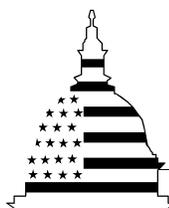


August 2004

MILITARY PAY

Army Reserve Soldiers Mobilized to Active Duty Experienced Significant Pay Problems



G A O

Accountability * Integrity * Reliability



Highlights of [GAO-04-911](#), a report to congressional requesters

Why GAO Did This Study

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

What GAO Recommends

GAO is reiterating 5 previous recommendations that remain open, including action to ensure that longer-term system improvement actions include a complete reengineering of not only related automated systems, but also supporting processes and human capital practices. GAO's report includes 15 new recommendations. Fourteen recommendations are directed at immediate actions needed to address weaknesses in the processes, human capital, and automated systems currently relied on to provide active duty pays, allowances, and related tax benefits to mobilized Army Reserve soldiers. GAO's other longer-term recommendation is directed at action needed to ensure that planned automated systems address the issues identified in this report. DOD agreed with GAO's recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-04-911.

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

MILITARY PAY

Army Reserve Soldiers Mobilized to Active Duty Experienced Significant Pay Problems

What GAO Found

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

Pay Experiences at Eight Army Reserve Case Study Units

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

Source: GAO.

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

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

Contents

Letter

Results in Brief	1
Background	2
Case Studies Illustrate Pay Problems	6
Significant Weaknesses Exist in Mobilized Army Reserve Pay Processes	17
Human Capital Issues Affect Pay Accuracy and Timeliness	23
Automated Systems Deficiencies Constrain Accurate and Timely Payments	34
Recent Actions Should Result in Improvements	41
Conclusions	48
Recommendations for Executive Action	51
Agency Comments and our Evaluation	52
	54

Appendixes

Appendix I: Scope and Methodology	57
Appendix II: 824th Quartermaster Company, Fort Bragg, North Carolina	62
Mobilization Pay Problems	63
Pay Problems While Deployed	65
Pay Problems Associated with Demobilization and Release from Active Duty	67
Appendix III: 965th Dental Company Seagoville, Texas	69
Mobilization Pay Problems	70
Pay Problems While Deployed	72
Pay Problems Associated with Demobilization and Release from Active Duty	74
Appendix IV: 948th Forward Surgical Team, Southfield, Michigan	76
Mobilization Pay Problems	78
Deployment Pay Problems	79
Pay Problems Associated with Demobilization and Release from Active Duty	80
Appendix V: 443rd Military Police Company, Owings Mills, Maryland	82
Mobilization Pay Problems	84
Pay Problems While Deployed	87
Pay Problems Associated with Demobilization and Release from Active Duty	89
Appendix VI: FORSCOM Support Unit, Finksburg, Maryland	92
Mobilization Pay Problems	94

	Pay Problems While Deployed	94
	Pay Problems Associated with Demobilization and Release from Active Duty	95
Appendix VII:	629th Transportation Detachment, Fort Eustis, Virginia	98
	Mobilization Pay Problems	100
	Pay Problems While Deployed	101
	Pay Problems Associated with Demobilization and Release from Active Duty	103
Appendix VIII:	3423rd Military Intelligence Detachment New Haven, Connecticut	104
	Mobilization Pay Problems	105
	Pay Problems While Deployed	108
	Pay Problems Associated with Demobilization and Release from Active Duty	109
Appendix IX:	431st Chemical Detachment Johnstown, Pennsylvania	111
	Mobilization Pay Problems	113
	Pay Problems While Deployed	114
	Pay Problems Associated with Demobilization and Release from Active Duty	116
Appendix X:	Comments from the Department of Defense	117
Appendix XI:	GAO Contact and Staff Acknowledgments	124
	GAO Contact	124
	Acknowledgments	124

Tables

Table 1:	Active Duty Pays and Allowances Associated with Case Study Units	9
Table 2:	Army Reserve Units Audited	18
Table 3:	Pay Problems at Eight Case Study Units	19
Table 4:	Pay Problems by Phase	63
Table 5:	Mobilization Pay Problems	64
Table 6:	Deployment Pay Problems	65
Table 7:	Demobilization Pay Problems	67
Table 8:	Pay Problems by Phase	70
Table 9:	Mobilization Pay Problems	71
Table 10:	Deployment Pay Problems	73
Table 11:	Demobilization Pay Problems	74
Table 12:	Pay Problems by Phase	77
Table 13:	Mobilization Pay Problems	78
Table 14:	Deployment Pay Problems	79

Table 15: Demobilization Pay Problems	81
Table 16: Pay Problems by Phase	83
Table 17: Mobilization Pay Problems	84
Table 18: Deployment Pay Problems	87
Table 19: Demobilization Pay Problems	90
Table 20: Pay Problems by Phase	94
Table 21: Deployment Pay Problem	95
Table 22: Demobilization Pay Problems	96
Table 23: Timetable of Soldier's Attempts to Correct Problems Related to Active Duty Entitlements	97
Table 24: Pay Problems by Phase	99
Table 25: Mobilization Pay Problems	100
Table 26: Deployed Pay Problems	102
Table 27: Demobilization Pay Problems	103
Table 28: Pay Problems by Phase	105
Table 29: Mobilization Pay Problems	106
Table 30: Deployment Pay Problems	108
Table 31: Demobilization Pay Problems	110
Table 32: Pay Problem by Phase	112
Table 33: Mobilization Pay Problems	113
Table 34: Deployment Pay Problems	114

Figures

Figure 1: Three Key Phases for Active Duty Payments to Army Reserve Soldiers	12
Figure 2: Key Systems Involved in Authorizing, Entering, Processing, and Paying Mobilized Army Reserve Soldiers Are Not Effectively Integrated or Interfaced	43
Figure 3: 824 th Quartermaster Company's Mobilization Time Line	62
Figure 4: 965 th Dental Company's Mobilization Time Line	69
Figure 5: 948 th Forward Surgical Team's Mobilization Time Line	77
Figure 6: 443 rd Military Police Company's Mobilization Time Line	83
Figure 7: FORSCOM Support Unit Soldier Time Line	93
Figure 8: 629 th Transportation Company's Time Line	98
Figure 9: 3423 rd Military Intelligence Company's Mobilization Time Line	104
Figure 10: 431 st Chemical Detachment's Mobilization Time Line	112

Abbreviations

DOD	Department of Defense
DFAS	Defense Finance and Accounting Service
DJMS-RC	Defense Joint Military Pay System – Reserve Component
DMO	Defense Military Pay Office system
FMR	Financial Management Regulation
FORSCOM	Army Forces Command
PMARS	Participation Management and Reporting Subsystem
RLAS	Regional Level Application System
SRP	Soldier Readiness Processing
TAPDB-R	Total Army Personnel Database – Reserves
TRANSPRO	Transition Processing System
USARC	United States Army Reserve Command

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



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

August 20, 2004

Congressional Requesters

In November 2003, we reported¹ on significant pay problems experienced by mobilized Army National Guard soldiers, including 450 of 481 soldiers at six case study units who had at least one pay problem associated with their mobilization. Because of the severity of the problems identified for mobilized Army National Guard soldiers, you asked us to examine the accuracy and timeliness of payroll payments to mobilized Army Reserve soldiers. Specifically, the objectives of our audit were to (1) provide an in-depth perspective on the pay experiences of mobilized Army Reserve soldiers and (2) assess the overall design of the processes, human capital, and automated systems relied on to provide accurate and timely pays, allowances, and tax benefits to mobilized Army Reserve soldiers.

Our preliminary assessment of the internal control environment and the design of key controls associated with payments to mobilized Army Reserve soldiers indicated that the accuracy and timeliness of these payments are highly dependent on inherently flawed processes and controls. Active duty payments to mobilized Army Reserve soldiers rely on many of the same Department of Defense (DOD) and Army policies and procedures and automated systems used to pay mobilized Army National Guard soldiers. Further, DOD has reported² to Congress on major deficiencies in the delivery of military payroll and related personnel services, including those used to support both Army National Guard and Army Reserve soldiers.

Consequently, as was the case for our audit of payments to mobilized Army National Guard soldiers, rather than statistically testing the effectiveness of inherently flawed processes and controls, we relied primarily on a case study approach to provide perspective on the pay experiences of mobilized Army Reserve soldiers. We selected Army Reserve units mobilized at some point during the period from August 2002 through January 2004 as case studies to provide a more in-depth perspective on Army Reserve soldiers' pay experiences and their underlying causes. Our case studies included

¹GAO, *Military Pay: Army National Guard Personnel Mobilized to Active Duty Experienced Significant Pay Problems*, [GAO-04-89](#) (Washington, D.C.: Nov. 13, 2003).

²U.S. Department of Defense, *Report to Congress: Defense Integrated Military Human Resource System (Personnel and Pay)*, (Washington, D.C.: June 2002).

seven Army Reserve units deployed overseas to carry out assigned combat support missions as part of Operations Enduring Freedom or Iraqi Freedom and one unit activated to perform services as part of critical homeland defense operations under Operation Noble Eagle.

We performed our work from November 2003 through June 2004 in accordance with generally accepted government auditing standards. The pay problems we identified were based on a comparison of soldiers' pay records with available supporting documentation. Our audit was intended to provide perspective on soldiers' pay experiences and may not have identified all pay problems at our case study units. In addition, our audit was not designed to result in an exact determination of the pay, allowances, and tax benefits soldiers should have received. We provided the results of our pay analysis to Army Reserve officials for an exact determination of any amounts owed the government or soldiers related to the mobilizations audited. A more detailed description of the scope and methodology is included in appendix I.

We requested comments on a draft of this report from the Secretary of Defense or his designee. We received written comments from the Under Secretary of Defense (Comptroller), which are reprinted in appendix X.

Results in Brief

The processes and automated systems relied on to provide active duty payments to mobilized Army Reserve soldiers are so error-prone, cumbersome, and complex that neither DOD nor, more importantly, the Army Reserve soldiers themselves, could be reasonably assured of timely and accurate payments. These weak processes and automated systems resulted in a significant number of overpayments, and to a lesser extent, late and underpayments, of soldiers' active duty pays and allowances at the eight case study units we audited. Specifically, 332 of 348 soldiers (95 percent) at eight Army Reserve units experienced at least one problem with the active duty pays and allowances they were entitled to receive. Many of the soldiers experienced multiple pay problems associated with their active duty mobilizations. Some of the pay problems soldiers experienced often lingered unresolved for considerable lengths of time, some for over a year. Nearly all soldiers in the seven case study units deployed overseas had problems with their location-based pays, particularly their hardship duty pay. In addition, while soldiers in the seven units that were deployed overseas were entitled to receive their pays and allowances tax free, and therefore, free of tax withholding from pay when they first arrived in-theater, few, if any, received this benefit until at least a month after arrival.

Of the \$375,000 in active duty pay and allowance problems we identified for the Army Reserve soldiers in our case study units, the majority were overpayments. Included in the total of 256 Army Reserve soldiers that received an estimated \$247,000 in overpayments, were several instances of soldiers who received significant overpayments, but did not acknowledge the receipt or set aside sufficient funds to repay these erroneous overpayments. In these instances, the soldiers may be subject to criminal prosecution. For example, we referred for criminal investigation one soldier who did not mobilize with his unit, yet erroneously received over \$36,000 in active duty pays and did not report this overpayment. We also identified 245 Army Reserve soldiers at our case study units who received a total of about \$77,000 in late payments of their active duty pays and allowances, and 294 soldiers who were underpaid a total of about \$51,000 in active duty pays and allowances.

Taken together, a considerable amount of effort by individual Army Reserve soldiers and their families was often required to gather and complete the required documentation to support pay entitlements, resolve pay errors, and identify and repay debts associated with numerous pay errors. A number of soldiers and their families told us they spent considerable time and effort on these pay issues, sometimes while soldiers were deployed in remote, hostile environments overseas. In particular, resolving soldier debts resulting from erroneous overpayments was burdensome to both the soldier and DOD. Soldiers were sometimes required to spend considerable time and were frustrated in their efforts to determine the exact sums owed or establish a repayment plan. Further, these overpayment debts placed an additional labor-intensive burden on the Army and the Defense Finance and Accounting Service (DFAS) to manually compute the exact amounts owed and establish and monitor the recoupment of these sums from the soldiers. These pay issues may adversely impact Army Reserve soldiers' morale, and, ultimately, may adversely affect the Army's ability to retain these important soldiers.

One of the primary causes of the pay problems we found was the inadequate procedures relied on to maintain accountability over soldiers and their associated pays, allowances, and tax benefits as they moved through their active duty mobilization, including processing through various levels of Army, Army Reserve, DFAS, and DOD organizations. We also found pay problems associated with breakdowns in soldier accountability responsibilities assigned to unit commanders and unit administrators. For example, we found that flawed procedures for ensuring that documentation showing that soldiers were no longer at an overseas

deployment location or on active duty (such as revoked orders or return from active duty orders), led to many of the overpayments we identified. Because pay personnel did not receive timely documentation on soldiers' departure from an overseas deployment, 47 soldiers with the 824th Quartermaster Company from North Carolina improperly received several months of hardship duty pay, totaling about \$30,000, after they left Kuwait.

