU) at Fort Bragg. The impacted population included some Soldiers who were not medically qualified to deploy, some that had become injured or ill in the combat zone and were medically evacuated, and some that upon return from deployment were found not medically cleared for release from active duty. The GAO found conditions of erroneous payment and overpayment of combat entitlements for Soldiers assigned to that specific MRPU. These conditions were primarily caused by local issues at Fort Bragg associated with the high op-tempo of the XVIIIth Airborne Corps. In December 2005, the Army issued guidance and direction to resolve the condition.

At GAO's recommendation, DFAS and the Army reviewed the accounts of all Soldiers assigned to the remaining 23 MRPUs and we have completed that review. These problems were not Army-wide.

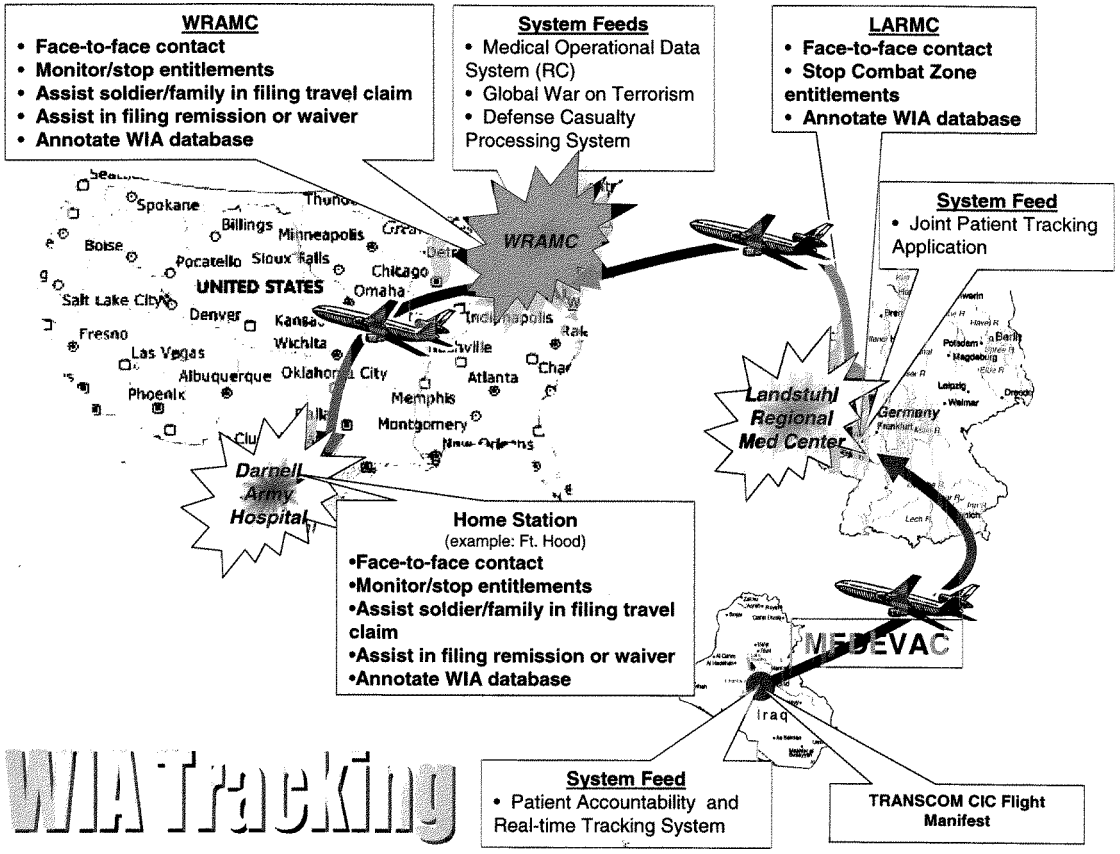
We found that of the 2,347 Soldiers assigned to MRPUs (during the month of February 2006), only one-third had actually deployed, and we found 83 Soldiers with indebtedness. Additionally, 11 MRPUs had at least one case of incorrect payment of combat entitlements. These results were not up to DFAS standards. We are working with the Army to improve the MRPU finance support operations.

Finally, I want to assure this committee that DFAS does not pursue debt collection of those who have given their lives in defense of our country. At DFAS, no known debts have been passed to the estates of those paying the ultimate price.

Mr. Chairman, Soldiers wounded in action should not have to worry about whether they are getting the right pay. They need to focus on their medical care, the healing process and their families. It is up to the Army and DFAS to provide the proper financial support. Since this issue came to light, the Army and DFAS have focused our efforts on providing Soldiers the pay they are due, when they are due to receive it. We are not perfect yet, and some cases have slipped through, but when we find them we aggressively work with the Army to fix them. This issue remains my first priority and I assure you the DFAS will continue to work together

with the Army and the other services to do our very best each and every day to pay service members correctly.

Thank you.




# WIA Tracking

Chairman TOM DAVIS. Thank you very much.

Mr. Lewis, thanks for being with us.

**STATEMENT OF MARK R. LEWIS**

Mr. LEWIS. Mr. Chairman, distinguished members of the committee, thank you for the opportunity to speak with you today to discuss wounded soldier pay issues. Our wounded soldiers deserve the very best compassion and care that the Army has to offer. That care includes the assurance and commitment to the soldier and their families that their pay is correct, sufficient, and timely.

Within the Army, the U.S. Army Wounded Warrior Program, coined AW2 now, assists our most severely wounded soldiers in a myriad of areas. One of these areas is finance. AW2 receives debt management pay inquiries from several sources such as members, family members, unit members, and our own Army Family Management Pay Specialists, and through various data bases. Examples of wounded soldier issues include identifying theater entitlement overpayment and working with finance offices for debt relief or reducing incorrect payments.

To date, the AW2 has reviewed 1,170 cases of their soldiers. They have audited them with 623 of those cases seeking an overpayment in the amount of $592,442. Over half of those cases submitted were approved for a complete write-off. Of the remaining cases, 61 are currently under reserve for write-off in the remaining then have exceeded the 3-year statute of limitation for submitting a waiver.

In the past, wounded service members have received deployment entitlements above those authorized. Months later, they have a large lump sum deducted from their paycheck, thus leaving the soldier and their family with very little pay for a particular period. Several severely injured service members have incurred this kind of debt, and there is no excuse for that. The AW2 Finance Support Specialist is dedicated to working very closely with those soldiers and the finance officers to obtain and submit remittance or waiver packets for those soldiers. AW2, Army Medicine, and DFAS are in constant close coordination now to implement and develop proactive processes and procedures to ensure soldier's financial issues are identified and corrected before the issues become financial burdens to the soldier and their family.

One of those key initiatives that we are working on is the Wounded Warrior Accountability System, which consolidates information regarding severely injured service members from a variety of personnel, finance, and medical systems. This system, this data base, is to be the platform for both the Wounded in Action and AW2 programs as we work with our soldiers, enabling greater visibility, collaboration, and resolution of the financial issues.

Our efforts to fix these issues immediately when they occur are ongoing and continue to employ a mix of solutions to correct overpayments for the Active, Guard, and Reserve soldiers. The 2006 NDAA provided the Army needed assistance to grant debt relief for our wounded soldiers. However, we would like Congress to specify that payment of previously collected debts would be allowed as a remissible collection. We also would like to see the debt remission law added as permanent legislation and seek a 1-year retroactive

one-time provision for debts of separated soldiers wounded in action implemented in the future.

Recent enactments by Congress, such as the Traumatic Injury Protection under the Servicemember's Group Life insurance program, not charging soldiers for meals received at military treatment facilities, debt remission authority, and combat-related Rehabilitation Injury Pay, have all helped tremendously in caring for our soldiers and safeguarding the financial futures of their families. I am confident that current systems in place coupled with recent legislation will reduce financial disruptions to our wounded soldiers' lives.

Our soldiers' duty performance provides this Nation the very best Army in the world, and each soldier deserves accurate and timely pay, particularly for those who are wounded and sick and unable to provide for themselves and their families. The Army leadership has been deeply involved and concerned in providing the requisite services in support of all soldiers' and their families' well-being. The Army is committed to developing and fielding an integrated personnel and pay system which provides accurate and timely personnel services and pay to our soldiers.

Mr. Chairman, thank you for this opportunity. I look forward to your questions.

[The prepared statement of Mr. Lewis follows:]

STATEMENT BY

MARK R. LEWIS

DEPUTY CHIEF OF STAFF, G1

UNITED STATES ARMY

BEFORE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

SECOND SESSION, 109TH CONGRESS

APRIL 27, 2006

NOT FOR PUBLICATION

UNTIL RELEASED BY THE

COMMITTEE ON GOVERNMENT REFORM

Mr. Chairman, Representative Waxman, distinguished members of the committee, thank you for the opportunity to speak with you today to discuss wounded Soldier pay issues. Our wounded Soldiers deserve the very best compassion and care the Army has to offer. That care includes the assurance and commitment to the Soldier and their families that their pay is correct and sufficient.

Within the Army G1, the U.S. Army Wounded Warrior Program (AW2) assists our wounded Soldiers in a myriad of areas; one of these areas is finance. AW2 receives debt management pay inquires from several sources such as service members, AW2 Soldier Family Management Specialist, family members, and through various DFAS database reports. Examples of wounded Soldiers issues include identifying theater entitlement overpayment and working with finance offices for debt relief or reducing incorrect payments.

To date, 1170 cases of AW2 Soldiers have been audited with 623 of those cases seeking an overpayment in the amount of $592,442.77. Over half of those cases submitted were approved for a complete write-off. Of the remaining, 61 cases are currently under review for write off and the remaining cases are beyond the three year statue of limitation for submitting a waiver.

In the past, wounded service members have received deployment entitlements above those authorized. Months later they have a large-lump sum deducted, thus leaving the Soldier and their family with very little pay for a

particular period. Several severely injured service members have incurred this type of debt. The AW2 Finance Support Specialist is dedicated to working very closely with the finance offices to obtain and submit remittance or waiver packets for its Soldiers. AW2, Army Medicine, and DFAS are in constant close coordination to implement and develop proactive processes and procedures to ensure Soldier's financial issues are identified and corrected before the issues become financial burdens to the Soldier and their family. Our efforts to fix these issues immediately when they occur are on-going and we continue to employ a mix of solutions to correct overpayments for Active, Guard and Reserve Soldiers. We have made tremendous effort to eliminate Soldiers' pay issues.