With respect to human capital, the dedicated and determined efforts of many involved in the current operations relied on to pay mobilized Army Reserve soldiers were handicapped by various human capital challenges, including (1) inadequate resources to support critical unit pay administration functions, (2) deficiencies in the training provided to key personnel on pay entitlements and pay transaction processing requirements, and (3) poor customer service. A sufficient number of well-trained military pay staff is particularly crucial given the extensive, cumbersome, and labor-intensive process requirements that have evolved to support active duty pay to Army Reserve soldiers.

Our audits of the pay experiences of soldiers assigned to our case study units identified instances in which unit-level pay management support deficiencies contributed to pay errors. These unit-level pay management deficiencies were particularly problematic for units with vacant unit administrator positions, or where the unit administrator was deployed with the unit in another capacity. For example, lacking an individual assigned to carry out unit administrator duties, 9 of the 11 soldiers with the 3423rd Military Intelligence Detachment case study unit from Connecticut erroneously received the overseas cost of living allowance instead of the continental United States cost of living allowance for their deployment to Fort Belvoir. We also found that inadequate training of both key unit administrators and Army finance pay technicians led to pay errors. Personnel in both of these key positions told us that they relied primarily on on-the-job training when they assumed their responsibilities. A related human capital issue—customer support for active duty pay issues—was a recurring concern at our case study units. For example, it took over a year, and about 20 phone calls, e-mails, and faxes, after one Army Reserve officer contacted the Army to settle the debt resulting from the erroneous active duty pay, allowances, and combat zone tax exclusion benefits he received.

Several automated systems issues were also major causal factors associated with the pay problems we identified. The labor-intensive manual entry and reentry of pay transactions into multiple nonintegrated systems,

and further data entry required to correct pay errors and related debts, were major contributing factors. We also found that limited automated system processing capabilities, necessitating extensive costly manual workarounds, and inadequate automated system edits were major factors in this area. For example, the payroll system cannot simply stop withholding federal taxes for soldiers deployed in designated combat zones, but instead must first withhold the taxes and then in the following month's pay processing, reimburse the soldier for the taxes previously withheld.

DOD has taken a number of actions, and has other actions under way, in response to recommendations in our November 2003 Army National Guard pay report. Our November 2003 report included both short- and longer-term recommendations. Because active duty payments to mobilized Army Reserve soldiers rely on many of the same procedures and automated systems used to pay mobilized Army National Guard soldiers, many of these recommendations and DOD's responsive actions also apply to Army Reserve active duty pays. Many of DOD's actions directed at improving the accuracy and timeliness of payments to both mobilized Army National Guard and Army Reserve soldiers were implemented in the fall of 2003 or later. For example, in June 2004, the Army issued a *Finance Mobilization and Demobilization Standing Operating Procedure* covering pay management responsibilities and transaction processing requirements to be followed for all Army Reserve and Army National Guard soldiers mobilized to active duty. Because the Army Reserve soldier pay experiences we audited ended in January 2004, DOD's actions in response to our previous recommendations were not in place in sufficient time to impact the soldiers' pay experiences we audited. However, if effectively and fully implemented, many of DOD's actions directed at our short-term recommendations should help reduce the incidence of the types of pay problems we identified in our case studies.

Nonetheless, because five of the applicable recommendations in our Army National Guard pay report have not yet been fully addressed, we are reiterating these open recommendations. We are making 15 additional recommendations to address Army Reserve-unique issues. It is imperative that DOD act swiftly to fully implement these near-term recommendations to realize significant reductions in the extent of Mobilized Army Reserve soldiers' pay problems. However, even full, effective actions in response to all near-term recommendations will not resolve the underlying causes of the pay problems we identified. These underlying causes can only be addressed as part of a longer term comprehensive reengineering of existing

processes, human capital practices, and automated systems. Until these more substantive actions can be put in place, Army Reserve soldiers are likely to continue to experience significant problems in receiving accurate and timely active duty payments. In its comments on a draft of this report, DOD agreed with our recommendations and outlined its actions to address the deficiencies noted in our report.

Background

The Army Reserve is a partner with the active Army and the Army National Guard in fulfilling the country's military and contingency needs. The Army Reserve provides nearly half of the Army's combat support capabilities.³ The Army Reserve has approximately 2,000 units that drill at 1,500 Army Reserve Centers located in communities spread throughout the United States and territories. As of May 2004, the Army Reserve reported that it had about 328,000 members in the Ready Reserve.⁴

During peacetime, Army Reserve units report to the United States Army Reserve Command (USARC), located in Atlanta, Georgia, and the Chief of the Army Reserve, located in Washington, D.C. In addition, the Army Reserve has established Regional Readiness Commands to provide resource, logistics, and personnel management support for Army Reserve units within their region. When not mobilized to active duty, Army Reserve units are required to maintain readiness at a sufficiently high level to facilitate prompt active duty mobilization. While in a reserve status, Army Reserve soldiers are required to attend one drill weekend each month and obtain a minimum amount of training (usually about 2 weeks) each year. During national emergencies, the President has the authority to mobilize the Army Reserve to active duty status. While mobilized, Army Reserve units are accountable to the combatant commander of the theater in which they are assigned to operate, and ultimately, to the President.

³The Army Reserve provides combat support through its Military Police, Chemical, and Military Intelligence units; and combat service support through units, such as its Medical, Quartermaster (supply), and Transportation units.

⁴The Ready Reserve includes about 211,000 members of the Selected Reserve (Army Reserve soldiers participating in regularly scheduled training and consequently most readily available for mobilization) and about another 117,000 members of the Individual Ready Reserve (many of whom recently left active duty but still have a Reserve commitment or were previously in the Selected Reserve, but are not currently participating in any regularly scheduled drills or training). In addition, the Army Reserve reported that it had over 700,000 retirees in its Retired Reserve.

On September 14, 2001, the President declared a national emergency as a result of the terrorist attacks on the World Trade Center and the Pentagon and the continuing and immediate threat of further attacks on the United States. Concurrent with this declaration, the President authorized the Secretary of Defense to mobilize reserve troops to active duty pursuant to 10 U.S.C. Section 12302. The Secretary of Defense delegated to the Secretary of the Army the authority to order Army Reserve soldiers to active duty. Since September 2001, the Army has mobilized unprecedented numbers of Army Reserve soldiers (as well as other reserve and national guard forces) to active duty on lengthy tours. DOD reported that as of April 2004, about 96,000 Army Reserve soldiers have been mobilized to active duty at some point since September 2001 to carry out critical missions.

In contrast to the Army National Guard forces that may be assigned traditional combat roles, Army Reserve forces are generally assigned combat support missions. The Army National Guard and Army Reserve both include military police and intelligence units. However, while the Army National Guard has special forces and other units that have combat mission assignments, Army Reserve units are generally limited to combat support mission assignments, such as supply, medical, and transportation operations.

Army Reserve soldiers' mobilizations during the period of our audit were also affected by two other Army actions. First, the Army issued a "stop loss" order affecting Army Reserve soldiers in November 2002. The stop loss order was authorized by statute⁵ and allows the Army to retain soldiers in the service beyond their date of separation or retirement for an open-ended period.⁶ Second, in November 2003, the Army extended the orders for all mobilized Army Reserve soldiers expected to return from active duty on December 1, 2003, for an additional year.⁷

There have been three major contingency operations involving mobilized Army Reserve soldiers since September 2001: Operation Noble Eagle,

⁵10 U.S.C. Sec. 12305.

⁶Those affected by the order generally cannot voluntarily retire, leave active duty, or separate from the service as long as reserves are called to active duty or until otherwise relieved by proper authority.

⁷Through this action, Army Reserve soldiers on active duty orders covering a period of 365 days from the date of their original mobilization orders were extended on active duty for a period of 730 days.

Operation Enduring Freedom, and Operation Iraqi Freedom. In general, missions to provide domestic defense were funded through Operation Noble Eagle, missions to fight terrorism outside the United States were initially funded under Operation Enduring Freedom. More recently, missions related to the combat in Iraq and subsequent policing operations in that region were funded under Operation Iraqi Freedom. For example, Army Reserve soldiers participated in combat support missions in Afghanistan that were carried out as part of Operation Enduring Freedom, whereas Army Reserve soldiers participating in homeland security missions, such as assisting in intelligence data analysis, were considered part of Operation Noble Eagle.

According to Army Reserve data, approximately 45,700 Army Reserve soldiers were activated as of April 2004. At that time, Army Reserve soldiers accounted for about 27 percent of all mobilized DOD reserve components.⁸ Many of these Army Reserve soldiers were mobilized as small units, including about 2,800 units with 10 or fewer soldiers and about 1,000 one-soldier units. The Army assigns a separate unit identification number to each of these small groups or detachments of Army Reserve soldiers (these units are known as derivative units). According to Army Reserve data as of April 2004, the Army Reserve had soldiers assigned to almost 6,000 different unit numbers.

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

⁸Reserve components include the Army National Guard, Army Reserve, Air National Guard, Air Force Reserve, Naval Reserve, Marine Corps Reserve, and Coast Guard Reserve.

allowances for housing, subsistence, family separation, and cost of living for the continental United States.⁹

Table 1: Active Duty Pays and Allowances Associated with Case Study Units

Pays	Description	Dollar amount
Basic pay	Salary	Varies depending on rank and years of service
Hazardous duty pay (jump pay)	Pay for parachute jumping	\$150 per month
Aviation career incentive pay	Pay for officers performing operational flying duty	Varies from \$125 to \$840 per month based on years of aviation service
Foreign language proficiency pay	Pay for specialized foreign language skills	Varies depending on proficiency but may not exceed \$300 per month
Hardship duty location pay for designated areas	Pay when assigned to duty in specified locations	\$50, \$100, or \$150 per month (depending on duty location)
Hardship duty location pay for certain places (phase out began on January 1, 2002)	Pay to enlisted soldiers when assigned to duty in specified locations	Varies from \$8 to \$22.50 per month depending on rank
Medical and dental pays	Various special entitlements and incentives for medical and dental professionals	Varies from \$100 per month to \$3,000 per month depending on medical specialty, professional qualifications, and creditable service
Hostile fire/imminent danger pay	Full pay for any portion of month when assigned to a location subject to or in proximity to hostile fire or assigned to duty in a designated imminent danger location	\$150 per month through September 30, 2002, \$225 per month, effective October 1, 2002, through December 31, 2004.
Allowances		
Basic allowance for housing	Meant to offset the cost of housing when member does not receive government-provided housing	Varies depending on location, rank, and whether member has dependents
Basic allowance for subsistence	Meant to offset costs for a member's meals	Varies depending on whether member is officer or enlisted

⁹The law makes a distinction between the terms "pays" and "allowances," which together make up a service member's overall compensation package. Generally, the term pay includes basic pay, special pay, retainer pay, incentive pay, retired pay, and equivalent pay, but does not include allowances. 37 U.S.C. Section 101(21). DOD defines allowance as "a monetary amount paid to an individual in lieu of furnished quarters, subsistence, or the like." DOD Financial Management Regulation, vol. 7A, *Definitions*, para. 15 (February 2001). While generally items considered as "pay" are taxable for federal income tax purposes, except for the cost of living allowance for the continental United States, most allowances, such as those for housing, subsistence, and family separation, are not.

(Continued From Previous Page)

Pays	Description	Dollar amount
Family separation allowance I	Meant to offset added housing expenses resulting from forced separation from dependents	Equivalent to monthly basic allowance for housing for member of same rank without dependents
Family separation allowance II	Meant to offset certain expenses resulting from forced separation from dependents	\$100 per month from January 1, 1998, through September 30, 2002; \$250 per month effective October 1, 2002, through December 31, 2004
Cost of living allowance in the continental United States	Meant to provide compensation for variations in costs (other than housing) in the continental United States	Varies depending on location, rank, years of service, and whether member has dependents
Overseas housing allowance	Meant to provide compensation for variations in housing costs overseas	Varies depending on location, rank, and whether the member has dependents

Source: GAO analysis.

Several of these types of pays and allowances have multiple subcategories of entitlement. For example, there are eight different types of basic allowances for housing that soldiers may be entitled to receive based on individual circumstances and documentation (including documents establishing dependency status or court documents). In addition, Army Reserve soldiers may be eligible for significant tax advantages associated with their mobilization to active duty. Mobilized Army Reserve soldiers assigned to or working in a designated combat zone are entitled to exclude from taxable income certain types of military pays that would otherwise be taxable.¹⁰

In addition to the complexities of determining and documenting the specific circumstances surrounding each individual soldier's initial active duty pay, allowance, and tax benefit entitlements, these types of pays and benefits are further complicated because entitlements vary depending on soldiers' locations as they move through their active duty tours. That is, maintaining effective accountability and paying mobilized Army Reserve soldiers as they move from location to location during their active duty tours require extensive close coordination among a variety of operational, personnel, finance, and pay organizations throughout DOD. Key components requiring closely coordinated efforts in this worldwide team are the

- mobilized soldier;

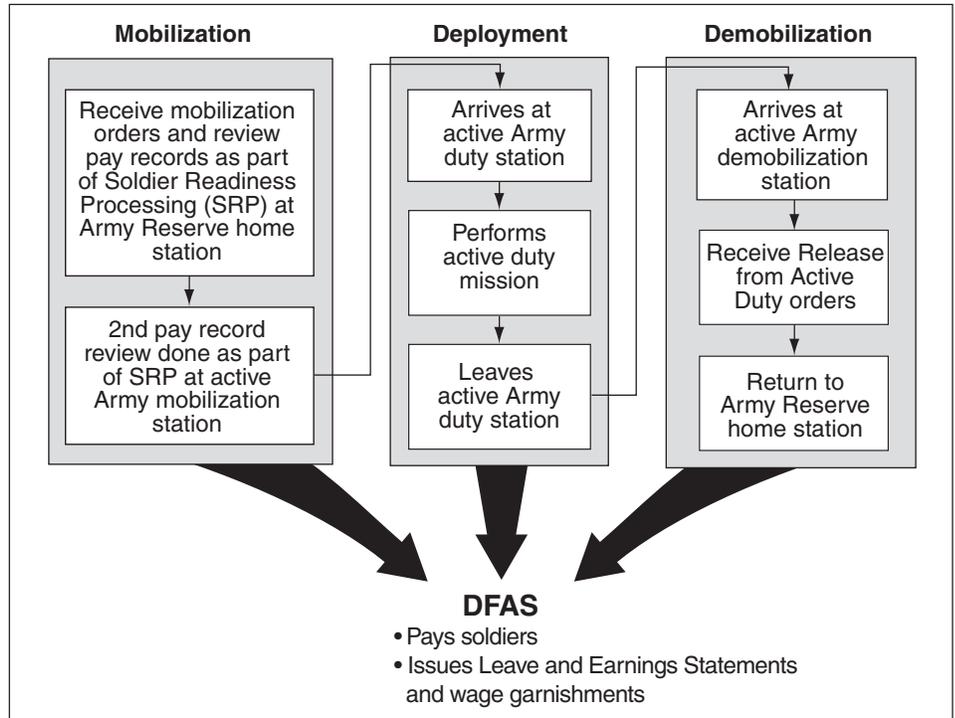
¹⁰There is no limit on the military pay exemption for enlisted Army Reserve members, but there is an annual limit of about \$76,000 for officers.

-
- unit commanders and unit administrators for all mobilized Army Reserve units;
 - United States Army Reserve Pay Center located at Fort McCoy;
 - Army Reserve Pay Management Division at Fort McPherson;
 - 12 Army Reserve Regional Readiness Commands;
 - U.S. Army Finance Command;
 - personnel and finance offices at Army mobilization stations;
 - Army area servicing finance offices assigned to support deployed units;
 - personnel and finance offices at Army demobilization stations;
 - Defense Finance and Accounting Service (DFAS) at Indianapolis, Indiana;
 - DFAS at Denver, Colorado; and
 - DFAS at Cleveland, Ohio.

As shown in figure 1, three key phases are associated with the pays and allowances applicable to mobilized Army Reserve soldiers:

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

Figure 1: Three Key Phases for Active Duty Payments to Army Reserve Soldiers



Source: GAO.

Mobilization Phase

During the initial mobilization, units receive an alert order and begin a mobilization preparation program, Soldier Readiness Processing (SRP). Among other things, the SRP is intended to ensure that each soldier's financial records are in order. The initial SRP is to be conducted by the unit's administrator at the unit's home station assisted by personnel from the cognizant Army Reserve Regional Readiness Command or designee. This initial SRP is to include a verification of the accuracy of records supporting applicable active duty pays and allowances. The unit commander, supported by the unit administrator, is responsible for ensuring that all personnel data, such as birth certificates for dependents or foreign language certifications, are current for all soldiers under their command.

During this phase, the unit administrator is required to gather all supporting documents and send the documentation to the Reserve Pay

Center at Fort McCoy. Pay technicians at the Reserve Pay Center are responsible for entering transactions to start initiating basic pay and allowances for mobilized Army Reserve soldiers based on the active duty tour information that appears on a hard copy of each soldier's mobilization order. If transactions are entered correctly and on time, activated Army Reserve soldiers will automatically start to receive basic pay and basic allowances for housing and subsistence based on the entered active duty mobilization start date.

After soldiers complete their initial SRP, they travel as a unit to an assigned active duty Army mobilization station. At the mobilization station, mobilized Army Reserve soldiers are required to undergo a second SRP. As part of this second SRP, finance personnel at the mobilization station are responsible for confirming or correcting the results of the first SRP, including obtaining the documentation necessary to support any changes needed to the automated pay records. Pay technicians at the various Army mobilization stations are required to promptly initiate appropriate active duty pay and allowance transactions that were not initiated during the first SRP. Transactions to initiate and terminate pays for all mobilized Army Reserve soldiers entitled to receive special medical and dental pay entitlements are entered and processed centrally at DFAS-Indianapolis.

Deployment Phase

While Army Reserve soldiers are deployed on active duty, there are several active Army and DFAS components involved in paying them. The Army area servicing finance office, which may be within the United States or in a foreign country, is responsible for initiating pays earned while the soldier is located in certain specified locations, such as location-based pays for hostile fire and hardship duty. Pay technicians at these area servicing finance offices are responsible for starting these types of pays for each soldier based on documentation, such as annotated battle rosters or flight manifests, showing when soldiers arrived at these designated locations. Thereafter, hostile fire pay is automatically generated each pay period until an established end-of-tour date is reached or a pay technician manually stops the pay. In contrast, other location-based pays, such as hardship duty pay, require manual entry of pay transactions each month by the assigned Army area servicing finance office.

While the designated Army area servicing finance offices have primary responsibility for administering pay for deployed Army Reserve soldiers, particularly starting and stopping location-based active duty pays (such as hardship duty pay), finance personnel at the cognizant mobilization station

or at the Reserve Pay Center can also enter certain pay-altering transactions that occur during deployments, such as those related to a soldier's early separation from active duty. In addition, the Reserve Pay Center has responsibility for entering all monthly nonlocation-based, nonautomated pay and allowance transactions, such as foreign language proficiency pay.

Demobilization Phase

Upon completion of an active duty tour, Army Reserve soldiers normally return to the same active Army locations from which they were mobilized for demobilization processing before returning to their home stations. The personnel section at the demobilization station is required to provide each soldier and the military pay technicians at the demobilization station with a copy of the Release from Active Duty order and a DD Form 214, Certificate of Release or Discharge from Active Duty. The demobilization station military pay technicians are required to use the date of release from active duty shown on these documents as a basis for stopping all Army Reserve soldiers' active duty pay and allowances. The Reserve Pay Center is responsible for discontinuing monthly input of all nonlocation-based, nonautomated pays and allowances. If the active Army demobilization station did not take action to stop active duty payments for demobilized Army Reserve soldiers, or if a soldier did not return to the demobilization station for active duty out-processing, the responsibility for stopping active duty pays and allowances falls to the soldier's unit or the Reserve Pay Center.

Automated Systems Environment

Paying Army Reserve soldiers is complicated by the number of nonintegrated, automated order-writing, tactical, personnel, and pay systems involved in authorizing, entering, and processing active duty pays and allowances to mobilized Army Reserve soldiers during the mobilization, deployment, and demobilization phases of their active duty tours. These automated systems are

- the Defense Joint Military Pay System – Reserve Component (DJMS-RC)—a DFAS-operated system used to pay reserve soldiers;
- the Defense Military Pay Office (DMO)—data input system used to enter pay transactions for processing;
- the Army Reserve's Regional Level Application System (RLAS), including its personnel order-writing functions;

-
- the Total Army Personnel Database–Reserves (TAPDB-R);
 - the Army’s Tactical Personnel System; and
 - the Army’s Transition Processing (TRANSPROC) System.

Many of these systems were originally designed for other purposes, but have been adapted to help support payments to mobilized Army Reserve soldiers. For example, DJMS-RC,¹¹ a large, complex automated payroll system application now used to pay Army and Air National Guard and Army and Air Force Reserve soldiers, was originally designed to be used to pay Reserve and Guard soldiers for monthly drills, short periods (30 days or fewer) of active duty or training. DFAS has acknowledged that its current military pay systems (including DJMS-RC) are aging, unresponsive, fragile, and a major impediment to efficient and high-quality customer service.

DFAS has primary responsibility for developing guidance and managing system operations for DJMS-RC. DFAS-Denver is responsible for designing, developing, and maintaining customer requirements for all of DOD’s military pay services. Its Technical Support Office is responsible for designing and maintaining the DJMS-RC core pay software. DFAS-Indianapolis is the central site for oversight of all Army military pay. As such, DFAS-Indianapolis is responsible for maintaining an estimated 1 million Army soldier pay records, including those for Army Reserve soldiers. DFAS-Indianapolis serves as a “gatekeeper” for DJMS-RC in that it monitors the daily status of data uploaded to the system to ensure that all received transactions are processed.

After manual entry of the mobilization dates from hard copies of mobilization orders into DJMS-RC, DJMS-RC is designed to automatically generate most active duty pay and allowance payments based on the mobilization date, twice a month, until the stop date is entered into the system. Without additional manual intervention, DJMS-RC will automatically stop generating these active duty payments to Army Reserve soldiers as of the stop date recorded in DJMS-RC. This automated edit control feature is intended to prevent erroneous payments to soldiers beyond their authorized end of active duty date. Because pay and

¹¹In November 1988, the Under Secretary of the Army approved the use of the Air Force military pay system to pay Army active and reserve soldiers.

personnel systems are not integrated, human intervention and additional manual data entry are required when a pay or allowance error is detected or an event occurs that requires a change in the soldier's pay-related personnel and pay records. For example, a change in dependent status, such as marriage or divorce; a promotion; jump pay disqualification; or being demobilized before the active duty tour end date shown on a soldier's original mobilization order would necessitate manual input to appropriately change or eliminate some of the pays and allowances a soldier would be entitled to receive.

All Army Reserve soldier pays and allowances are to be documented in the Master Military Pay Account—the central repository for soldier pay records in DJMS-RC. All pay-related transactions that are entered into DJMS-RC, primarily through the DMO input application, update the Master Military Pay Account. DMO is the DJMS-RC pay input subsystem used by the Reserve Pay Center, active Army finance offices, and military pay offices—including offices located at overseas locations throughout the world—to enter transactions to initiate and stop active duty pays to mobilized Army Reserve soldiers. DMO is used to manually enter transactions to (1) initiate any Army Reserve soldier pay and allowances that were not started at initial mobilization, as well as applicable location-based pays, such as hostile fire and hardship duty pays, (2) stop all location-based pays when soldiers depart designated locations, and (3) stop all active duty pays and allowances at demobilization.

In addition to DJMS-RC and DMO, the Army Reserve relies on four other nonintegrated automated systems as a basis for authorizing active duty pay, allowance, and related benefit entitlements to mobilized Army Reserve soldiers:

- RLAS is operated at the Army Reserve's regional support locations and contains multiple modules to support regional human resource, resource management, and training operations for Army Reserve soldiers. The personnel module within RLAS is used to process Army Reserve personnel actions, including those that have an impact on pay, such as promotions and discharges. Within the personnel module, there is an order-writing sub-module used for writing and generating mobilization orders for individual Army Reserve soldiers. Army Reserve soldier data in the personnel module of RLAS is used by the RLAS order-writing sub-module to help create the individual orders for mobilized soldiers.

-
- TAPDB-R is the central repository for Army Reserve-wide personnel data. Selected pay-related personnel data, such as soldiers' initial enrollment in the Army Reserve, contained in Army Reserve soldiers' pay records in DJMS-RC, are received through an automated interface with TAPDB-R.
 - The Tactical Personnel System is a stand-alone Army-wide personnel system operated by Army personnel at overseas airports where Army soldiers first enter or leave an overseas deployment location. Hard copies of Tactical Personnel System-generated manifests showing names and dates of soldiers' arrivals and departures are one source of authorization for starting or stopping Army Reserve soldiers' location-based hostile fire pay, hardship duty pay, and combat zone tax exclusion tax benefits. Arriving and departing soldiers can enter data, such as name, rank, and Social Security number, into the Tactical Personnel System from their common access cards using a barcode scanner function.
 - TRANSPROC is an Army-wide system used to track and support Army soldier processing at mobilization and demobilization stations. TRANSPROC is used to generate a DD Form 214, Certificate of Release or Discharge from Active Duty, for Army Reserve soldiers completing their active duty mobilization tours.