Recent enactments by Congress, such as Traumatic Injury Protection under the Servicemember's Group Life Insurance program, not charging Soldiers for meals received at military treatment facilities, debt remission authority, and Combat-related Rehabilitation Injury Pay, have all helped tremendously in caring for and safeguarding the financial futures of our Soldiers. I am confident that current systems in place coupled with recent legislation will reduce financial disruptions to our wounded Soliders' lives. I look forward to your questions.

Chairman TOM DAVIS. Thank you very much.

Colonel McAlister, thanks for being with us.

**STATEMENT OF MARK A. McALISTER**

Colonel MCALISTER. Good afternoon, Chairman Davis and distinguished members of the committee. I am Colonel Mark McAlister, Commander of the 18th Soldier Support Group (Airborne), responsible for Personnel, Finance, and Postal support to the 18th Airborne Corps at Fort Bragg. It is a privilege for me to speak to you today about current procedures and useful solutions for pay processing of Army Guard and Reserve soldiers.

Since the start of the global war on terror, the 18th Airborne Corps and the 18th Soldier Support Group have been at the center of activity. Being both continuously deployed in a combat theater of operations and sharing the responsibility for the processing of tens of thousands of mobilizing and demobilizing Reserve soldiers through Fort Bragg, the operational tempo for my units and soldiers have been very challenging. I thank you for your interest in these soldiers, and I thank the Government Accountability Office report that has proven very helpful to us in identifying shortfalls and establishing better procedures to ensure soldiers are paid correctly.

Again, it is an honor and privilege for me to appear before this committee, and I look forward to your questions.

[The prepared statement of Colonel McAlister follows:]

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STATEMENT OF

COLONEL MARK A. McALISTER

COMMANDER
18TH SOLDIER SUPPORT GROUP (AIRBORNE)
XVIII AIRBORNE CORPS, FORT BRAGG, NORTH CAROLINA

BEFORE THE

COMMITTEE ON GOVERNMENT REFORM

U.S. HOUSE OF REPRESENTATIVES

ON

"FINANCIAL FRIENDLY FIRE: A REVIEW OF PERSISTENT
MILITARY PAY PROBLEMS"

APRIL 27, 2006

For Official Use only
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Committee on Government Reform

Good afternoon Chairman Davis and members of the committee on government reform, I am Colonel Mark McAlister, Commander of the 18th Soldier Support Group (Airborne), responsible for Personnel, Finance, and Postal support for the XVIII Airborne Corps. It is my privilege to speak to you today about current procedures and useful solutions to the pay processing for Army Guard and Reservists who redeploy due to injury.

The XVIII Airborne Corps units and Special Forces units at Fort Bragg have been deployed since 2001 in support of Operation Enduring Freedom and Operation Iraqi Freedom. As the Finance asset for the Corps, units from the 18th Soldier Support Group (Airborne) have been continuously deployed in some capacity from 2002. Fort Bragg, as a Power Projection Platform, has spearheaded the influx of Mobilized Army Guard and Reserve Soldiers in support of the Global War on Terrorism. In conjunction with the reduced manpower and equipment from the continuous deployments and high operational tempo of XVIII Airborne Corps, the garrison support responsibilities of the 18th Soldier Support Group (Airborne) have also increased significantly. Since the beginning of the war the number of mobilizing and demobilizing Soldiers/customers processed at Fort Bragg has increased from 0 to 1,100 Soldiers per month. Through many years of experience and lessons learned, Fort Bragg has developed a system of checks and balances that has eliminated the number of debt collections from wounded in action cases since the summer of 2005.

Today I will discuss the short falls that were found during the previous Government Accountability Office (GAO) Inspection and procedures that have been put in place to rectify the shortfalls. Mobilization and Demobilization of Army Guard and

Reservists was previously performed at Fort Bragg by an activated Reserve Component unit, the 2125th Garrison Support Unit (GSU) from 2001 to August 2004. We agree that there was lost visibility on Soldiers who were assigned to the Medical Retention Processing Unit (MRPU). Because of this loss of accountability of some WIA Soldiers, their deployment entitlements continued, causing the problem that the GAO report correctly identified in June 2005.

In August 2004, Fort Bragg transferred the Mobilization and Demobilization pay support mission to the 18th Soldier Support Group/126th Finance Battalion. During this time, the Battalion Headquarters was deployed in Balad, Iraq supporting Operation Iraqi Freedom II and the Group Headquarters was training for a November 2004 deployment. There was an overlap in Theater where all headquarters and senior commanders were deployed to Southwest Asia performing combat finance and personnel missions for the XVIII Airborne Corps. Upon the return of the 126th Finance Battalion in January 2005, their mission significantly increased at Fort Bragg. They immediately refitted and prepared to assume the garrison mission of finance support that had exponentially increased while they were deployed; they became the 18th Soldier Support Group Rear Provisional Unit, and began preparing more units for deployment. The challenge to perform all of these missions simultaneously was daunting and ultimately led to the loss of accountability.

Following the GAO inspection, we implemented the Wounded in Action Database to track WIA Soldiers returning from Theater to the MRPU. The database integrates information from medical, personnel, and finance systems maintaining the status of WIA Soldiers who depart Southwest Asia for treatment. This synchronization

of systems has alleviated a majority of the problem, however military pay is a sensitive issue and we were not satisfied with just one solution.

In addition to the database, all Army Guard and Reserve Soldiers assigned to the MRPU are now required to in process Finance with a copy of all their orders. The database is updated weekly, and the MRPU Commander verifies Soldiers and their entitlements on a Unit Commander's Finance Report, published and turned in monthly. Weekly correspondence between the MRPU and the 126th Finance Battalion WIA and MOB/DEMOB teams are conducted to discuss potential issues. WIA Soldiers who are unable to in process the MOB/DEMOB section located at the Fort Bragg Soldier Support Center are visited personally by a Finance Soldier to ensure their entitlements are stopped in a timely manner and any other Finance needs or concerns are addressed. Through the Standard Operating Procedures developed at Fort Bragg, a system of checks and balances has been established to prevent the overpayment of WIA Soldiers upon returning from their tour of duty.

I am confident in the results of the procedures put in place at Fort Bragg. We have been inspected twice since the last GAO report. First, by the DFAS Network Audit and Field Compliance Office (NAFCO), who classified current operations in the highest category, "Green-Outstanding." This DFAS Team stated that Fort Bragg is in compliance with the published guidance. Second, in February 2006, the WIA Regional Manager at DFAS came to Fort Bragg to review the MOB/DEMOB, WIA, and MRPU processes. The Regional Manager confirmed that Fort Bragg is in compliance with all published guidance and regulations. This is a significant improvement to the previous

procedures utilized and its success is evident by zero new WIA debt collection cases since the processes were implemented.

Additionally, in February 2006, we coordinated with DFAS to send a Tiger Team to Fort Bragg to provide additional training on Reserve Component pay and WIA systems as well as assistance in researching outstanding cases referenced in the GAO Report.

The current status of the 259 reported cases is as follows:

69 cases not WIA (40 had no debt, 29 debts processed through DFAS for collection)

31 cases had no debt

3 cases were duplicate names

37 cases were transferred to DFAS for action at their request (i.e. VIPs)

117 cases are at DFAS waiting for remission of debt decision

1 remission case was approved

1 case is being processed by the National Guard Bureau

There are currently no WIA cases awaiting Fort Bragg action.

The final solution to integrating medical, personnel, and finance systems is not yet in place. However, when the "Defense Integrated Military Human Resource System (DIMHRS)" is fielded, it should provide the integrated capability that the Army is currently lacking.

Our dedication to providing outstanding service to fellow Soldiers is evident in the effort we have made to correct the problem of Army Guard and Reserve WIA pay and our recognition by the American Society of Military Comptrollers as the best Financial

Management Organization below MACOM in the DoD. It is my hope that our lessons learned will be used in the future to ensure that other mission commanders assigned on Power Projection Platforms mobilizing and demobilizing Soldiers, will receive the necessary recourses, training, and systems to establish accurate Reserve Component pay systems and WIA processes from the start.

Thank you for the opportunity to speak today about actions being taken at the Soldiers' level. Mission First Soldiers Always! Airborne All the Way! I look forward to your questions.

Chairman TOM DAVIS. Thank you very much.

Mrs. Foxx, do you want me to start with you?

Mrs. FOXX. No. That is fine.

Chairman TOM DAVIS. I have a lot of questions.

First of all, thank you all for being here. For Secretary Patterson and Mr. Gaddy, DOD has been promising a new integrated pay and personnel system along with a complete overhaul of the entire process for paying mobilized and active-duty soldiers. These go back to the mid-1990's, as we heard, before any of you were there, before I was here, when GAO and others reported significant soldier pay problems.

During the last decade or more, Congress has provided DOD with hundreds of millions of dollars to address the problem. I do not think it is a money problem. Why have we not been able to deliver on these promises, which have had real consequences for hundreds of thousands of soldiers? And we talk about, you know, the wounded. If this were one or two people that we were bringing up here, you can always have that slipping through. But in the wounded soldiers category, we know a minimum of 1,300 that we had this issue with.

What is the problem? Can you explain to me why, with all this money—is it the contractor? Is it the fact that DOD has just not had the coordination and the expertise to do it? Can somebody help me?

Mr. PATTERSON. It is an obvious question, and it requires a really good answer, and I wish I had one. But let me say that we are all culpable. No one gets off scot-free on this.

I just came off of a project for a Defense Acquisition Performance Assessment where Secretary England asked us to look at every aspect of the acquisition process. And once we did, we found out that nobody gets a pass. We have all been culpable in one way or another—the industry that was willing to do whatever we asked, and Government, who asked whatever was thought possible. We have an ever-increasing number of requirements that drive the cost of contracts up, and DIMHRS does not escape.

But I can tell you that the future is much brighter. We have Major General Pair, who is in charge of this program. He is an excellent program manager. We have milestones that are achievable. We have requirements that we hope will not creep. And we have senior management interests at the very highest levels that will ensure that the program DIMHRS is on track, on cost, and on schedule.

Chairman TOM DAVIS. Now, this is the fifth hearing this committee has held on these issues, and every time it is a new wrinkle on an old problem. And they persist. You heard one of our witnesses today, that these issues still aren't resolved 3 years after she has left active service. I hope at a minimum we can take care of that problem as we leave here today.

Some call DIMHRS little more than vapoware, an ambitious concept but not yet a functional system. The history of major IT system development in the Pentagon is very mixed. It is not always a pretty story. What is different about the promises you are making this time that should give us any confidence that you can finally deliver on a solution? Do you have different people overseeing

this? You mentioned one general. I don't know what their tenure is, but these things tend to take years into buildout. Is it a question of just getting good procurement officials? Is it a contractor issue to some extent? Is it communications between the contractor and the Government? I mean, can we get a little more precise? What has caused the problems today? You heard the GAO witness talk about hundreds of millions of dollars being wasted, and yet we are going after $50 that somebody owes and that is ruining their credit. I mean, all of us know we will look ridiculous when that happens.

What has happened that this money has gone down the drain?

Mr. PATTERSON. That now gives us more encouragement that we can go forward.

Chairman TOM DAVIS. And why did they go bad? Why did we lose hundreds of millions of dollars in this? I mean, somebody made a mistake somewhere. This did not just come out of thin air.

Mr. PATTERSON. Well, of course, I think that you are exactly right, and as I said before, we are culpable. We are victims of the conspiracy——

Chairman TOM DAVIS. Mistakes were made, as——

Mr. PATTERSON. Well, you know, that is a very—I do not want to be quite that glib, but the fact is that, you know, we live in a world of a conspiracy of hope. We hope that the contractors will do what they say, and the contractors hope they can as well. And I will tell you that what has changed—and then I will leave the details of the answer to your question to Mr. Gaddy. But the fact is that we now have benefit of Secretary England being intimately involved. And we also have benefit of a committee that is made up of the senior executives of the Department of Defense who are interested in seeing success. And we have a program manager who is interested in meeting milestones and having this program implemented calendar year 2008 in December.

To your specific question about communications, I think, too, what gives us a certain amount of hope that this will come to pass is the fact that we have deployed some pilot programs into the services, both the Air Force and the Army, who have taken a quick look at this. And the people who actually have to put the data into the system are delighted with it. They pick up on it right away.

So there is reason for encouragement here, and I would ask you to invite us back to give you an update so that you can be encouraged as well.

Chairman TOM DAVIS. Well, we continue to invite you back, but it is usually not for that kind of update. What happened along the way? Where did we go wrong?

Mr. PATTERSON. Well, I think that Mr. Gaddy, who has been with this longer than I have—I came on board in November—is probably in a better position to talk about that.

Chairman TOM DAVIS. Mr. Gaddy, this is the advantage of seniority. You get to answer this question. [Laughter.]

Mr. GADDY. Yes, sir, Mr. Chairman. I appreciate the advantage of seniority since next month will be 2 years for me, so I can go back about that far. Actually, I have been in the Defense Finance and Accounting Service since it was created in 1991, so I have been around this for a long time in different capacities.

I would like to comment a little bit on DIMHRS and then maybe a little bit more on Forward Compatible Pay, which I know has had some conversation today.

First, in terms of DIMHRS, I would just submit to you it is the largest, most complex ERP, Enterprise Resource Planning, system ever envisioned by anyone. The pay complexity that we deal with—there are over 2,000 pay entitlements that military members—Guard, Reserve, active duty—can have, and that adds to complexity. And I know there is an undertaking right now within Personnel and Readiness to look at how to do some pay simplification kind of things.

I think initially over the last 10 years or so that this program has been under way, money has been spent in a variety of ways. I don't know that I would categorize it as wasted. I believe that the money that was spent to date has brought us to a point where, when they went out last year looking at the system—because there was some question about where was it and could it actually be fielded. I think the assessment going out was we did not think so, but the assessment coming back in, quite candidly, was it is much better than they thought. It is——

Chairman TOM DAVIS. But maybe not DIMHRS, but some of the previous systems that they had been working on were completely scrapped.

Mr. GADDY. Yes, sir.

Chairman TOM DAVIS. And you would agree with me that money was wasted, wouldn't you?

Mr. GADDY. Yes, sir, I do.

Chairman TOM DAVIS. OK.

Mr. GADDY. I believe DIMHRS itself will be fielded in spite of what some may say right now. And I understand why people may say that, because it has taken a long time, it is complex. My agency alone has devoted over 50 people to just supporting the pay requirements. We know those pay requirements exist. We are testing them today. There is a data base with those requirements. We are working on interfaces. We are doing the things that we believe will help push the program along.

Chairman TOM DAVIS. Do you have the resources from us that you need to make this work?

Mr. GADDY. Yes, sir, we do. From my perspective, we have identified the requirements. One of the lessons learned coming out of Forward Compatible Payroll was have your pay requirements established early on. We believe we have those. When we were working FCP, one of the pitfalls that we did not anticipate, going back to 2003 when that started, was we were only replacing the pay portion of this problem, not the integration of pay, personnel, and medical. What we were trying to do is just replace the payroll system itself. That meant we had to go interface to every personnel system that exists. We added a level of complexity that we could not handle. With hindsight, that looks pretty clear to us, but going into it, it looked like we could do it.

As the program slowed down and the progress was not what we anticipated, DIMHRS looked like it had more legs, it is going to make it. So then it looked like we were going to have a schedule convergence. So we had to make a decision: Do we continue pouring

money and resources into FCP or do we basically put our money and resources on DIMHRS? And we believe DIMHRS is a much more pervasive system, solves many more problems, and will do a lot more for the soldier than FCP ever dreamed of doing.

So when it came down to a resource contention, we decided DIMHRS was the right way to go, and that is why I made the decision back in February to terminate the FCP program.

Chairman TOM DAVIS. OK. Thank you very much.

Ms. Norton.

Ms. NORTON. Mr. Chairman, I just want to indicate a particular concern I had, and I think that you are to be congratulated for staying with this issue. I have never been able to understand it because we had more soldiers deployed in the Kuwait war. Perhaps I was not around when these issues might have been raised then. Maybe it is me that this is the first war I have heard of this kind of problem. It is not as if we had a draft and all of a sudden there was this huge influx of people and the payroll system just fell apart because we had to put so many people on it.

The problem that concerns me most has been the overpayment problem. It does seem to me that the volunteers leave the Army and are then told you now owe money because you should have caught the error when you received more money. I keep thinking everybody should put themselves in the place of these soldiers. I do not know about them. Perhaps this is not the case with them. I know that any sizable amount of money I get is direct deposited, so I do not even know how much money there is.

There is an analogy—not a complete and total one, but I cannot help but think of it—when there is overreaching in the criminal justice system. There are times when the charges have to be thrown out, where the courts say that the fault is so significantly with the Government that the only way the Government will learn not to engage in that violation again is not to be able to press this matter forward.

Now, this, of course, is not in the justice system at all, and I understand that some adjustments have been made more recently. I would remain very—I just want to say for the record I would remain very, very concerned that soldiers who have stepped up—you do not hear any of them complain—to participate in a very unpopular war at home, do not complain now even when they hear that the tide at home has turned very decidedly against continued participation, to come home and find that the answer to the overpayment is you got to do your own accounting, soldier, the Government is not in the business of overpaying.

If the fault is the Government's, it is very hard for me to be able to justify the notion that there is a single soldier who should have to pay back—and I particularly say this—for our Guard soldiers and our Reserve soldiers. And you are aware that they are—I suppose now almost half of those—they certainly were that at one point—in Iraq. Here are people for the most part who never expected to have to serve in combat in the first place, have gone without complaint, some at huge sacrifice at home—loss of businesses, only person working, marriages breaking up, debts unpaid, reduction in pay, Federal Government does not even do what private industry does for Reserve and National Guard, and that is to try to

make up for the differential in pay. And on top of that, at the end, at some point in your service you are told the Government made a mistake and we want your check to be in the mail, I just want to say I think that cannot possibly be justified under any circumstances.

And I thank you very much, Mr. Chairman.

Chairman TOM DAVIS. Thank you very much.

Ms. Foxx, do you have any questions?

Ms. FOXX. Thank you, Mr. Chairman.

I have a series of questions to ask here, but I guess I have really—I am just a very plainspoken, basic person, and the question that I would like to ask you is: Why when the Government needs to do something—well, let me back up. How many employees are affected by this new payroll system? How many people were affected by it, how many people came under it?

Mr. GADDY. The one that—DIMHRS is what you are talking about?

Ms. FOXX. Right.

Mr. GADDY. It will be about 2.1 million.

Ms. FOXX. 2.1 million, OK. Well, there may not be any analogy to it in the private sector, but my thought was there surely are payroll systems out in the private sector, they may not be quite as complicated, but similar to it. Why do we always have to reinvent something instead of taking something that works somewhere else and adapting it? Why is it that we can do so many great things in the military and we cannot do administrative things in a way like this? Why is that such a problem? Just a real basic issue.

Mr. GADDY. Yes, ma'am, I would like to address that. As I mentioned earlier, there are over 2,000 pay entitlements for military. There is nothing like that anywhere in the private sector. We are, in fact, with DIMHRS, using a COTS—commercial, off-the-shelf software product to handle the pay computation. The thing that makes it complex in addition to the pay entitlements is now you go to the personnel side of the business, and nowhere else do you see people being deployed in the many ways that we may call upon service members to serve.

So, from that perspective, you have the complexity of the personnel business, the payroll side of things, and then add to that the third condition, which is unique to us, and that is the medical status of people. So when you look at the overall complexity of that, it is a scope issue. There are so many, and then there are also all the various pay entitlements that just make this a very terribly complicated area.

It has taken many, many years to reach agreement within the Department on how to approach these things. I believe that has happened. It has taken many years to get the right focus behind things. I think that exists today. And as Mr. Patterson indicated, there is a refocus on the part of the Secretary, the Deputy Secretary, and all the military departments to bring DIMHRS to fruition.

I as a payroll provider am very, very interested in it being successfully deployed because it will make my life so much easier in terms of being able to provide good service to men and women every day.

Ms. FOXX. OK. When—and you may have said this earlier, and if you did, I apologize. When do you expect that this very antiquated statement that soldiers and their families get will be put in a way that they can understand it? When do you think——

Mr. GADDY. That is an excellent question, and, again, I will have to go back and look at that and take that for the record to give you a more definitive answer. Our payroll system that we currently use that produces that leave and earnings statement is quite old so I am not quite sure how much programming it might take to turn that into a more user-friendly pay statement. We have been doing that on the civilian side, trying to make the leave and earnings statement more intelligible to civilians, and we will certainly look at that for military as well.

Chairman TOM DAVIS. Mr. Hayes.

Mr. HAYES. Thank you again, Mr. Chairman, and my neighbor, Ms. Foxx, thank you for great questions.