Case Studies Illustrate Pay Problems

We identified significant pay problems at all eight of the Army Reserve case study units we audited. Specifically, we identified 256 Army Reserve soldiers who were overpaid their active duty pay and allowance entitlements by about \$247,000, 245 soldiers who received late pay and allowance payments of about \$77,000, and 294 soldiers who were underpaid their pay and allowance entitlements by about \$51,000. As discussed in the following sections, we found that these pay problems were associated with a series of processes, human capital issues, and automated system deficiencies.

The Army Reserve units we audited for our case studies had various functions, including a Quartermaster (supply), dental services, transportation, military police, and military intelligence unit. These units were assigned a variety of combat support missions associated with the global war on terrorism while mobilized on active duty in and around Iraq, Afghanistan, Qatar, and Kuwait and in support of intelligence operations

here in the United States. The units we audited, their locations, and information about their mobilizations are shown in table 2.

Table 2: Army Reserve Units Audited

Army Reserve unit and location	Mobilization station	Deployment location	Mission	Mobilization dates	Number of soldiers mobilized
824 th Quartermaster Company – Fort Bragg, N.C.	Fort Bragg, N.C.	Kuwait, Afghanistan, and Fort Bragg	Prepared parachutes, weapons, and aid packages	2/03 - 9/03	68
965 th Dental Company – Seagoville, Tex.	Fort Hood, Tex.	Kuwait	Provided emergency and sustaining dental care supporting combat operations	2/03 - 6/03	93
948 th Forward Surgical Team – Southfield, Mich.	Fort McCoy, Wis.	Afghanistan	Provided emergency and sustaining medical care supporting combat operations in Afghanistan	1/03 - 8/03	20
443 rd Military Police – Owings Mills, Md.	Fort Lee, Va.	Iraq	Guarded Iraqi prisoners at former Camp Cropper Prison at Baghdad airport	2/03 - 1/04	121
FORSCOM Support – Finksburg, Md.	Fort McPherson, Ga.	Qatar	Served as ground liaison officer between Army and Air Force combat flight operations based in Qatar	3/03 - 5/03	1
629 th Transportation Detachment- Fort Eustis, Va.	Fort Eustis, Va.	Kuwait	Tracked supplies in and out of Kuwait	3/03 -1/04	24
3423 rd Military Intelligence Detachment – New Haven, Conn.	Fort Lee, Va.	Fort Belvoir, Va.	Supported National Ground Intelligence Center operations	12/02 - 12/03	11
431 st Chemical Detachment – Johnstown, Pa.	Fort Dix, N.J.	Kuwait	Provided nuclear, biological, and chemical warning and reporting support to military operations	1/03 - 7/03	10
Total soldiers					348

Source: GAO analysis.

Overall, 332 of the 348 soldiers (95 percent) in our eight case study units that were mobilized, deployed, and demobilized at some time during the 18-month period from August 2002 through January 2004 had at least one pay problem associated with their mobilization to active duty. Many of the soldiers had multiple pay problems associated with their active duty mobilizations. Problems lingered unresolved for considerable lengths of time. For example, for some soldiers, problems lingered through the entire

period of their active duty mobilization and for several months after their active duty tours ended. Table 3 summarizes the number of Army Reserve soldiers at each of our case study locations that had at least one problem associated with their pays and allowances during each of the three phases of their active duty mobilization.

Table 3: Pay Problems at Eight Case Study Units

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

Source: GAO analysis.

We counted soldiers' pay problems as a problem only in the phase in which the problem first occurred, even if the problems persisted into subsequent phases. In addition, many soldiers had more than one problem associated with their entitled pays and allowances. Further, our case study audits reflect only the problems we identified. However, because our audits were only intended to provide more detailed perspective on the types and causes of any pay problems experienced by mobilized Army Reserve soldiers, rather than an exact calculation of what soldiers should have received, we likely did not identify all of the active duty pay and allowance problems related to our case study units.

In addition to pay and allowance problems, while we did not attempt to fully quantify the tax withholding and tax filing effects, we also identified problems with timeliness and accuracy of combat zone tax exclusion

benefits for soldiers with the seven case study units we audited that were deployed overseas in Kuwait, Afghanistan, Qatar, or Iraq. Specifically, while soldiers in these units were eligible to receive their pays and allowances tax free when they first arrived in-theater, almost all failed to receive this benefit until at least a month after arrival. Over- and underpayment of active duty pays and allowances for soldiers deployed in designated combat zones adversely impacted the accuracy and timeliness of soldiers' combat zone tax exclusion benefits.

Establishing the exact amount owed and collecting overpayments of active duty pays and allowances erroneously provided to soldiers placed an additional administrative burden on both the individual soldiers and DOD. Soldiers were sometimes required to spend considerable time and were frustrated in their efforts to determine the exact sums owed or to establish a repayment plan. For example, it took one soldier over a year and about 20 phone calls, e-mails, and faxes to identify and resolve the active duty overpayments and related tax benefits he received. In other instances, we identified soldiers who received extensive improper active duty payments, sometimes for over a year, but who may not have contacted anyone within DOD to stop these erroneous overpayments. These soldiers received significant overpayments, but did not acknowledge their receipt or set aside sufficient funds to repay these erroneous overpayments. In these instances, the soldiers may be subject to criminal prosecution. For example, we identified a soldier who did not mobilize with his unit, yet received over \$36,000 in active duty pay and allowances for over a year. When questioned, the soldier stated he was not aware that he had received \$36,000 in erroneous pay and could not immediately pay back all the erroneous active duty overpayments he received. We referred this, and other similar cases, to the Army's Criminal Investigation Division for further investigation into whether criminal prosecution of these soldiers may be warranted for attempting to fraudulently convert government funds to personal use.

Further, these overpayment debts placed an additional labor-intensive burden on the Army and DFAS. Determining the exact amounts soldiers owed as a result of overpayments, particularly when the combat zone tax exclusion benefits were involved, required labor-intensive efforts to gather necessary supporting documentation (in some instances from multiple locations) and compare these data with pay and tax withholdings, sometimes spanning more than 1 year, to manually compute amounts owed as a result of erroneous overpayments. In addition, DFAS was required to track and monitor collections from soldiers against these debts. Collection

of these debts may become more difficult the longer they remain outstanding. For example, Army auditors reported in 2003 that, to the extent that soldiers leave the Army with outstanding debts, collection rates are only about 40 percent.¹²

Examples of pay and allowance problems found through our audits of soldiers' pay experiences at the eight case study units included the following:

- Forty-seven soldiers deployed overseas with the 824th Quartermaster Company from North Carolina improperly received several months of hardship duty pay, totaling about \$30,000, for several months after they left Kuwait.
- Nine soldiers of the 824th Quartermaster Company improperly received family separation allowance payments totaling an estimated \$6,250 while serving at Fort Bragg, their unit's home station.
- Forty-nine soldiers with the 824th Quartermaster Company did not receive the hardship duty pay they were entitled to receive when they arrived at their designated duty locations overseas until about 3 months after their arrival. Subsequently, they continued to erroneously receive hardship duty pay for 5 consecutive months after departure from their overseas duty locations.
- Ten soldiers with the 443rd Military Police Company had problems with their overseas housing allowance associated with their deployment in Iraq, including five soldiers who were underpaid about \$2,700 and seven who did not receive their last allowance until more than 2 months after their active duty tour ended.
- A soldier with the 443rd Military Police Company who demobilized from an active duty deployment in August 2002, subsequently received erroneous active duty payments of about \$52,000 through May 2004. These erroneous payments were not detected and stopped by DOD. The soldier contacted us to ask for our assistance in resolving this matter.

¹²U.S. Army Audit Agency, *Identification of Soldiers in Deserter or Absentee Status*, A-2003-0009-FFG (Washington, D.C.: Nov. 13, 2002).

-
- A soldier from the 965th Dental Company who received an emergency evacuation from Kuwait as a result of an adverse reaction to anthrax and antibiotic inoculations he received in preparing for his overseas deployment, continued to receive about \$2,900 in improper hostile fire and hardship duty payments after his return from Kuwait.
 - A soldier with the 3423rd Military Intelligence Detachment did not receive an estimated \$3,000 in family separation allowance payments associated with his active duty mobilization.

Further, seven of our eight units were deployed overseas during their mobilization. Almost all the soldiers in these seven units had problems with the timeliness of their combat zone tax exclusion benefits. All the soldiers at our seven case study units who were deployed overseas experienced problems with the late receipt of their combat zone tax benefits because DJMS-RC could not simply stop withholding federal taxes, but instead had to first withhold the taxes and then in the following month's pay processing, reimburse the soldier the taxes previously withheld. As a result, soldiers generally did not benefit from the tax exemption for at least one month after their tax withholdings should have ceased. In addition to this systemic issue, we identified other problems associated with these benefits with respect to the soldiers at our case study units:

- Twenty of the 20 soldiers with the 948th Forward Surgical Team waited over 2 months after they arrived in Afghanistan to benefit from the combat zone tax exclusion.
- It took nearly a year to identify and resolve a \$1,100 overpayment associated with one soldier's combat zone tax exclusion benefit.
- Several soldiers with Maryland's 443rd Military Police Company never received the correct amount of reimbursement for taxes withheld, which sometimes resulted in underwithholding taxes, and other times resulted in overwithholding taxes.¹³

These pay mistakes were the source of many complaints, took considerable time and effort to address, and were likely to have had an

¹³Over- and underwithholding of taxes associated with the combat zone tax exclusion can be corrected when Army Reserve soldiers file their tax returns if their W-2 form reflects the correct amount of taxable income.

adverse effect on soldier morale. In addition, soldiers at one of our case study units told us that a delay in receiving their active duty pays and allowances created financial hardship for them and their families. Specifically, several of the unit's soldiers told us they could not pay their bills when they were initially deployed overseas and were forced to borrow money from friends and relatives in order to meet their financial obligations.

We provided data on the pay problems we identified to Army Reserve officials. For the most part, they concurred with our analysis and reported that they have taken action to address any identified over- and underpayments and withholdings we identified. Appendixes II through IX provide a more detailed description of the pay experiences of the soldiers at each of the Army Reserve case study units we audited.

Significant Weaknesses Exist in Mobilized Army Reserve Pay Processes

The pay problems we found were caused, at least in part, by design weaknesses in the extensive, complex set of processes and procedures relied on to provide active duty pays, allowances, and related tax benefits to mobilized Army Reserve soldiers. We identified issues with the procedures in place for both determining eligibility and processing related transactions of active duty pay to mobilized Army Reserve soldiers. These process weaknesses involve not only the finance and military pay component of the Army, Army Reserve, and DFAS, but the Army's operational and personnel functions as well. Specifically, we found deficiencies in processes for (1) tracking and maintaining accountability over soldiers as they moved from location to location to carry out their mobilization orders, (2) carrying out SRPs—primarily at the mobilization stations, (3) distributing and reconciling key pay and personnel reports during mobilizations, and (4) determining eligibility for the family separation allowance associated with active duty mobilizations.

Flaws in Procedures for Tracking and Maintaining Accountability over Soldiers throughout Mobilization

Mobilization policies and procedures did not provide the Army with effective accountability and visibility over soldiers' locations to provide reasonable assurance of accurate and timely payments for Army Reserve soldiers' active duty mobilizations. Accountability breakdowns can occur as soldiers pass through four main transitions during the course of a typical mobilization cycle, including transitions from (1) their home station to their designated mobilization station, (2) the mobilization station to their assigned deployment location, (3) the deployment location to their

demobilization station, and (4) the demobilization station back to their home station.

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

However, we identified several critical flaws in the soldier accountability procedures in place during the period of our audit. Specifically, we identified flawed procedures for accountability over soldiers' actual locations and associated pay entitlements in that (1) soldiers received mobilization orders, but did not report for active duty and (2) dates of soldiers' arrival at, and departure from, designated hardship duty deployment locations were not reported. Such breakdowns in accountability procedures resulted in erroneously starting, or delays in starting, active duty pays, allowances, and related tax benefits, and erroneously continuing these pays, allowances and benefits when soldiers were no longer entitled to receive them.

Mobilization Station Accountability

Effective procedures were not in place to monitor and validate the propriety of active duty payments to mobilized reservists. We found that preventive controls for initiating and stopping active duty payments for Army Reserve soldiers were ineffective. In addition, the accountability controls in place at Army stations responsible for unit mobilization and demobilization processing were not effective in detecting any Army Reserve soldiers assigned to units passing through those locations who were not entitled to receive active duty pays and allowances. As a result of these control design flaws, we found several soldiers who received up to a year of active duty payments based on issued mobilization orders, even though the soldiers never reported for active duty. Army officials have acknowledged that active duty payments are increasingly vulnerable to such overpayments as a result of the Army Reserve's November 2003 action to extend Army Reserve soldiers on active duty at that time for another year.