Colonel McAlister and I and a number of others of you had a lengthy discussion before the hearing began. It was very, very helpful, and I believe it was you, Secretary Patterson, who apologized for the circumstances of having it, which is appreciated and appropriate. I come away today with a sense that everybody is committed to doing whatever it takes to get the problem solved.

I want to take exception with Ms. Norton's characterization. It is not an unpopular war except for the terrorists in Iraq and Afghanistan. Around the world there are some people who have questions about it, and this is America, you can question that. It is not an unpopular war.

Having said that—and, again, for Congresswoman Foxx, at Fort Bragg, we have an awful lot of great people, never claim that they are perfect, but, Colonel McAlister, you and I and your friends and associates in Fort Bragg will work this extremely hard from the soldier's perspective up, because, Mr. Chairman, as you well know, we have found out things among ourselves today that we did not know happened, that wasn't stovepiped, and it was just lack of information.

So, Colonel, let's make sure that every one of our folks who has input provides it so that Secretary Patterson, Mr. Gaddy, and others can use that to craft the appropriate response. There is not going to be, you know, a perfect solution immediately, but this committee, for which I am very appreciative they let me come today, the Armed Services, and all of Congress pledge their support to you to solve a problem. We don't know where they all are yet. We have a good look, but, again, you want to make sure that we are doing the things that we need to do to equip and enable you to do what we know you want to do, and that is, take care of that wonderful man and woman who is wearing the uniform.

Do any of you all have any questions that have not been asked by us to you that you would like for us to ask so that you could answer them? Or would you like to say anything to add to the process to assure the folks back home and the people in the room that we are absolutely committed to fix the problem.

One more thing and I will be quiet. As we have transformed the Army—and that is wonderful. We have brigade combat teams. We have striker brigades. We have all kinds of neat things going on.

But the basic premises, the problems, and the challenges of paying, feeding, and caring for the soldier have not gone away as we have transformed. So some of what has come out today is, as we have worked on future combat systems and all those kinds of important things, we got to make sure that the basics don't get short shrift.

So any questions that we should have asked or any comments, on my time.

Mr. GADDY. I would like to make the following comment. It is not so much a question. As I visited Landstuhl and Walter Reed, what I came away with—I think others have alluded to it here today, and that is, a system like DIMHRS will certainly help us, but it will not replace the human dimension of what we need to do. At both locations the medical staff commented to me that one of the best things we have done since this issue came to light was to embed finance professionals with the medical professionals to help deal with the issues that the patients were facing. And I believe as we move forward, looking at how we will field DIMHRS and the way we support troops in the future, we need to look into how we provide that total person support to people ongoing.

Mr. HAYES. Colonel McAlister?

Colonel MCALISTER. Thank you, sir. One, I would like to say, sir, we really appreciate the support that we have gotten from the committee and that the GAO report really has been truly helpful in helping us identify those problems.

We will continue to work with DFAS and the Army to ensure that the particular circumstances that caused some of the issues at Fort Bragg continue to be addressed. I think to date, we have already made very significant progress in addressing those issues. We have gotten the support from the Army to fix some of those issues.

We will continue to have some challenges as the optempo and our constant deployments take experienced people away from the garrison support responsibility and they deploy to Iraq. The 18th Airborne Corps and Fort Bragg has also been extremely helpful to us in allowing us to do some over-hires and contract support to help fill some of those gaps. But as long as the pay system is as complicated and requires the kind of expertise that it currently requires, we will consistently be met with challenges deploying people and maintaining that level of support that every soldier deserves when they return back home.

Thank you, sir.

Mr. HAYES. Thank you all again for appearing. Thank you for your comments. And please rest assured all of us are here to help provide what you need to get done what we know you want to do, and that is, take care of the folks in uniform.

Mr. Chairman, I yield back and thank you once again.

Chairman TOM DAVIS. Well, thank you very much. I just have a few questions I need to get answered here.

Colonel McAlister, thanks again for being here. Your poster on deciphering just one line of code for a hostile fire pay transaction is just beyond comprehension. Pretend I am a new finance officer. Tell me what my responsibility is with this code. And how do I tell if it is in error?

Colonel MCALISTER. OK, sir. The line of code that you received is a single line that really talks to—I think the one you received is a hazardous duty pay. It is broken out on the chart over there. The first portion of the code identifies the soldier as a portion of their last name.

Chairman TOM DAVIS. Right.

Colonel MCALISTER. It then breaks down into what the entitlement is, the location, the entitlement is derived from. All of these are in code, not plain English.

Chairman TOM DAVIS. Right.

Colonel MCALISTER. It breaks down the——

Chairman TOM DAVIS. That is why it is tough for the average person.

Colonel MCALISTER. Yes, sir. Today's soldiers and our civilians are used to the current computer environment. We work through drop-down menus, plain English screens. The experience that is required in order to read the documentation in the current pay system is difficult, and it does require quite a bit of experience, which makes it more complicated as we deploy soldiers and we bring in fillers to perform some of those garrison functions as soldiers go off to war.

Chairman TOM DAVIS. Mr. Gaddy, is that really the Julian calendar system on the DJMS-RC system?

Mr. GADDY. Yes, sir.

Chairman TOM DAVIS. Are many of the pay systems at DOD on this ancient calendar system?

Mr. GADDY. No, sir. The civilian payroll system is not; the military payroll system is.

Chairman TOM DAVIS. So what type of errors do you foresee in data transferred to the DIMHRS because of this?

Mr. GADDY. Well, actually, as we go through the conversion to DIMHRS, there will be a data conversion effort. We are actually doing that today as a result of our efforts with the Forward Compatible Payroll system where we have been building a modern data base with pay information in it, for the Army primarily because we were going to field FCP to them first. That has been quite a learning experience for us to help bring information together in a modern data base. The current payroll system is not a data base system. It is what we call a flat file system. I don't know if you are familiar with that or not.

Basically what that means is it was written—the code was written back in the 1960's. It has been added over the years. So when we do queries against it, we are going against a flat file system and the data structure that is quite complicated. We have introduced something called DMO or debt management—or defense military pay simplification to try to put a more modern screen on the front end of it to make it easier for users to actually go in and do queries. That is, again, more of a Band-aid than an ultimate solution because, quite frankly, we need a new payroll system. But we are certainly depending on DIMHRS to be that payroll system to make things simpler for people.

Chairman TOM DAVIS. Let me ask, how does an injured soldier like Specialist Taylor, who is in the personnel pay and medical systems, how do they get declared AWOL?

Mr. FORD. We have looked at that, and we do not have any record in our personnel systems that she was ever declared AWOL. And so we are still looking into why the credit reporting process identified her that way. But we haven't found it——

Chairman TOM DAVIS. Just somebody punched something in erroneously? Does that happen sometimes?

Mr. FORD. It could be. It could be the fact that she had an out-of-service debt that a credit reporting entity decided she must have been AWOL. It is unclear. We are looking into it, and we will get back to the committee with a more complete report.

Chairman TOM DAVIS. OK. Mr. Gaddy, your written testimony indicated that Fort Bragg was an anomaly and that the other 22 Medical Processing Units do not have similar problems. As you know, this committee has been hearing from individual Reserve component soldiers affiliated with the Fort Bragg Medical Unit for about 2½ years. Why did it take our committee investigation for you to notice that there were issues at Fort Bragg? And why was it only then the Army decided to look to see that other MRPUs were having problems? That pre-dates you to some extent, so I am not making this personal. But I am just trying to get the flavor for it.

Mr. GADDY. Yes, sir, Mr. Chairman. I appreciate that. Quite frankly, I think, as we were looking at how to resolve many of the issues associated with taking care of soldiers and wounded, the MRPUs were not, you know, a high visible priority. I believe that when GAO did their review and identified the kind of problems they had, it forced us to relook at our procedures to ensure that we knew factually whether these kind of problems existed other places.

We did find, in fact, 83 other individuals with similar pay issues at 11 of the remaining 22 MRPUs, and so we are working those cases individually. But it does point out, if you look at the kind of issues GAO found, we have other ways that members can end up in MRPUs besides coming out of a combat zone. So we needed to be a little broader in how we were evaluating whether those individuals' pays were correct.

Chairman TOM DAVIS. What is the root cause of Army soldiers being overpaid?

Mr. GADDY. As GAO pointed out, about 73 percent of it is overpayment of pay and allowances. If you do not start or stop a member's entitlements correctly when they go into a war zone or when they come out of a war zone, a certain entitlement should stop. If they are not stopped, then, of course, they will continue being paid. If they leave the service, as Lieutenant Colonel Lovejoy indicated, and he was still paid for another month after he left, then the payroll system today is dependent on the accuracy and timeliness of personnel input.

Chairman TOM DAVIS. What do you think the overpayments total in a given year in the Army? Any idea?

Mr. GADDY. Sir, I would not hazard a guess on that. I know what we have seen looking at the records of the ones we have looked at; 2 to 3 percent of the time we see pay issues with the 60,000 people in the payroll data base that we have now for wounded in action or non-battle injury. So I——

Chairman TOM DAVIS. You see that in corporations, though. You see that in other branches of Government. You are just going to have issues with so many—I mean, the problem here, of course, is recouping those payments with wounded veterans, and obviously not just the embarrassment but the hardship it causes.

Mr. GADDY. Yes, sir.

Chairman TOM DAVIS. And I think the appropriate sensitivity now, hopefully, has filtered on down the ranks at this point where we don't just process it and we start thinking about this. Do you think that is fair to say?

Mr. GADDY. Yes, sir.

Chairman TOM DAVIS. Secretary Patterson, what OSD policy office is conducting oversight of the debt forgiveness process to assure fair results now for wounded soldiers?

Mr. PATTERSON. Well, there are two, actually. There is my office, the Comptroller's office, and we have under us DFAS, but also Personnel and Readiness as well. And as I mentioned, we have the Personnel Pay Council that also has brought to it a number of problems or issues, and the Council deals with it in order to solve these issues. And, again, our purpose is not to put Band-aid fixes on things, but to find process remedies that are lasting, and we share that goal with you, Mr. Chairman.

Chairman TOM DAVIS. OK. Thank you all very much. We appreciate your coming here. I think you understand. Nobody likes being hauled up before our committee and explaining mistakes that get made. Some of them had their germination before any of you were part of this. But, you know, we are all responsible for this. We all bear responsibility now for the outcomes, and so we will continue to monitor this and keep in close contact with you as we move ahead.

I will keep the record open for 7 days, and the hearing is adjourned.

[Whereupon, at 12:38 p.m., the committee was adjourned.]

[Additional information submitted for the hearing record follows:]

**United States Government Accountability Office**
**Washington, DC 20548**

April 27, 2006

The Honorable Tom Davis
Chairman
Committee on Government Reform
House of Representatives

Subject: *Military Pay: Inadequate Controls for Stopping Overpayments of Hostile Fire and Hardship Duty Pay to Over 200 Sick or Injured Army National Guard and Army Reserve Soldiers Assigned to Fort Bragg*

Over the past several years, we have reported[1] on significant pay problems experienced by mobilized Army National Guard and Army Reserve (Army Guard and Reserve) soldiers in the wake of the September 11, 2001, terrorist attack. These reports included examples of hundreds of soldiers receiving inaccurate and untimely payroll payments due to a paper-intensive, error-prone pay process and the lack of integrated pay and personnel systems. In response to our reports, the Department of Defense (DOD) has taken some action to improve controls designed to pay Army Guard and Reserve soldiers accurately and on time, especially those who had become sick or injured in the line of duty.

This report responds to your request that we investigate the allegation that 37 Army Guard and Reserve soldiers assigned to the Medical Retention Processing Unit (MRPU) at Fort Bragg, North Carolina, were overpaid for hostile fire and hardship duty pay while in an outpatient status.[2] Our objectives were to determine (1) whether the allegations were true, and if so, whether the pay issues were more widespread at Fort Bragg and (2) the key causes of the overpayments and the resulting impact on soldiers and their families.

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[1] GAO, *Military Pay: Gaps in Pay and Benefits Create Financial Hardships for Injured Army National Guard and Reserve Soldiers*, GAO-05-125 and GAO-05-322T (Washington, D.C.: Feb. 17, 2005); *Army National Guard: Inefficient, Error-Prone Process Results in Travel Reimbursement Problems For Mobilized Soldiers*, GAO-05-79 (Washington, D.C.: Jan. 31, 2005) and GAO-05-400T (Washington, D.C.: Mar. 16, 2005); *Military Pay: Army Reserve Soldiers Mobilized to Active Duty Experienced Significant Pay Problems*, GAO-04-911 (Washington, D.C: Aug. 20, 2004) and GAO-04-990T (Washington, D.C.: July 20, 2004); and *Military Pay: Army National Guard Personnel Mobilized to Active Duty Experienced Significant Pay Problems*, GAO-04-413T (Washington, D.C.: Jan. 28, 2004) and GAO-04-89 (Washington, D.C.: Nov. 13, 2003).

[2] For the purposes of this report, "outpatient" means a soldier who is being medically evaluated for specialized treatment. This may include surgery, which would require hospitalization at a later date.

**Scope and Methodology**

To investigate the allegation that Army Guard and Reserve soldiers assigned to the MRPU while in an outpatient status received overpayments of hostile fire and hardship duty pay, we interviewed Fort Bragg MRPU and Finance Battalion staff and observed MRPU and finance in-processing procedures. We also used Defense Finance and Accounting Service (DFAS) data extracts from monthly pay records and Fort Bragg MRPU records containing the dates soldiers arrived at the Fort Bragg MRPU to determine whether soldiers being treated at Fort Bragg during the period April 1, 2003, through June 30, 2005, improperly received hostile fire and/or hardship duty payments while at Fort Bragg. We performed procedures to assure ourselves that the data we used were sufficient for our purposes. The scope of our investigation did not include verification of the accuracy of soldiers' entire pay accounts. In addition, our scope did not include inpatient soldiers assigned directly to the Womack Army Medical Treatment Facility (hospital) at Fort Bragg.

Because of data reliability concerns we identified in our prior work,[3] we did not rely on DFAS records to calculate precise overpayments of hostile fire and hardship duty pay. Instead, we estimated overpayments based on the time period starting with the date the soldier arrived at Fort Bragg until the date the soldier's improper pays were stopped.[4] We provided Fort Bragg Finance Battalion officials an opportunity to confirm our estimates, identify the amount of debt established for the overpaid soldiers, and determine whether the debts had been collected. We did not review Fort Bragg's debt collection processes and procedures for compliance with DOD regulations and requirements. In light of the Army's lack of progress in integrating pay and personnel systems, we reviewed controls used by the MRPU and Fort Bragg Finance Battalion staff to stop hostile fire and hardship duty pay. We conducted this investigation from August 2005, through March 2006, in accordance with quality standards for investigations as set forth by the President's Council on Integrity and Efficiency.

**Summary of Investigation**

Our investigation confirmed that 28 of the 37 Army Guard and Reserve soldiers assigned to the MRPU in an outpatient status at Fort Bragg with alleged pay problems were in fact overpaid for hostile fire and hardship duty pay. We also identified at least 204 additional cases of sick or injured soldiers assigned to the MRPU who were overpaid for the same entitlements. An estimated $218,000 in hostile fire and/or hardship duty overpayments were made to a total of about 232 Army Guard and

[3] GAO, *Global War on Terrorism: DOD Needs to Improve the Reliability of Cost Data and Provide Additional Guidance to Control Cost*, GAO-05-882 (Washington, D.C: Sept. 21, 2005); GAO-04-89; and GAO-04-911.

[4] We did not estimate overpayment amounts for hostile fire and hardship duty pay prior to the soldier's arrival to Fort Bragg.

Reserve soldiers in an outpatient status at Fort Bragg during the period April 2003 through June 2005.[5]

As we have previously reported,[6] internal control weaknesses in Army processes, human capital, and the lack of integrated systems caused the overpayments of hostile fire and hardship duty pay. Our investigation disclosed that the Fort Bragg Finance Battalion and MRPU controls often failed to detect the overpayments in a timely manner. A Fort Bragg Finance official acknowledged that the Finance Battalion "dropped the ball" by failing to promptly detect and stop the overpayments to sick or injured Army Guard and Reserve soldiers upon their arrival to the Fort Bragg MRPU. Further, in October 2005, DFAS completed an annual performance inspection of the Fort Bragg Finance Battalion that confirmed our conclusion about the problems soldiers were having with hostile fire and hardship duty pay.

Our case studies showed that as a result of these overpayments, some soldiers and their families had to expend significant time and effort dealing with pay and resulting debt problems while recovering from their injuries. Several soldiers experienced large, unexpected deductions–as much as $1,172 from a single paycheck–for repaying the debt resulting from the Army's failure to stop the overpayments. On the other hand, the Fort Bragg Finance Battalion did not consistently take action to recover overpayments from other MRPU soldiers during the time of our investigation.

**Background**

The MRPU at Fort Bragg is one of 23 MRPUs located throughout the United States. Soldiers are assigned to these units while receiving outpatient treatment for their illnesses or injuries under the Medical Retention Program. The objective of the Medical Retention Program is to heal injured soldiers and return them to their units or to discharge them from the Army Guard or Reserve if they are unable to perform their military duties. The Medical Retention Program is an option for mobilized National Guard and Reserve soldiers who become sick or injured. Soldiers who are injured or become ill during predeployment training or other predeployment activities can also apply for treatment through the Medical Retention Program.

Before being injured, soldiers serving in certain locations were entitled to several types of special duty pay, including hostile fire pay and hardship duty pay. Soldiers are entitled to hostile fire pay when a commander certifies that they are subject to hostile fire or explosions of hostile mines; on duty in an area in close proximity to hostile fire incidents; or are killed, injured, or wounded by hostile fire, explosions, or

[5] As a result of the lack of supporting documents and data reliability concerns, we likely did not identify precise overpayment amounts. We have provided information for the overpayments we identified to cognizant Fort Bragg officials for further research to determine the proper amounts that are owed to the government or the soldier.

[6] See footnote 1.

other hostile actions.[7] Hostile fire pay is $225 a month while the above circumstances prevail. Any soldier injured under the above circumstances is entitled to hostile fire pay for up to 3 months' of hospitalization after the month in which the injury occurred, unless the soldier is discharged sooner and does not return to a designated hostile fire or hardship duty location.

Soldiers serving in designated areas are also entitled to hardship duty pay. This entitlement stops, however, as soon as the soldier leaves the designated area, whether or not the soldier is hospitalized for injuries that occurred there. The maximum amount of hardship duty pay for any designated area is $150 a month as long as the soldier serves in that area. If a soldier leaves the duty location before the end of the month, the hardship duty pay is prorated.

Soldiers assigned to the Fort Bragg MRPU in an outpatient status were not entitled to either hostile fire pay or hardship duty pay because Fort Bragg, North Carolina, is not a designated location for these pay entitlements. Additionally, soldiers who were assigned to the MRPU during their predeployment phase were never entitled to hostile fire pay or hardship duty pay. Finally, MRPU outpatient soldiers whose medical evaluations indicated a need for future hospitalization were not entitled to receive hostile fire pay or hardship duty pay for subsequent hospital stays.

It should be noted that our previous reports demonstrate that finance offices in theater were often unable to start or stop hostile fire pay or hardship duty pay as required because of problems with human capital, processes, and lack of integrated pay and personnel systems. Accordingly, installations processing soldiers from in theater have a responsibility to confirm that the soldiers' pay is accurate and to adequately inform soldiers about their responsibilities regarding their military pay. For example, soldiers are responsible for reviewing their leave and earnings statements and for prompt and accurate reporting of changes in their personal circumstances that affect their entitlement pay to their commander and servicing finance office.

**Allegation Regarding Overpayments of Hostile Fire and Hardship Duty Pay Was Confirmed**

The allegation that some Army Guard and Reserve outpatients assigned to the Fort Bragg MRPU were receiving hostile fire and hardship duty pay they were not entitled to receive was true, and these were not isolated instances of overpayments. We found that 28 of the 37 soldiers with alleged pay problems were overpaid an estimated $32,000 for hostile fire and/or hardship duty pay. We selected 10 of these 28 soldiers for our case studies during this investigation. Nine told us that they had

[7] Additionally, soldiers in certain designated locations face what has been determined to be imminent danger and are therefore entitled to imminent danger pay. Notably, soldiers are entitled to either hostile fire pay or imminent danger pay but not both. We mention the imminent danger pay for background information only because the paperwork that we reviewed for the soldiers in the MRPU at Fort Bragg only mentions hostile fire pay.

contacted the Fort Bragg Finance Battalion in an attempt to stop the overpayments in order to avoid escalating debt accumulation.