When a unit is called to active duty, soldiers in the mobilized unit receive individual mobilization orders. Processing procedures provide that these orders be used as a basis for initiating active duty pays and allowances to begin on the first day of active duty designated in the individual active duty mobilization orders. The Reserve Pay Center, located at Fort McCoy, is generally responsible for initiating active duty pays and allowances based on the data shown on a hard copy of the individual orders. However, the Reserve Pay Center did not receive the data necessary to identify, on a unit-by-unit basis, which soldiers reported to the active Army mobilization stations so that this information could be compared with a list of soldiers for that unit for whom the Reserve Pay Center started active duty pays and allowances. In addition, Army mobilization station finance personnel did not receive a list of soldiers in a unit who were receiving active duty pay to compare with the names of unit soldiers who actually reported to the mobilization station.

At one of our case study units, the 965th Dental Company, we found that this process flaw resulted in tens of thousands of dollars in overpayments.

**Individual Case Illustration: Flawed Soldier Location
Accountability Procedures Result in \$36,000 Erroneous Active
Duty Payments**

A soldier assigned to the 965th Dental Company received a mobilization order, but based on a discussion with his commander about a medical condition, was told he would be transferred to a unit that was not mobilizing. However, the unit commander did not provide a list of the unit's mobilizing soldiers to the Reserve Pay Center and did not provide any information on this soldier indicating that he would not be reporting to the unit's mobilization station. Consequently, neither the Reserve Pay Center nor the mobilization station personnel had any means of detecting that a soldier had not mobilized with his unit and therefore was improperly receiving active duty payments. As a result, the soldier's pay was started on February 11, 2003, and continued through February 29, 2004, resulting in more than \$36,000 in overpayments. This improper active duty pay was stopped only after we identified the error and notified Army officials.

In another instance, the Army's inability to determine that one soldier's actual location did not match his "paper" mobilization resulted in an estimated \$52,000 in erroneous payments.

Individual Case Illustration: Soldier Accountability Flaws Lead to Estimated \$52,000 in Erroneous Active Duty Payments

A soldier contacted GAO in March 2004 to inquire as to why he had been receiving active duty pay for almost a year even though, according to the soldier, he was not mobilized to active duty during that time. Subsequent inquiry determined that, at least on paper, the soldier was transferred from Maryland's 443rd Military Police Company to Pennsylvania's 307th Military Police Company in February 2003, and was mobilized to active duty with that unit on March 3, 2003. Applicable active duty pays and allowances for the soldier were initiated based on these March 3, 2003, orders. After the 307th Military Police Company demobilized in February 2004, the soldier's mobilization order was revoked. Nonetheless, available pay documentation indicated the soldier continued receiving erroneous active duty pay and allowances for basic pay, and allowances for subsistence, housing, and family separation totaling an estimated \$52,000 through May of 2004.

In addition, Army Reserve officials told us about similar cases at other units not included in our case studies in which soldiers did not report for active duty, but nonetheless received erroneous active duty pay for lengthy periods. They told us they identified soldiers who received large improper active duty payments, some of whom had received erroneous active duty payments for over a year before they were identified and stopped, as the following examples illustrate:

- A soldier from an Army Reserve chemical unit in South Carolina received an individual mobilization order in February 2003, but did not mobilize with the unit. Nonetheless, her active duty pays and allowances (a total of over \$45,000) continued until they were stopped in April 2004.
- A soldier from a Louisiana Army Reserve unit received an individual mobilization order in January 2003. However, the unit commander determined the soldier should not be mobilized with the unit because he had not yet completed required training. Nonetheless, the soldier received active duty pays and allowances totaling over \$25,000 until they were stopped in March 2004.

-
- A soldier attached to a Puerto Rico Quartermaster Reserve unit was mobilized in February 2003, but did not report for active duty. The soldier continued to receive improper active duty pays and allowances totaling about \$36,000 until the payments were stopped in April 2004.
 - A soldier assigned to an Illinois Reserve Military Police Company received an individual mobilization order in December 2002. However, she did not report to the mobilization station with her unit and her mobilization order was revoked in January 2003. Nonetheless, the soldier continued to receive active duty pay and allowances totaling about \$24,000 until the payments were stopped in April 2004.

Army Reserve officials told us that these improper payments were not identified through any systemic preventive accountability control process associated with an active duty mobilization or demobilization, but rather as a result of after the fact detective controls in place at the unit or the Army Reserve pay center. For example, one soldier reported for a weekend drill and the unit pay administrator attempted to enter a transaction to pay him for weekend drill duties. However, the unit pay administrator discovered the soldier's receipt of erroneous active duty payments when the weekend drill pay transaction was rejected by DJMS-RC. Army Reserve officials told us they have referred these improper payments to the Army's Criminal Investigations Division to determine if criminal prosecution of the soldiers involved may be warranted.

Deployment Accountability

Flaws in soldier accountability procedures associated with overseas deployment locations resulted in late, under-, and overpayments of active duty pays, allowances, and tax benefits associated with almost all the soldiers in our case study units. Soldiers were generally paid late or underpaid location-based incentives upon their initial arrival into designated hardship duty and hostile fire locations. Subsequently, they were often overpaid these same location-based entitlements because these payments continued, sometimes for long periods of time, after soldiers left designated overseas locations. These failures occurred because Army procedures in place during our audit were ineffective in accounting for when soldiers entered into and departed from designated hardship duty and hostile fire locations. In addition, as discussed in a subsequent section of this report, automated systems deficiencies also contributed to, and in some cases exacerbated, location-based active duty pay problems.

According to DFAS procedures, Army local area servicing finance locations are to obtain documentation showing soldier and associated arrival and departure date information to start and stop location-based pays, allowances, and associated tax benefits. We were told that flight manifest lists generated through the Army's Tactical Personnel System were the primary source documents used as a basis for entering manual transactions to start and stop location-based pays during most of our audit period.

One of our case study units, the 443rd Military Police Company, relied on an extraordinary, labor-intensive workaround to ensure that necessary documentation supporting any changes in the location of the unit's soldiers, as well as other pay-support documentation, was received by the unit's area servicing finance office while the soldiers were deployed in Iraq.

Individual Case Illustration: Biweekly Flights to Transmit Unit Pay Documents

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

However, despite diligent efforts by Army local area servicing finance officials to develop and maintain accurate lists of soldiers at the designated deployment locations, our analysis of payments to soldiers at our case study units indicated that this information was often not timely or accurate. Finance officials at the Army area servicing finance offices either did not obtain manifests (documentation showing soldier arrival and departure dates) at all, received the documentation late (often months after the unit's actual arrival or departure dates), or obtained manifests listing soldiers

that should not have been included for pay purposes. For example, an Army Reserve soldier assigned to support Air Force operations did not process through, or have any access to, an Army location that could provide a manifest showing his arrival date in-country to local Army area servicing finance office officials so that they could start his location-based pays. In this case, the soldier did not receive his location-based pays until he returned to his demobilization station and insisted that personnel at that location take the actions necessary to start this payment. Also, we were told that soldiers departing from designated locations on emergency or rest and recreation leave, who are still entitled to continue to receive designated location-based pays while on such leave, were sometimes erroneously included on departure manifests used as source documents to stop active duty location-based pays.

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

- All 49 soldiers that deployed overseas with our 824th Quartermaster Company case study unit were underpaid their hardship duty pay when they first arrived in the country. Subsequently, almost all soldiers in the unit were overpaid their hardship duty pay--most for up to 5 months--after they left the designated location, and some continued to receive these payments even after they were released from active duty. In total, we identified about \$30,000 in improper hardship duty payments received by this unit's soldiers.
- Seventy-six soldiers with the 965th Dental Company received improper hardship duty payments totaling almost \$47,000 after they had left their hardship duty location.
- Ten soldiers with the 431st Chemical Detachment received improper hardship duty payments for 7 months after their return to their home station.
- None of the 24 soldiers deployed with the 629th Transportation Detachment received hardship duty pay for the months they arrived and departed the hardship duty areas. In addition, they did not receive hostile fire pay for almost 3 months after their arrival at their assigned overseas deployment locations.

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

Lack of Clear Pay Review Procedures at Mobilization Stations

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

Procedures followed for our 824th Quartermaster Company case study unit at the Fort Bragg mobilization station provided that the pay support portion of the SRP at that location consisted of finance representatives briefing the entire unit on required pay support. Finance personnel did not meet individually with each soldier to compare his or her pay support documentation with on-line soldier pay data in DJMS-RC. As a result, missing or outdated documentation required to support active duty pays and allowances at the time of the 824th Quartermaster Company’s SRP contributed to some of the late payments we identified. For example, one soldier with this unit who was certified as ready for mobilization as a result of the SRP, did not receive entitled family separation allowance payments because documentation necessary to start this allowance was not submitted as part of the SRP process. Six months later, after the soldier demobilized at Fort Bragg, the paperwork necessary to receive this allowance was obtained and submitted for payment. This soldier received about 6 months of back family separation allowance in September 2003 totaling \$1,400.

We also found indications that the pay support documentation review carried out at the Army’s Fort Lee mobilization station was less than thorough. Personnel at the Fort Lee mobilization station did not carry out a detailed review of Master Military Pay Account records, which would have shown that soldiers with the unit would stop receiving their entitled housing allowances and family separation allowances because there were incorrect end dates for these payments entered into DJMS-RC. As a result, several soldiers from the 443rd Military Police Company had their basic allowance for housing switched to a rate less than the soldiers were entitled to receive and had their family separation allowance stopped for a period during their deployment because the Fort Lee mobilization station

finance personnel did not take action necessary to extend the end-of-eligibility dates for these two entitlements.

In contrast, pay support documentation review procedures in place as part of the SRP at the Army's mobilization stations at Fort McCoy and Fort Eustis provided that, in addition to a unitwide finance briefing, finance officials at those sites were to conduct one-on-one pay support documentation reviews with each soldier. Members of the 948th Forward Surgical Team, who mobilized through Fort McCoy, and the 629th Transportation Detachment, who processed through Fort Eustis, had their pay records reviewed and compared to DJMS-RC on-line records by finance officials during the finance portion of their SRP. We found very few problems with either the 948th or 629th units' active duty pay entitlements, excluding in-theater entitlements, after these units passed through the one-on-one soldier pay documentation review as part of the SRP at Fort McCoy and Fort Eustis.

Inadequate Processes in Place for Reconciling and Distributing Key Pay and Personnel Reconciliation Reports

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

The reserve pay review and validation procedures for Army Reserve soldiers were initially designed to service reservists as they perform weekend drills, annual training, and short-term active duty mobilizations of 30 days or fewer. Correspondingly, pay and personnel reconciliation processes in place during our audit were focused primarily on requirements for unit commanders to reconcile data for reserve soldiers while they are in an inactive (drilling reservist) status. However, as illustrated by the pay problems discussed in this report, there is an equal or even greater need to clearly establish required procedures for the review and reconciliation of pay and related personnel data for Army Reserve soldiers mobilized on extended active duty tours.

Specifically, with respect to the monthly review and reconciliation of two key reports, the Pay/Personnel Mismatch Report and the Unit

Commander's Pay Management Report,¹⁴ current procedures contained in USARC Pamphlet 37-1 provide that unit commanders are required to review the Unit Commander's Pay Management Report for soldiers in their units on weekend drill activities and for active duty mobilization planning activities. However, these procedures do not clearly require unit commanders to review this key report for Army Reserve soldiers in subsequent phases of their active duty mobilization tours. Appendix I of USARC Pamphlet 37-1 provides that unit pay data in the Unit Commander's Pay Management Report should be reconciled with unit training and attendance reports, but does not require reconciling pay data with related data on mobilized soldiers. As a result, the unit commander at one of our case study units, the 965th Dental Company, stated that he did not believe that a review and reconciliation was needed. Instead, he stated he relied on the unit's soldiers to identify any pay problems. In light of the extensive manual entry, and nonintegrated systems currently relied on for mobilized Army Reserve soldiers' pay, the timely and complete reconciliation of comparable pay and personnel data in these key reports can serve as an important detective control to identify any pay errors shortly after they have occurred.

In addition, Army guidance does not specify how deployed units are to receive these reports. Distribution of these reports is particularly problematic for units deployed in remote locations overseas. As a matter of practice, we found that for units in an inactive status, the unit's Regional Readiness Command usually provides these reports. However, we also found no procedural guidance in place to distribute the same reports to unit commanders and administrators while their units are on active duty. Unit commanders for several of our case study units stated they did not receive these key reports while their units were deployed. Had those reports been available and reconciled, they could have been used to identify and correct improper active duty payments, such as the large, erroneous active duty overpayments discussed previously.

¹⁴These reports provide summaries of pay- and personnel-related information on soldiers in the unit.

Procedures for Applying Family Separation Allowance Eligibility Requirements Were Not Clear

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

DOD Financial Management Regulation (FMR) Volume 7A policy clearly provides that soldiers are entitled to receive a family separation allowance if their family does not reside near the duty station, which is generally defined as within 50 miles.¹⁵ However, DOD procedures and the form needed to implement this FMR policy were not clear. Implementing guidance and DD Form 1561 (a document that must be completed to receive the family separation allowance) do not provide for a determination that a soldier's family does not live near the soldier's duty station. Specifically, DD Form 1561 does not specifically require soldiers to certify that the soldier is entitled to receive family separation allowance benefits because (1) they live over 50 miles away from the unit's home station and do not commute daily or (2) the soldier's commander has certified that the soldier's required commute to the duty station is not reasonable. We noted that in several of our case study units, soldiers began receiving the family separation allowance while stationed in Army installations less than 50 miles away from their residence and without any documentation showing the unit commander's determination that the soldier's commute, even though within 50 miles, was nonetheless, unreasonable. For example, soldiers from the 824th Quartermaster Company received family separation allowance payments while stationed at their Fort Bragg home station, even though they lived within 50 miles of the base and no documentation was available showing that the unit commander authorized an exception. In contrast, 14 soldiers with Maryland's 443rd Military Police Company who lived over 50 miles away from their home station, including several soldiers from Puerto Rico, did not receive a family separation allowance as of the date of their arrival at their home station.

¹⁵DOD's FMR defines "within a reasonable commuting distance" as within 50 miles one way, unless the soldier is commuting daily. The FMR also permits the commander to authorize a soldier to receive FSA payments, even though the soldier's dependents live within 50 miles of the soldier's duty station, based on a determination that the required commute is not reasonable.

Human Capital Issues Affect Pay Accuracy and Timeliness

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

Well-trained pay-support personnel throughout various DOD components are particularly critical given the extensive, cumbersome, and labor-intensive process requirements that have evolved to provide active duty payments to mobilized Army Reserve soldiers. We encountered many sincere and well-meaning Army, Army Reserve, and DFAS personnel involved in authorizing and processing active duty payments to these soldiers. The fact that mobilized Army Reserve soldiers received any of their entitled active duty pays, allowances, and tax benefits accurately and on-time is largely due to the dedication and tireless efforts of many of these pay-support personnel to do the right thing for these mobilized Army Reserve soldiers. However, in conjunction with our case studies, we observed human capital weaknesses related to (1) inadequate resources provided to support unit-level pay management, (2) inadequate pay management training across the spectrum of pay-support personnel, and (3) customer service breakdowns.

Inadequate Resourcing for Critical Unit Administrator Positions

Vacancies and turnovers in key unit administrator positions, and the deployment of unit administrators to fill other military requirements, impaired a unit's ability to carry out critical pay administration tasks that could have prevented or led to early detection of pay problems associated with our case study units. In addition to pay administration responsibilities, unit administrator duties include personnel and supply operations. We

were told that vacancies in unit administrator positions were difficult to fill and often remained vacant for many months because Army policy requires the individual filling the unit administrator position to have a dual status, which means the individual must perform duties both in the capacity of an Army Reserve military occupation specialty as well as unit administrator.

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

Providing adequate resources to support the execution of critical pay management responsibilities was particularly problematic for Army Reserve soldiers that were cross-leveled (transferred) to other units and mobilized to active duty with those units. For three of the four case study units we audited where small groups of Army Reserve soldiers were transferred and mobilized to active duty with another unit, we found that these soldiers experienced pay problems that could be attributed, at least in part, to inadequate resources to carry out critical unit-level pay management responsibilities. For example, because he did not have any unit-level support to assist in processing his active duty payments, a soldier who was mobilized as a single-soldier unit did not receive any location-based active duty pays until he returned from Qatar.

Inadequate Pay Management Training

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

Standards for Internal Control in the Federal Government provides that management should establish and maintain a positive and supportive attitude toward internal controls and conscientious management.

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

Few unit administrators at our case study units had completed all of the required training on active duty pay and allowance eligibility and processing requirements. While unit administrators are required to attend two courses (each lasting 2 weeks),¹⁶ few of the unit administrators for our case study units took the required training at or near the time they assumed these important pay management and other key unit administrator duties. For example, the unit administrator at one of our case study units, the 824th Quartermaster Company, stated she had not attended any formal training courses, but instead received on-the-job training. Our audit showed that she did not always effectively carry out her pay management report review responsibilities. For example, while our audit of unit pay reports showed she reviewed the documents, we saw no indication she used this tool to identify and stop an overpayment of \$18,000 to one soldier in her unit. As a result, the erroneous pay was allowed to continue for another 5 months.

At other units, we identified instances in which available documentation indicated that unit administrators did not take timely action to submit pay-support transactions. For example, several soldiers with the 965th Dental Company did not receive promotion pay increases and other entitlements

¹⁶The Army Reserve Readiness Training Center located in Fort McCoy, Wisconsin, offers both courses. The courses, in part, cover processing personnel and payroll transactions, maintaining personnel and payroll data, identifying soldiers' training requirements, mobilization procedures, and logistics.

for over 2 months because the unit administrator failed to process necessary pay-support documentation, available at the time of the unit's initial SRP, until the unit was already deployed on active duty. At the 443rd Military Police Company, we found the unit's finance sergeant¹⁷ assigned pay management responsibilities did not gather and submit current documentation needed to support active duty pays and allowances, including current documents showing soldiers' marital status and number of dependents. As a result, soldiers from the 443rd Military Police Company experienced over-, under-, and late payments associated with their housing and cost of living allowances.

In addition to inadequate unit administrator training, inadequate training of military pay technicians at Army finance offices at mobilization stations, area servicing finance offices (for deployed soldiers), and demobilization stations adversely affected the accuracy and timeliness of payments to mobilized Army Reserve soldiers. Few of the military finance personnel responsible for processing pays and allowances at the mobilization and demobilization stations and at the area servicing finance offices for deployed units had formal training on DJMS-RC pay procedures. Instead, several of the military pay technicians and supervisors we talked to at the Army mobilization and demobilization stations told us they relied primarily on on-the-job training to become knowledgeable in the pay eligibility and pay transaction processing requirements for mobilized Army Reserve soldiers. For example, military pay personnel at the Defense Military Pay Office at Fort Eustis informed us that they did not receive any formal training on active duty pay entitlements or DJMS-RC pay processing before assuming their assigned responsibilities for mobilization and demobilization pay processing. Instead, they stated they became knowledgeable in mobilization and demobilization pay processing procedures by processing hundreds of soldiers within 2 to 3 weeks of being assigned these responsibilities. They also said they contacted full-time civilians in the finance office, as well as Reserve Pay Center and DFAS officials, by telephone for assistance.

Also, few of the Army finance personnel at overseas area servicing finance offices were adequately trained in active duty pay entitlements and processing procedures for mobilized Army Reserve soldiers. Specifically,

¹⁷For this unit, the unit administrator did not deploy with the unit. Consequently, the unit's pay management responsibilities were assigned to a finance sergeant deployed with the unit.

these key personnel with responsibility for location-based active duty payments to mobilized Army Reserve soldiers deployed in Kuwait and Iraq and surrounding areas did not receive formal training on pay eligibility and DJMS-RC processing requirements before assuming their duties. USARC Pamphlet 37-1 provides that an Army in-theater servicing finance office has primary responsibility for supporting active duty payments to mobilized Army Reserve soldiers when a reserve unit is deployed overseas. Camp Arifjan was the Army location assigned responsibility for processing active duty payments to mobilized Army Reserve soldiers deployed in Kuwait and Iraq during 2003. Officials from the 336th Command, the Army command with oversight responsibility for Camp Arifjan, confirmed that while finance personnel at Camp Arifjan received training in the pay eligibility and pay processing procedures for active duty Army soldiers, they were not adequately trained in pay eligibility issues of Army Reserve soldiers.

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

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

Customer Service Breakdowns

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

Although there are several sources that soldiers can turn to for pay issue resolution, soldiers at our case study units experienced problems in accessing these sources. Sources that soldiers can contact include their home unit, the military pay section of the cognizant RRC, the mobilization/demobilization station, the designated active Army area servicing finance office in-theater, the online myPay system, and the 1-888-PAY-ARMY (729-2769) toll-free number. However, mission requirements and the distance between deployment locations and field finance offices often impaired the soldiers' ability to utilize the in-theater customer service centers. Also, soldiers did not always have Internet and telephone access to use the myPay system or to contact customer service sources such as 1-888-PAY-ARMY, the home unit, or the cognizant RRC. The lack of Internet access for deployed soldiers was particularly problematic because it limited soldiers' access to pay, allowance, and tax benefit data reflected in their leave and earnings statements. Lacking leave and earnings statements, soldiers had no means to determine the propriety of their active duty payments. For example, soldiers with the 948th Forward Surgical Team told us that their inability to access the leave and earnings statements adversely affected their overall morale.

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

of which sources could address which types of problems, and more significantly, the customer service sources themselves often did not know who should correct a specific problem.

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

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

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

Finally, soldiers expressed concern about the treatment they sometimes received while attempting to obtain customer service. Soldiers felt that certain customer service representatives did not treat soldiers requesting assistance with respect. For example, one soldier who attempted to make corrections to his DD Form 214, Certificate of Discharge or Release from

Active Duty, informed us that mobilization station personnel told him that the citations and dates of service he was trying to add “didn’t matter” and that he could fix them later. Additionally, some soldiers told us that while they raised concerns about the quality of customer service they received with respect to their pay inquiries and concerns, they were sometimes ignored. For example, soldiers with Connecticut’s 3423rd Military Intelligence Detachment told us that while they contacted the local Inspector General when they believed that finance personnel at their deployment location had both actively tried to impair the payment of their active duty entitlements and had tried to intimidate and discourage the unit’s soldiers from seeking help elsewhere, they were not aware of any action taken as a result of their concerns. As a result, soldiers with the unit told us they believed they had no recourse but to accept the poor treatment they believed they received.

Automated Systems Deficiencies Constrain Accurate and Timely Payments

Weaknesses in automated systems contributed significantly to the underpayments, overpayments, and late payments we identified. These weaknesses consisted of (1) nonintegrated systems with limited system interfaces and (2) limited processing capabilities within the pay system. The Army and DFAS rely on the same automated pay system to authorize and process active duty payments for Army Reserve soldiers as they use for Army National Guard soldiers. In addition, similar to the Army National Guard, the Army Reserve’s personnel and order-writing systems are not integrated with the pay system. Consequently, many of the systems problems experienced by mobilized Army Reserve soldiers were similar to those that we identified in our report on pay issues associated with mobilized Army National Guard soldiers.¹⁸

Because of the automated systems weaknesses, both Army Reserve and active Army personnel must put forth significant manual effort to accurately process pays and allowances for mobilized Army Reserve soldiers. Moreover, to compensate for the lack of automated controls over the pay process, both DFAS and the Army place substantial reliance on the review of pay reports to identify pay errors after the fact. Part of this reliance includes the expectation that soldiers review their own leave and earnings statements, even though these statements do not always provide clear explanations of all payments made. Finally, because of DJMS-RC’s