Our investigation also disclosed that the Fort Bragg Finance Battalion failed to timely detect and stop hostile fire and hardship duty pay for at least 204 additional outpatient soldiers. Fort Bragg Finance Battalion's delays resulted in overpayments of about $218,000 for 232 sick or injured Army Guard and Reserve soldiers in the MRPU. To the extent that some of these payments should have been stopped before the soldiers arrived at Fort Bragg, the total overpayments may have been higher. MRPU records showed that these 232 soldiers arrived at the Fort Bragg MRPU over a 3-year period: 23 soldiers from April 2003 through December 2003, 187 soldiers in calendar year 2004, and 22 soldiers from January 2005 through June 2005.

The Fort Bragg MRPU classified the 232 outpatient soldiers whom we identified as receiving overpayments of hostile fire and hardship duty pay while in an outpatient status as follows: [8]

- 161 soldiers were medically evacuated out of theater generally before their active duty assignment period was completed and were assigned to the MRPU,
- 31 soldiers were found to need medical evaluation during the demobilization process at Fort Bragg and were assigned to the MRPU,
- 19 soldiers were found to need medical evaluation during predeployment training or other activities and were assigned to the MRPU, and
- 21 soldiers were not classified into a specific category.

For 9 of the 10 MRPU soldiers in our case studies, it took pay technicians at the Fort Bragg Finance Battalion from 14 to 203 days to stop the overpayments once the MRPU soldier visited the Finance Battalion. We could not determine the amount of time it took the pay technician to stop overpayments for one of our case studies because there was no documentation supporting the date he visited the Finance Battalion. Due to such delays, overpayment amounts ranged from $553 to $2,300. Two of the 10 soldiers never deployed and therefore should have never received any hostile fire and hardship duty pay. The following case study illustrates one of these.

[8] These categories are provided in this report for context only. We did not verify the classifications for accuracy.

***Individual Case Illustration: Soldier Who Never Deployed Received Improper Payments of Hostile Fire and Hardship Duty Pay***

An Army National Guard soldier from Maryland who was initially mobilized with her unit for Operation Iraqi Freedom never made it overseas because she was diagnosed with anxiety and depression during her predeployment training. She arrived at the Fort Bragg MRPU on October 5, 2004, and visited the Fort Bragg Finance Battalion on October 13, 2004. She explained to us that, during her time at Fort Bragg, she told Finance that she was receiving improper hostile fire pay and hardship duty pay since she never deployed and was therefore ineligible to receive these entitlements. According to the soldier, the finance office told her that the improper payments would be collected from her later paychecks. Her hostile fire and hardship duty pay continued until March 10, 2005, 5 months after her initial visit to the Fort Bragg Finance Battalion. By this time, her improper hostile fire and hardship duty payments had grown to about $1,823, of which $986 was collected from her paychecks as of November 2005.

According to MRPU records, 17 other soldiers whom we identified as having received hostile fire and hardship duty payments while at the MRPU also never deployed because of injuries being treated during the predeployment period for their unit. Figure 1 below shows delays for each of the 10 case study soldiers.

**Figure 1: Length of Time Fort Bragg Finance Battalion Took to Stop 10 Soldiers' Hostile Fire and Hardship Duty Pay and the Resulting Overpayments (as of June 30, 2005)**

| Soldier | Home state | MRPU arrival date | Finance visit | Stop pay transaction date | Days elapsed before appropriate pay change[a] | Estimated total overpayments[b] |
|---|---|---|---|---|---|---|
| 1. Sergeant Injured in Iraq from vehicle accident with an IED crater | North Carolina | 6/14/04 | 6/14/04 | 1/3/05 | 203 | $2,050 |
| 2. Specialist Knee injury and undiagnosed broken leg | Alabama | 7/9/04 | 7/15/04 | 11/5/04 | 113 | $1,075 |
| 3. Sergeant First Class Diagnosed with depression in Iraq, sent to Ft. Bragg, back to Iraq | North Carolina | 7/1/04 | 7/18/04 | 11/3/04 | 108 | $1,300 |
| 4. Specialist Remained at Ft. Bragg, unit was deployed to Iraq | Maryland | 7/12/04 | 7/23/04 | 12/14/04 | 144 | $848 |
| 5. Sergeant IED injuries to arm while in Iraq, hospitalized at Walter Reed | North Carolina | 6/29/04 | 7/26/04 | 12/23/04 | 150 | $2,000 |
| 6. Staff Sergeant Medevac Landstuhl, hospitalized at Fort Bragg, stroke | North Carolina | 7/6/04 | 7/30/04 | 11/5/04 | 96 | $1,300 |
| 7. Specialist Kidney disease in Iraq, hospitalized at Landstuhl, Walter Reed, Ft. Bragg | North Carolina | 9/13/04 | 9/15/04 | 12/8/04 | 82 | $1,025 |
| 8. Specialist Diagnosed with depression and anxiety, and never deployed | Maryland | 10/5/04 | 10/13/04 | 3/10/05 | 148 | $1,823 |
| 9. Lieutenant Colonel Experienced heart trouble in Iraq | California | 11/2/04 | 11/4/04 | 11/18/04 | 14 | $553 |
| 10. Lieutenant Colonel Contracted legionnaire's disease in Africa | Florida | 3/8/04 | Unknown | 9/2/04 | Unknown | $2,300 |

Source: GAO.

[a] Days elapsed = Number of days between date soldier visited Finance and date ineligible pay was stopped.
[b] Estimated overpayments = Hostile fire and hardship duty payments made to soldier after arrival at Fort Bragg MRPU.

## Internal Control Weaknesses Hamper Accuracy of Army Guard and Reserve Soldiers' Pay

Fort Bragg did not have well-defined processes for ensuring that MRPU soldiers' pay was accurate. While MRPU soldiers were provided a checklist for in-processing at Fort Bragg that was intended to channel them to the Finance Battalion[9] to validate

[9] The Fort Bragg Finance Battalion was one of nine locations the sick and injured soldiers had to personally visit in order to complete in-processing to the MRPU. The soldiers' injuries ranged from

pay, neither that checklist nor the Battalion's desk procedures offered adequate specificity regarding what was expected of the finance staff. Furthermore, according to an MRPU administrative staff member, some MRPU soldiers may not have gone to the Finance Battalion because they did not return completed checklists initialed by a pay technician to the MRPU as required to document their visit to the Finance Battalion.

We interviewed the Finance Battalion officials and observed their processes. There was a requirement for pay technicians to review pay accounts of the MRPU soldiers for accuracy, including the identification of overpayments of hostile fire and hardship duty pay, and stop these unearned payments expeditiously. Pay technicians were also required to initial the in-processing checklist to signify that the MRPU soldier's pay account was reviewed. Stopping hostile fire and hardship duty pay entailed entering the correct pay termination date and transaction codes for each of these pay entitlements into the Defense MilPay Office system, which would routinely be used by DFAS to correct soldiers' pay accounts in the Defense Joint Military Pay System–Reserve Component (DJMS-RC). However, as shown in figure 1 above, pay problems continued for soldiers who had their in-processing checklist initialed by a pay technician.

For example, although the finance technician signed off on one MRPU soldier's checklist on July 26, 2004, this soldier's hostile fire and hardship duty pay continued until December 23, 2004, about 5 months after he made his initial visit to finance, and his hostile fire and hardship duty overpayments grew to $2,000. A Fort Bragg Finance official acknowledged that the Finance Battalion did not promptly detect and stop the overpayments to injured Army Guard and Reserve soldiers upon their arrival to the Fort Bragg MRPU.

Our investigation also disclosed that there was no routine follow-up to assure that all MRPU soldiers reported to the Fort Bragg Finance Battalion as directed. For example, when we asked an MRPU clerk to provide copies of completed in-processing checklists for the 37 soldiers alleged to have been overpaid, the clerk only provided 20 completed checklists. The MRPU clerk told us that soldiers did not always return the completed checklists to the MRPU administrative staff. Without a personal visit by the MRPU soldier to the Finance Battalion, pay technicians were provided no other routine means to initiate a review of the pay accounts of soldiers arriving at the Fort Bragg MRPU.

Although the Army issued revised procedures that included the handling of sick and injured soldiers' pay accounts by finance personnel on June 1, 2004, the Fort Bragg Finance Battalion and MRPU continued to operate under their own procedures, which emphasized the individual soldier's responsibility regarding pay accuracy and personal visits to the Finance Battalion. In contrast, the Army's revised procedures emphasize finance staff responsibility to proactively work with the MRPU to obtain

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those inflicted by improvised explosive devices (IED) to post-traumatic stress disorder. Soldiers with limited mobility were assigned a "buddy" to assist them in getting around post to complete their in-processing.

information on all incoming soldiers that is to be used to ensure that all MRPU soldiers' pay accounts are timely and appropriately updated as well as accurate. This is important to note because between June 2004 and June 2005, 146 of the 232 soldiers, the majority of soldiers included in our investigation, arrived at Fort Bragg for medical evaluation and treatment. Had the Fort Bragg Finance Battalion followed Army guidance when the Army's revised procedures were instituted in June 2004, the Finance Battalion may have identified overpayments of unearned entitlements more quickly for these sick or injured soldiers.

**Army's Failure to Stop Hostile Fire and Hardship Duty Pay Expeditiously Resulted in Significant Time and Effort Spent Addressing Debts**

The Army's failure to stop hostile fire and hardship duty pay expeditiously for Army Guard and Reserve soldiers resulted in significant time and effort spent addressing debts[10] for some soldiers and their families. For example, some soldiers whose overpayments were detected and established as a debt experienced large, unexpected deductions--as much as $1,172 from a single paycheck--to repay the debt resulting from the Army's failure to stop the overpayments.

Our investigation did not include work to determine whether the Fort Bragg Finance Battalion complied with DOD policies and procedures for collecting overpayments from soldiers or whether these policies were reasonable under the circumstances. However, we noted that the longer it took the Fort Bragg Finance Battalion to stop the overpayments, the greater the amount of debt that accumulated for the soldier and the greater the financial impact since more money was eventually withheld from the soldier's pay. Our past work clearly showed the ramifications of protracted payment errors. Establishing the exact amount owed and collecting overpayments of active duty pays and allowances erroneously provided to soldiers imposes a large administrative burden on DOD and a financial burden on the soldier.

Even when overpayments of hostile fire and hardship duty pay were stopped by the Fort Bragg Finance Battalion, it sometimes did not establish debts and collect the overpayments from the soldier's pay in a timely manner. For example, 2 of the 10 soldiers in our case studies described in figure 1 did not have any pay deductions for overpayments of hostile fire and hardship duty pay as of June 30, 2005, 6 months after these overpayments were stopped.

We referred the names of the 232 soldiers, including the 10 soldiers in our case studies, for which we estimated hostile fire and/or hardship duty overpayments to the Fort Bragg Finance Battalion for follow-up to determine whether correct amounts were established as debts and appropriate debt collection measures were taken. The

[10] Collection of overpayments is not pursued until a debt is established. To repay debts, the amount of the debt generally is deducted from a soldier's pay in increments until the total debt is repaid, unless a waiver is granted.

Fort Bragg Finance Battalion had not completed its review at the time our investigation was completed.

The following case studies show the experiences of three MRPU soldiers with hostile fire and hardship duty overpayments.

***Case Illustration 1: Errors Made in One Soldier's Pay Created Financial Hardship for The Soldier's Family***

An Army Guard National soldier from North Carolina described his experience as follows: "In September 2003, my National Guard Unit received orders to report for duty in support of Operation Iraqi Freedom. Our federal orders were issued 10/1/03. We began training at Ft. Bragg in preparation for our deployment. The majority of soldiers were deployed in mid-February. I was deployed in March. After arriving in Iraq, I was injured when my vehicle hit a crater caused by an IED. I was airlifted to the hospital in Baghdad for treatment. I was returned to my unit for continued duty. My leg began to swell and it was determined that I should be returned home for treatment. I was medically evacuated out of Iraq in late May.

"When I reached Germany, I scanned my ID through finance. When I reached Walter Reed Army Hospital, I scanned my ID card through finance. When I reached Ft. Bragg, I scanned my ID card through finance on several occasions. I continued to receive hazardous duty and hostile fire pay through 12/04.

"When I was released from active duty in May 2005, I was processed out through Ft. Bragg finance. A clerical error was made and my start date for active duty was entered as 10/04. This created a debt of 1 years pay owed by me to the government. In the process of correcting this error, it was determined that I was paid hostile fire and hazardous duty in error. I am not convinced that my pay is correct now.

"I attended drill twice in May and once in June. I did not receive drill pay. Monies were held to pay this debt. A debt remission package was finally submitted as the repayment of these funds would cause undo hardship to my family. While this error was being 'corrected', we used all of our accumulated savings to cover our normal bills. Since I did my part by swiping my card through finance on numerous occasions, I do not feel obligated to repay these funds."

***Case Illustration 2: Pay Deductions Result in Family's Delay of Bill Payments***

An Army National Guard soldier from North Carolina suffered a stroke on June 26, 2004, while serving in Iraq in support of Operation Iraqi Freedom. He was flown to Germany and treated at the Landstuhl Regional Medical Center before returning to the United States. He arrived at Fort Bragg in early July 2004. Our investigation revealed that the soldier visited the Fort Bragg Finance Battalion on July 30, 2004, as part of his in-processing into the unit, and had his checklist signed by the finance technician. The soldier returned his completed checklist to the MRPU.

Despite adhering to the MRPU's in-processing procedures, this soldier's hostile fire and hardship duty pay continued until November 5, 2004, approximately 4 months after he made his initial visit to the Fort Bragg Finance Battalion. By this time, his hostile fire and hardship duty pay overpayments had grown to $1,300. The Fort Bragg Finance Battalion eventually collected about $972 of this total from the soldier in a single paycheck, which was about 50 percent of his disposable pay. The collections had a negative financial impact on the soldier and his wife. The soldier's wife told us that she had to call and defer some of their bills, including the monthly payment on their second mortgage. According to information provided by the Finance Battalion to us on January 7, 2006, the soldier still owes about $100.

***Case Illustration 3: Soldier Frustrated by Efforts to Get His Pay Corrected***

An Army Reservist from California serving in Iraq in February 2004 in support of Operation Iraqi Freedom experienced cardiovascular problems while on duty in Baghdad. In October 2004 he was sent to Kuwait and then later stateside for demobilization and assignment to the Fort Bragg MRPU in November 2004.

Shortly after his arrival at Fort Bragg, he noticed that his Leave and Earnings Statement showed that he was still receiving hostile fire pay and hardship duty pay. He brought this error to the attention of a finance technician who said that his account would be corrected, and the combat entitlements would stop. He had accumulated overpayments for hostile fire pay and hardship duty pay totaling $553. According to the Fort Bragg Finance Battalion, as of January 9, 2006, $328 of the $553 in overpayments for hostile fire pay and hardship duty pay had not been deducted from the soldier's pay.

In addition to overpayments of hostile fire and hardship duty pay, this soldier told us that he also experienced overpayments of basic pay and benefits after he was released from the MRPU in July 2005 to return to his home unit in California. He then noticed on his July 2005 leave and earnings statement that he was continuing to receive basic pay as if he was still on active duty status while assigned to the MRPU. These basic pay overpayments continued for an additional pay period after the soldier made repeated calls to Fort Bragg to correct his pay account. By September 9, the Army corrected the problem by deducting about $7,600 from other earned pay. He had participated in a 4-week training exercise in Korea in August 2005 and had 33 days of accrued leave which the Army used to offset previous overpayments of basic pay and benefits. Had he not participated in the training exercise, it would have taken many monthly pays for weekend drills for him to be able to repay the $7,600.

We spoke with Army and DFAS officials in December 2005 and January 2006 about our observations at the Fort Bragg Finance Battalion and Fort Bragg MRPU. They told us that they were not surprised that we found pay account review deficiencies at Fort Bragg and that it was troubling that the proactive approach to pay management advocated by the Army in 2004 had not been instituted at Fort Bragg until we were completing our investigation. To help improve the skills of the finance staff at Fort Bragg, DFAS provided on-site training in late September 2005 as part of their efforts to improve pay account management for soldiers wounded in action. We were also told that the pay account management capabilities of finance offices at other installations varied and that they were taking steps to improve performance where needed.

**Corrective Action Briefing**

On December 22, 2005, we discussed the results of our investigation with the Fort Bragg Finance Battalion command. The command pointed out that problems with ensuring timely termination of hostile fire pay and hardship duty pay are due in part to the medical evacuation process, and the existence of stove-piped pay and personnel systems that increase the likelihood of inaccurate pay accounts. They said that at least some of these pay problems should have been rectified before the soldier was assigned to Fort Bragg.

The Battalion Commander stated that our identification of the 232 pay accounts[11] provided his staff with a good snapshot of pay issues that MRPU soldiers were experiencing. The commander noted that since his battalion is responsible for ensuring the accuracy of the pay accounts for all soldiers who arrive at Fort Bragg, our investigation also provides his staff with an opportunity to improve their services to Army Guard and Reserve soldiers.

The Fort Bragg Finance Battalion officials informed us that they are implementing the following corrective actions to provide reasonable assurance that overpayments for hostile fire pay and hardship duty pay do not affect future soldiers assigned to the MRPU at Fort Bragg:

- Coordinating with MRPU personnel staff to obtain regular updated lists of new arrivals to the MRPU to review those pay accounts in order to confirm that hostile fire pay and hardship duty pay entitlements are stopped in a timely manner.
- Coordinating with the MRPU personnel staff to identify MRPU soldiers who are unable to visit Finance due to their medical conditions and ensuring that

[11] We referred 259 MRPU soldiers' pay accounts to the Finance Battalion in September 2005 for review. On December 22, 2005, Finance Battalion officials informed us that additional factors such as deployment from MRPU may have subsequently entitled some of the soldiers to hostile fire and/or hardship duty pay. We adjusted our estimated number of cases from 259 to 232 taking into account at least 27 instances where the MRPU data summary file noted that the MRPU soldier deployed subsequent to arrival at the Fort Bragg MRPU and as such, may have been entitled to some amount of hostile fire and/or hardship duty pay. The remaining 232 cases are those where we did not see any indication in the MRPU summary file that the MRPU soldier deployed.

Finance schedules personal visits with these sick or injured soldiers to individually review these soldiers' pay accounts.

- Regularly distributing Leave and Earnings Statement reports to the MRPU Commander in order to assist in the identification of MRPU soldiers who typically would not be receiving hostile fire pay and hardship duty pay.
- Regularly distributing Unit Commander's Financial Reports to the MRPU Commander to assist him in reviewing the accuracy of his soldiers' pay.
- Periodically briefing Fort Bragg units concerning combat pay entitlements.
- Adhering to a December 2005 revision of Fort Bragg's Finance Standard Operating Procedures that clarify how to review the pay accounts of MRPU soldiers to detect and stop hostile fire pay and hardship duty overpayments.

In subsequent correspondence to us on January 6, 2006, the MRPU Commander informed us that the in-processing checklist will no longer be used as a tool to alert the Finance Battalion to stop any hostile fire and hardship duty pay to MRPU soldiers in a timely manner. Instead, beginning January 9, 2006, MRPU officials were to coordinate with the Fort Bragg Finance Battalion weekly to assure that newly arriving soldiers' pay accounts are correct based on the agreed-upon corrective actions listed above.

**Conclusions**

Fort Bragg did not carry out its responsibilities to ensure that the Army Guard and Army Reserve soldiers assigned to the Fort Bragg MRPU received accurate pay. Given the number of ongoing pay problems experienced by these soldiers--problems that our investigation revealed extended far beyond the initial allegation--and the systemwide pay problems we have reported on in the past, it is conceivable that many other soldiers assigned to the other 22 MRPU locations may be experiencing the same pay problems. While soldiers have some responsibility to assist in correcting pay errors, including setting aside amounts not earned, the primary responsibility rests with DOD for timely pay adjustments to avoid the types of problems and hardships surfaced by this investigation.

**Recommendations for Executive Action**

In conjunction with the Army's proactive efforts to improve Army Guard and Reserve pay account management, we recommend that the Secretary of the Army, in conjunction with the Under Secretary of Defense (Comptroller) and the Under Secretary of Defense (Personnel and Readiness), follow up with finance offices supporting the other 22 MRPUs that were not part of our investigation to determine the extent to which hostile fire and hardship duty overpayments to outpatient Army Guard and Reserve soldiers had occurred and ensure that appropriate corrective action is taken. This review should include the pay accounts for outpatient soldiers who had been or are currently assigned to MRPU units, including those soldiers with nonbattle injuries and other illness.