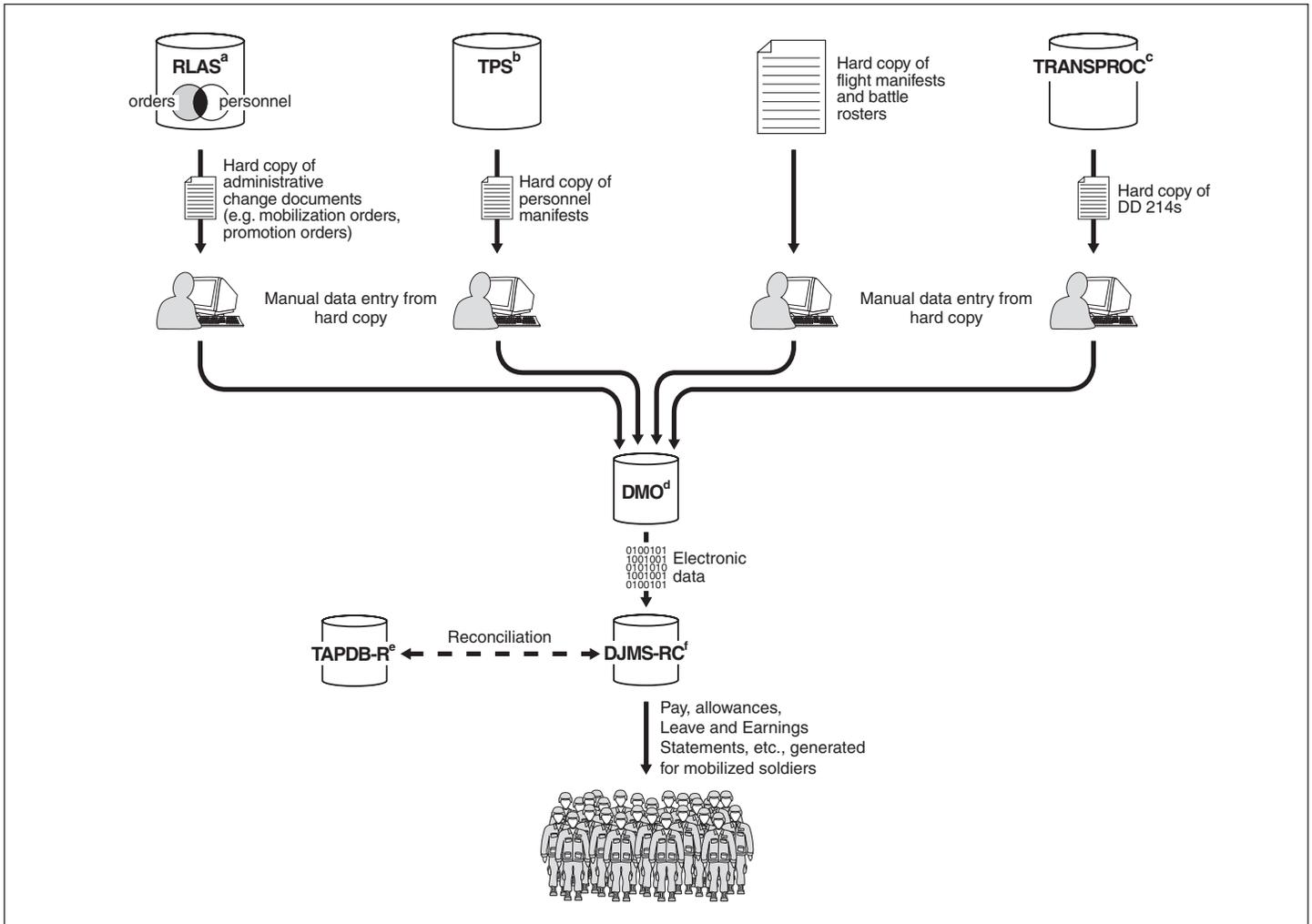
¹⁸GAO-04-89.

limitations, the system cannot simply stop withholding taxes for soldiers in designated combat zone locations. Instead, for these soldiers, the system withholds taxes and then reimburses the soldiers the amount that should not have been withheld at least a month after the soldiers were first entitled to receive this benefit.

Automated Systems Are Not Integrated and Have Limited Interfaces

The key pay and personnel systems involved in authorizing, entering, processing, and paying mobilized Army Reserve soldiers are not integrated and have only limited interfaces. Figure 2 provides an overview of the key systems involved in authorizing, entering, processing, and making active duty payments to mobilized Army Reserve soldiers.

Figure 2: Key Systems Involved in Authorizing, Entering, Processing, and Paying Mobilized Army Reserve Soldiers Are Not Effectively Integrated or Interfaced



Source: GAO.

^aRegional Level Application System (RLAS)

^bTactical Personnel System (TPS)

^cTransition Processing (TRANSPROC) System

^dDefense Military Pay Office (DMO)

^eTotal Army Personnel Database – Reserve (TAPDB-R)

^fDefense Joint Military Pay System – Reserve Component (DJMS-RC)

Lacking either an integrated or effectively interfaced set of personnel and pay systems, DOD must rely on error-prone, manual data entry from the

same source documents into multiple systems. In an effectively integrated system, changes to personnel records automatically update related payroll records from a single source of data input. While not as efficient as an integrated system, an automatic personnel-to-payroll system interface can also reduce errors caused by repetitive manual data entry into more than one system.

Because of the lack of effective integration or interfaces¹⁹ among key personnel and pay systems, pay-affecting data recorded in the personnel system are not automatically updated in the pay system. Therefore, pay-affecting personnel changes recorded in the personnel system must be re-entered into the pay system from hard copies of documents, such as soldiers' mobilization orders. We found numerous instances in which pay-affecting personnel information was not entered promptly into the pay system, resulting in numerous pay errors.

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

A soldier assigned to an Illinois Military Police Company received a mobilization order in December 2002 to report to Fort Dix, New Jersey. Data from her individual mobilization order were entered into DJMS-RC and she began receiving active duty pays and allowances based on the active duty mobilization date shown in her mobilization order. However, her mobilization order was revoked in early January 2003 after she was found to be ineligible for mobilization. But, because of the lack of integration or an effective interface between personnel and pay systems, this order was not automatically processed in DJMS-RC to stop the soldier's active duty pay. Consequently, the soldier was overpaid from December 2002 through May 2004. Overpayments to the soldier totaled over \$24,000.

¹⁹In 1993, we reported the lack of an interface between military personnel and pay systems as a material weakness. In response, a limited interface was implemented in July 1997, which allows certain data in the personnel system, TAPDB-R, to establish and update certain data in the pay system, DJMS-RC, daily. However, this interface was established for only five data fields—soldiers' names, Social Security numbers, soldiers' entry into the Army, soldiers' reassignments, and soldiers' separations from military service. As a result, this limited interface did not incorporate the data elements needed by the payroll system to process payments for soldiers on active duty.

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

Lacking an effective interface between pay and personnel systems, DOD and the Army must rely on after-the-fact detective controls, such as pay and personnel system data reconciliations, to identify and correct pay errors occurring as a result of mismatches between personnel (TAPDB-R) and pay system (DJMS-RC) data. In this regard, the Army Reserve has an automated reconciliation tool—the Participation Management and Reporting Subsystem (PMARS)—to help identify data inconsistencies between pay and personnel systems. Specifically, the Army Reserve uses PMARS to identify mismatches of soldiers accounted for in one system and not in the other, and to compare the systems' information on individual soldiers, such as their ranks and dates of service. However, this tool is not effective in identifying soldiers that are being paid for active duty while in inactive status because TAPDB-R currently does not capture and maintain this information.

Although TAPDB-R maintains a “deployability” code, this code does not necessarily indicate whether or not a soldier is on active duty. If TAPDB-R included a code that specifically identified soldiers on active duty, then the PMARS comparison of TAPDB-R data with DJMS-RC data could help identify those soldiers improperly receiving active duty pay.

Limited Automated Processing Capabilities

DJMS-RC was not designed to pay Army Reserve soldiers for active duty tours longer than 30 days. According to DOD officials, requiring DJMS-RC to process various types of pays and allowances for active duty tours that exceed 30 days has stretched the system's automated processing capabilities to the limit. Because of the system's limitations, the Army and DFAS were required to make repetitive manual inputs for certain active duty pays, such as hardship duty pay. We found many instances in which these manual inputs resulted in payment errors. Moreover, because of the way in which hardship duty pay was processed, mobilized Army Reserve soldiers could not always determine whether they received all of their

entitled pays and allowances. In addition, under current processing limitations, DJMS-RC does not process a required tax exclusion promptly for soldiers in a combat zone, which has resulted in late payments of this benefit for all entitled Army Reserve soldiers.

Hardship Duty Pay

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

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

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

The DJMS-RC system processing limitation that led to using the systems' miscellaneous code to process hardship duty pay, also contributed to overpayments of this active duty pay. That is, finance personnel mistakenly continued to manually enter transactions to process hardship duty pay to

soldiers beyond soldiers' end of active tour dates because DFAS had no way of implementing a system edit that could identify and stop erroneous hardship duty pay while permitting other types of transactions processed using this code to continue.

Similarly, no edit was in place to prevent duplicate payments of hardship duty pay. As a result, hardship duty pay could be entered more than once for a soldier in a given month without detection. From our case studies, we identified three soldiers who each received two hardship duty payments for one month. None of these duplicate payments was identified or collected until we submitted inquiries about these soldiers' payments to the Reserve Pay Center. In addition, we were told that soldiers had difficulty determining that they received duplicate hardship duty payments because this type of payment was not clearly identified on their leave and earnings statement.

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

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

Combat Zone Tax Exclusion

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

active service in a designated combat zone area.²⁰ For any applicable month, this benefit applies to the entire month, rather than being prorated based on the number of days the soldier was in the combat zone.

However, because DJMS-RC was designed as a pay system for inactive Army Reserve soldiers, it does not have the processing capability to suspend withholding of federal and state income taxes applicable to pay that is ordinarily taxable. Instead, as a workaround procedure to compensate for this limitation, the system first improperly withholds taxes applicable to payments made while soldiers are in a combat zone, then later reimburses soldiers for these withheld amounts in the following month. For example, when an Army Reserve soldier is assigned to a location where he is entitled to receive tax-free active duty pays, DJMS-RC (improperly) withholds taxes from at least the soldier's first one or two active duty payments. Subsequently, during the first pay cycle of the following month, DJMS-RC reimburses the soldier for the amount of taxes improperly withheld during the previous month. As a result of this workaround process, all Army Reserve soldiers who served in a combat zone received their combat zone tax exclusion benefit at least one month late.

DJMS-RC processing limitations cause further delays in soldiers' receipt of entitled combat zone tax benefits when soldiers arrived in a combat zone after the midmonth cutoff, which is approximately on the 7th day of each month. In these cases, entitlement to the tax exclusion is not recognized until the following month, which then delays the soldier's receipt of his combat zone tax benefit until the next month—the third month the soldier is deployed in the combat zone. For example, members of the 824th Quartermaster Company that deployed to Afghanistan arrived in country on July 14, 2003, but did not receive their first combat zone tax exclusion reimbursements until early October, almost 3 months after they became eligible for the exclusion.

Recent Actions Should Result in Improvements

DOD and the Army have reported a number of relatively recent positive actions with respect to processes, human capital practices, and automated systems that, if implemented as reported, should improve the accuracy and timeliness of active duty pays, allowances, and related tax benefits

²⁰26 U.S.C. Section 112.

provided to mobilized Army Reserve soldiers. The accuracy and timeliness of payments to mobilized Army Reserve soldiers rely on many of the same processes and automated systems used for payments to mobilized Army National Guard soldiers. Consequently, actions to improve the accuracy and timeliness of Army Reserve soldier payments are closely tied to actions taken in response to several of the recommendations in our November 2003 Army National Guard pay report.²¹

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

With respect to the process deficiencies and related recommendations, DOD reported implementing additional procedural guidance intended to help minimize the pay problems attributable to nonstandard or unclear procedures. For example, in June 2004, the Army issued a comprehensive "Finance Mobilization and Demobilization Standing Operating Procedure." This guidance clarified pay management responsibilities and transaction processing requirements to be followed for all Army Reserve and Army National Guard soldiers mobilized to active duty. One of the purposes of this guidance is to eliminate any questions regarding which DOD entity is responsible for resolving a soldier's pay issues or questions. Further, as of January 2004, DOD reported establishing a new procedure under which DFAS assumed responsibility (from the Army finance offices located in various overseas locations) for all monthly manual entry of mobilized Army Reserve and Army National Guard soldiers' location-based hardship duty pay.

DOD also reported completing several actions related to our previous recommendations to improve the human capital practices related to payments to mobilized Army soldiers. For example, the Army reported that it had taken action to provide additional training for Army finance personnel at overseas finance locations, mobilization and demobilization

²¹GAO-04-89.

stations, and for those Army finance personnel scheduled for deployment. This training is directed at better ensuring that these personnel are adequately trained on existing and new pay eligibility and pay processing requirements for mobilized Army National Guard and Army Reserve soldiers. DOD also reported establishing a new policy in January 2004 directed at more clearly affixing responsibility for addressing soldiers' pay problems or inquiries. Under this new policy, the Army National Guard established a pay ombudsman to serve as the single focal point for ensuring coordinated, prompt customer service on all Army National Guard soldiers' pay problems. Thus far, DOD's reported actions have not yet addressed, and consequently we are reiterating, our previous human capital recommendations with respect to (1) requiring unit commanders to receive training on the importance of adhering to requirements to carry out monthly pay management responsibilities, and (2) modifying existing training policies and procedures to require active Army pay and finance personnel who are responsible for entering pay transactions for mobilized reserve component soldiers to receive appropriate training upon assuming such duties.

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

However, DOD has not yet fully addressed, and consequently we are reiterating two of our previous recommendations directed at interim automated system improvements and one of our longer-term system improvement recommendations. Specifically, we are reiterating previous interim recommendations related to evaluating the feasibility of (1) using the personnel-to-pay interface as a means to proactively alert pay

personnel of actions needed to start active duty pays and allowances and (2) establishing an edit check and requiring approval before processing any payments above a specified dollar amount.