**Agency Comments and Our Evaluation**

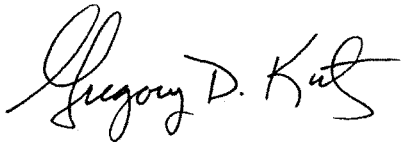
DOD officials, in oral comments, partially concurred with our recommendation to review the pay accounts for outpatient MRPU soldiers. For example, DOD agreed to review the pay accounts for soldiers who are currently assigned to MRPU units, including those soldiers with nonbattle injuries and other illness, and take corrective action when required. In addition, DOD said it plans to review the pay accounts of all soldiers who received medical treatment in theater for serious injuries or illnesses since October 2001, which it expects will include a significant percentage of soldiers who were assigned to MRPUs after receiving initial treatment in theater. However, because the scope of our investigation did not include verification of the number of soldiers medically treated in theater, the comprehensiveness of DOD's planned corrective actions is uncertain.

DOD's planned reviews of sick and wounded soldiers' pay accounts are a step in the right direction. Our investigation at Fort Bragg though included a number of former MRPU soldiers who did not receive medical treatment in theater for serious injuries or illnesses or who never deployed and yet received overpayments of hostile fire and hardship duty pay. This is a potential population of soldiers who need to be covered as well when DOD reviews pay at other MRPUs.

We are sending copies of this report to appropriate congressional committees and the Secretary of Defense. We will make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at http://www.gao.gov.

If you or your staff have any questions regarding this report, please contact me at (202) 512-7455 (kutzg@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in the enclosure.

Sincerely yours,



Gregory D. Kutz
Managing Director
Forensic Audits and Special Investigations

Enclosure

## GAO Contact and Staff Acknowledgments

**GAO Contact** Gregory D. Kutz (202) 512-7455

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# Pay & Travel Support for Mobilized Soldiers

## Quarterly Update for The House Committee on Government Reform

March 13, 2006

# Pay Support for Mobilized Soldiers
# Completed & Ongoing Actions (1 of 4)

| Ctrl No. | Action | Status ARNG | Status USAR |
|---|---|---|---|
| 3 | 35 specific training events for finance battalions and mobilization/demobilization site personnel | completed | completed |
| 7 | US Army Reserve help lines for individuals & finance units | N/A | completed |
| 8 | Deploy integrated Active Component/Reserve Component input system (Defense Military Pay Office-DMO) to all Army | completed | completed |
| 9 | Retroactive entitlement input | completed | completed |
| 10 | Leave Accrual | completed | completed |
| 11 | Revise Defense Finance & Accounting Service (DFAS) military pay message from 19 Dec 02 | completed | completed |
| 12 | Publish matrix of responsibilities by action | completed | completed |
| 13 | Publish standardized entitlement explanation flyer for distribution at mobilization sites | completed | completed |
| 15 | Add warning screens on input systems (DMO and JUSTIS) for tour cancellations | completed | completed |
| 18 | Published guidance on processing medical extensions orders | completed | completed |
| 20 | Review grades of US Property and Fiscal Office (USPFO) military pay technicians | completed | N/A |
| 19 | Publish memorandum to reserve commands on importance of using pay management reports | completed | completed |
| 22 | Automate Hardship Duty Pay - Location (HDP-L) | completed | completed |
| 23 | Develop/publish revised comprehensive procedures | completed | completed |

# Pay Support for Mobilized Soldiers
# Completed Actions (2 of 4)

| Ctrl No. | Action | Status ARNG | Status USAR |
|---|---|---|---|
| 25 | Produce exportable Defense Joint Military Pay System-Reserve Component (DJMS-RC) training package | completed | completed |
| 26 | Internet soldiers' pay account access (myPay) for dependents (view-only) | completed | completed |
| 27 | Forward Compatible Payroll system (FCP) approval from DoD/ Business Management Modernization Program (BMMP) | completed | completed |
| 31 | Update regulations to eliminate outdated entitlements and processes-DoD Financial Management Regulation (DoDFMR) | completed | completed |
| 32 | Update regulations to eliminate outdated entitlements and processes - Army Regulation 37-104-4 | completed | completed |
| 33 | Update regulations to eliminate outdated entitlements and processes - National Guard Regulation 37-104-3 | completed | N/A |
| 38 | Evaluate support for surge staffing of USPFOs | completed | N/A |
| 39 | Add pay support doc review & monthly reconciliations to precommand course | completed | open |
| 42 | Add Joint Uniform Standard Terminal Input System (JUSTIS) table of mobilized soldiers' accounts with recurring input required | completed | N/A |
| 43 | Change JUSTIS to require remark on miscellaneous credit input | completed | N/A |
| 44 | DMO change to require remark on miscellaneous credit input | completed | completed |
| 46 | Evaluate potential DJMS-RC systems change for debt threshold | completed | completed |
| 50 | Establish policy for supervisory control/review of tour cancellations | completed | completed |
| 54 | Establish procedure for commanders reporting arrivals to and departures from theater in finance | completed | completed |

# Pay Support for Mobilized Soldiers
# Completed & Ongoing Actions (3 of 4)

| Ctrl. No. | Action | Status ARNG | Status USAR |
|---|---|---|---|
| 55 | Establish procedure for demob station to receive list of Soldiers departing from theater | completed | completed |
| 57 | Clarify procedures for review of UCPMR for mobilized soldiers (USARC Pam 37-1) | N/A | completed |
| 61 | Evaluate unit administration resource constraints across USARC | N/A | completed |
| 65 | Publish Soldiers' mobilization handbook | completed | completed |
| 1 | Training at US Army Reserve Pay Operations Center | ongoing | ongoing |
| 2 | Training teams to Kuwait | ongoing | ongoing |
| 4 | National Guard mobilization finance classes | ongoing | N/A |
| 5 | Notification to supporting finance element of pending mobilizations | ongoing | ongoing |
| 6 | Notification to supporting finance element of recent demobilizations | ongoing | ongoing |
| 14 | Initiate compliance reviews of mobilization/demobilization sites | ongoing | ongoing |
| 16 | DJMS-RC automated reconciliation to in-theater database for monitoring stops/starts of theater entitlements | ongoing | ongoing |
| 17 | DJMS-RC automated reconciliation to demobilization site records for stopping all pay/curtailing tours | ongoing | ongoing |
| 21 | Ensure pay issues for units identified by GAO are all resolved | ongoing | ongoing |
| 24 | Clarify who does what how & develop metrics/standards tailored to mobilization/demobilization | ongoing | ongoing |

# Pay Support for Mobilized Soldiers
# Completed & Ongoing Actions (4 of 4)

| Ctrl. No. | Action | Status ARNG | Status USAR |
|---|---|---|---|
| 34 | Evaluate placement and monitoring mechanisms for FCP/ reserve pay training | ongoing | ongoing |
| 40 | Continue to add functionality to myPay for discretionary actions | ongoing | ongoing |
| 41 | Evaluate personnel/orders system interface with pay (previously National Guard specific systems) | ongoing | ongoing |
| 45 | Provide Defense Military Pay Offices (DMPO) and Finance Battalions (FB) with National Guard newsletter | ongoing | N/A |
| 51 | Establish ombudsmen program for mobilized Soldiers | ongoing | ongoing |
| 52 | Procedures for reviewing high dollar payments | ongoing | ongoing |
| 53 | Reconcile who's drawing active duty pay with who actually reports to mob station | ongoing | ongoing |
| 56 | Distribution/access to Unit Commander's Pay Management Reports (UCPMR) | ongoing | ongoing |
| 62 | Total Army Personnel Data Base - Reserve (TAPDB-R) status code for mobilization/active duty | ongoing | ongoing |

# Pay Support for Mobilized Soldiers
# Open Mid-term Actions

| Ctrl No. | Action | Status ARNG | Status USAR | Suspense |
|---|---|---|---|---|
| 28 | Complete FCP development/programming | canceled | canceled | |
| 29 | Start FCP deployment to the Army reserve component | canceled | canceled | |
| 63 | Evaluate feasibility of stopping tax withholding on DJMS-RC | open | open | |
| 64 | Evaluate feasibility of edit to stop active duty payments after demobilization | open | open | |
| 49 | Automate Continental US Cost of Living Allowance | open | open | |
| 30 | Start FCP deployment to the Army active component | canceled | canceled | |

# Pay Support for Mobilized Soldiers
# Open Long Term Actions

| Ctrl No. | Action | Status ARNG | Status USAR | Suspense |
|---|---|---|---|---|
| 58 | Clarify/simplify Family Separation Allowance (FSA) procedures/forms | open | open | TBD* |
| 35 | Initial Army operational capability for the Defense Integrated Military Human Resources System (DIMHRS) | open | open | TBD** |
| 36 | Start deployment of DIMHRS to the Army | open | open | TBD** |
| 47 | Address Army mobilization pay problems in DIMHRS development | open | open | TBD** |
| 48 | Include full reengineering in DIMHRS | open | open | TBD** |
| 59 | Unit administrator vacancies due to "dual status" | N/A | open | Oct-06 |
| 60 | Unit administration for transfers and derivative units | N/A | open | Oct-06 |
| 37 | Complete DIMHRS implementation for DoD | open | open | TBD** |

* suspense date change

** DIMHRS program currently under review

# Pay & Travel Support for Mobilized Soldiers Acronyms

- AKO — Army Knowledge On-line
- ARNG — Army National Guard
- BAH — Basic Allowance for Housing
- BAS — Basic Allowance for Subsistence
- BI — Battle Injury
- BMMP — Business Management Modernization Program
- CONUS COLA — Continental United States Cost Of Living Allowance
- DFAS — Defense Finance and Accounting Service
- DIMHRS — Defense Integrated Military Human Resources System
- DJMS-RC — Defense Joint Military Pay System-Reserve Component
- DMO — Defense Military pay Office (input system)
- DMPO — Defense Military Pay Office
- DNBI — Disease Non Battle Injury
- DoD — Department of Defense
- DoDFMR — DoD Financial Management Regulation
- DTS — Defense Travel System
- FB — Finance Battalion
- FCP — Forward Compatible Payroll system
- FSA — Family Separation Allowance
- GAO — Government Accountability Office
- HDP — Hardship Duty Pay
- HFP — Hostile Fire Pay
- JUSTIS — Joint Uniform Standard Terminal Input System (ARNG input system)
- NG — National Guard
- NGR — National Guard Regulation
- OEF — Operation Enduring Freedom (Afghanistan)
- OIF — Operation Iraqi Freedom
- SNA — Statement of Non-Availability
- SOP — Standing Operating Procedure
- TPS — Tactical Personnel System
- TRANSPROC — Transition Processing System
- UPC — USARC Pay Center
- USAFINCOM — United States Army Finance Command
- USAR — United States Army Reserve
- USARC — United States Army Reserve Command
- USPFO — US Property and Fiscal Office
- WIA — Wounded In Action
- WINIATS — Windows Integrated Automated Travel System