DOD has a major system enhancement effort under way in this area—the Defense Integrated Military Human Resources System (DIMHRS). As an interim measure, DOD is now pursuing Forward Compatible Payroll (FCP). FCP is intended to replace payroll systems now used to pay Army military personnel and help eliminate several of the labor-intensive, error-prone workarounds necessitated by current DJMS-RC processing limitations. As of May 2004, FCP was expected to be operational for all Army Reserve soldiers by March 2005.

We are also reiterating our previous longer term recommendation with respect to taking action to ensure that DIMHRS and related efforts include a complete reengineering of not only the related automated systems, but the supporting processes and human capital practices used to pay mobilized Army Reserve soldiers as well. Such fundamental reengineering is necessary because, as discussed in the preceding sections, many of the pay problems we found were associated with procedural and human capital practice issues, as well as nonintegrated automated systems that extend beyond existing pay system processing limitations.

Conclusions

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

Strengthening existing processes, human capital practices, and automated systems is critical to preventing, or at minimum, promptly detecting and correcting, the errors we identified. In this regard, DOD and the Army have reported a number of relatively recent positive actions intended to improve the accuracy and timeliness of active duty pays, allowances, and related tax

benefits provided to mobilized Army Reserve soldiers. DOD's completed and planned near-term actions, if implemented as reported, should reduce the number of pay problems. However, mobilized Army Reserve soldiers cannot be reasonably assured of accurate and timely active duty pays, allowances, and related tax benefits until DOD completes a reengineering of all the processes, human capital practices, and automated systems supporting this critical area.

Fully and effectively addressing Army Reserve soldiers' pay problems will require priority attention and sustained, concerted, coordinated efforts by DFAS, the Army, and the Army Reserve to build on actions taken and planned. For these reasons, we are reaffirming two of our previous human capital-related recommendations and three of our previous automated systems-related recommendations from our November 2003 report on payments to mobilized Army National Guard soldiers. However, we are also offering 15 additional recommendations identified as a result of our audit of mobilized Army Reserve soldiers' pay experiences.

Recommendations for Executive Action

We recommend that the Secretary of the Army, in conjunction with the Under Secretary of Defense (Comptroller), take the following 15 actions to address the issues we found with respect to the existing processes, personnel (human capital), and automated systems relied on to pay activated Army Reserve soldiers.

Process:

- Establish procedures for unit commanders and unit administrators, or other designated officials (for soldiers transferred between units), to reconcile the names of Army Reserve soldiers receiving active duty pay with the names of Army Reserve soldiers reporting for duty at mobilization stations.
- Establish procedures for unit commanders and unit administrators, or other designated officials, to provide the names and arrival dates for all soldiers entering and exiting in-theater locations to a designated area servicing finance office to facilitate accurate and timely payment of in-theater location-based active duty pays, allowances, and related tax benefits.

-
- Establish procedures to provide demobilization stations with a list of soldiers returning from overseas that are scheduled to arrive at the demobilization station for outprocessing.
 - Establish procedures to reconcile the names of Army Reserve soldiers who recently demobilized with the names of Army Reserve soldiers still receiving mobilization pay and take appropriate action to resolve any identified pay issues.
 - Clarify policy concerning “thorough” review of soldiers’ pay records upon initial mobilization to specify that finance personnel at Army mobilization stations must conduct a one-on-one review of online pay records for each mobilized soldier.
 - Establish procedures to ensure unit commanders and unit administrators, or other designated officials, have online access to pay management reports, such as the Unit Commander’s Pay Management Report, particularly for mobilized units.
 - Clarify DJMS-RC procedures to specifically require unit commanders, unit administrators, or other designated officials to review and reconcile key pay and personnel data every month, including personnel records, with the monthly Unit Commander’s Pay Management Report, for all mobilized Army Reserve soldiers.
 - Clarify and simplify procedures and forms implementing the family separation allowance entitlement policy, particularly with respect to the 30-day waiting period and commuting distance criteria.

Human Capital:

- Take appropriate action to address the issues of inadequate resources provided to carry out key unit administrator pay management responsibilities identified at our case study units, particularly with respect to (1) vacancies in unit administrator positions resulting from the requirement for dual status unit administrators and (2) lack of pay management support for Army Reserve soldiers transferred between units.
- Determine whether issues of inadequate resources identified at our case study units apply to other mobilized Army Reserve units and soldiers, and if so, take appropriate action to address any deficiencies identified.

-
- Evaluate the feasibility of establishing an ombudsman to serve as the single focal point and have overall coordination responsibility and visibility to ensure that all Army Reserve soldiers' problems and inquiries with respect to applicable active duty pays, allowances, and related combat zone tax exclusion benefits are promptly and fully resolved.

Systems:

Interim Improvements to Current Automated Systems

- Evaluate the feasibility of modifying the deployability code or adding a duty status code in TAPDB-R that can be compared with the pay status code field in DJMS-RC to assist in identifying pay errors resulting from discrepancies between the soldiers' duty status and pay status.
- Evaluate the feasibility of modifying DJMS-RC to suspend withholding taxes from soldiers when they serve in designated tax-exempt combat zones.
- Evaluate the feasibility of establishing a system edit to prevent DJMS-RC from generating payments for active duty service to soldiers after their date of demobilization from active duty.

Longer-Term Systems Action:

- Address the deficiencies noted in this report as part of the functional requirements for the FCP and DIMHRS system development efforts currently under way.

Agency Comments and our Evaluation

In its written comments, DOD concurred with our recommendations and stated its actions to address the identified deficiencies. Specifically, DOD's response outlined some actions already taken, others that are under way, and further planned actions with respect to our recommendations. If effectively implemented, these actions should substantially resolve the deficiencies pointed out in our report. DOD's comments are reprinted in appendix X.

As agreed with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its date. At that time, we will send copies of the report to interested congressional committees. We will also send copies of this report to the Secretary of Defense; the Under Secretary of Defense (Comptroller); the Secretary of the Army; the Director of the Defense Finance and Accounting Service; and the U.S. Army Reserve Command. 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 staffs have any questions regarding this report, please contact me at (202) 512-9095 or kutzg@gao.gov or Geoffrey Frank, Assistant Director, at (202) 512-9518 or frankg@gao.gov.

A handwritten signature in black ink that reads "Gregory D. Kutz". The signature is written in a cursive style with a large, stylized initial 'G'.

Gregory D. Kutz
Director, Financial Management and Assurance

List of Congressional Requesters

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

The Honorable Christopher Shays
Chairman
Subcommittee on National Security,
Emerging Threats, and International Relations
Committee on Government Reform
House of Representatives

The Honorable Todd Platts
Chairman
Subcommittee on Government Efficiency
and Financial Management
Committee on Government Reform
House of Representatives

The Honorable Ed Schrock
House of Representatives

Scope and Methodology

To obtain an understanding and assess the processes, personnel (human capital), and systems used to provide assurance that mobilized Army Reserve soldiers were paid accurately and on time, we reviewed applicable laws, policies, procedures, and program guidance; observed pay processing operations; and interviewed cognizant agency officials. The key laws, policies, and procedures, we obtained and reviewed included

- 10 U.S.C. Section 12302;
- DOD Directive Number 1235.10, “Activation, Mobilization & Demobilization of the Ready Reserve;”
- DOD FMR, Volume 7A, “Military Pay Policy and Procedures Active Duty and Reserve Pay;”
- USARC Regulation 37-1, “Financial Administration: USAR Financial Management and USAR Support;”
- USARC Pamphlet 37-1, “Defense Joint Military Pay System – Reserve Component (DJMS-RC) Procedures Manual;”
- Army Regulation 600-8-101, “Personnel Processing (In-, Out-, Soldier Readiness, Mobilization, and Deployment Processing);”
- the Army’s Consolidated Personnel Policy Guidance for Operations Noble Eagle and Enduring Freedom, September 2002; and
- Army Forces Command Regulations
 - 500-3-3, Reserve Component Unit Commander’s Handbook;
 - 500-3-4, Installation Commander’s Handbook; and
 - 500-3-5, Demobilization Plan.

We also reviewed various Under Secretary of Defense memorandums, a memorandum of agreement between Army and DFAS, and DFAS, Army, Army Forces Command, and Army Reserve Command guidance applicable to pay for mobilized reserve component soldiers. We also used the internal

control standards provided in the *Standards for Internal Control in the Federal Government*.¹

We applied the policies and procedures prescribed in these documents to the observed and documented procedures and practices followed by the various DOD components involved in providing active duty pay to Army Reserve soldiers. We also interviewed officials from USARC, RRCs, Army Reserve Regional Readiness Commands, Army Central Command, Army and DOD military pay and personnel offices, Army Finance Command, DFAS, and unit commanders and unit administrators to obtain an understanding of their experiences in applying these policies and procedures. From these interviews, we also obtained information on examples of recent mobilized Army Reserve pay problems they encountered in the course of their work.

In addition, as part of our audit, we performed a review of selected edit and validation checks in DJMS-RC. Specifically, we obtained documentation and performed walk-throughs associated with DJMS-RC edits performed on pay status/active duty change transactions, such as those to ensure that tour start and stop dates matched MMPA dates and that the soldier cannot be paid basic pay and allowances beyond the stop date that was entered into DJMS-RC. We also obtained documentation on and performed walk-throughs of the recently implemented personnel-to-pay system interface process, the order writing-to-pay system interface process, and on the process for entering mobilization information into the pay system. We did not independently test DOD's reported edit and validation checks in DJMS-RC, but we held interviews with officials from U.S. Army Reserve Headquarters, Army Finance Command, and DFAS-Indianapolis to supplement our documentation and walk-throughs.

Because our preliminary assessment determined that current operations used to pay mobilized Army Reserve soldiers relied extensively on error-prone manual entry of transactions into multiple, nonintegrated systems, we did not statistically test current processes and controls. Instead, we used a case study approach to provide a more detailed perspective of the nature of any deficiencies in the three key areas of processes, people

¹GAO, *Standards for Internal Control in The Federal Government*, GAO/AIMD-00-21.3.1 (Washington D.C.: November 1999). These standards provide the overall framework for establishing and maintaining effective internal control and for identifying and addressing areas of greatest risk of fraud, waste, abuse, and mismanagement.

(human capital), and automated systems relied on to pay mobilized Army Reserve soldiers. Specifically, we gathered available data and analyzed the pay experiences of Army Reserve soldiers mobilized to and demobilized from active duty in support of Operations Noble Eagle, Enduring Freedom, and Iraqi Freedom during the period from August 2002 through January 2004. We audited the pay experiences of soldiers in the following eight Army Reserve units as case studies of the effectiveness of the processes, human capital practices, and automated systems in place over active duty pays, allowances, and related tax benefits:

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

From the population of Army Reserve units mobilized and demobilized between August 2002 and January 2004, we selected units from various specialties that represented the wide variety of missions performed by the Army Reserve during wartime. These case studies are presented to provide a more detailed view of the types and causes of any pay problems experienced by these units as well as the financial impact of pay problems on individual soldiers and their families.

We used mobilization data supplied by the Army Reserve Headquarters Operations Center to assist us in selecting the eight units we used as our case studies. We did not independently verify the reliability of the Operations Center database. We used the data to select RRCs that had a large number of activated Reserve units that had mobilized, deployed, and returned from their tour of active duty in support of Operations Noble Eagle, Enduring Freedom, and Iraqi Freedom. From the list of units assigned to these Readiness Commands, we selected our eight case studies

that had a variety of deployment locations and missions, including both overseas and continental U.S. deployments. In addition to our case studies, during our visits to Army mobilization locations, we interviewed small numbers of soldiers currently in the process of returning from active duty to obtain their perspectives on their experiences with active duty pays, allowances, and related tax benefits.

We also obtained testimonial data from soldiers at several of our case study units. We asked numerous soldiers at these units to discuss pay-related experiences during their deployment. The information we obtained during these interviews is presented to provide further insight into the pay experiences of Army Reserve soldiers who were mobilized under current military operations, but is not intended to be representative of the views of all soldiers in their units nor of those of Army Reserve soldiers overall.

We used DJMS-RC pay transaction extracts for the period from August 2002 through January 2004 to identify pay problems associated with our case study units. However, we did not perform an exact calculation of the net pay soldiers should have received in comparison with what DJMS-RC records show they received. Rather, we used available documentation and follow-up inquiries with cognizant personnel at the Army Reserve Command, Regional Readiness Commands, and the Reserve Pay Center at Fort McCoy, Wisconsin, to determine if (1) soldiers' entitled active duty pay and allowances were received within 30 days of their initial mobilization date, (2) soldiers were paid within 30 days of the date they became eligible for active duty pay, allowances, and entitlements associated with their deployment locations, and (3) soldiers stopped receiving active duty pay and allowances as of the date of their demobilization from active duty. For the pay problems we identified, we counted them as problems only in the phase (mobilization, deployment, and demobilization) in which they first occurred even if the problems persisted into other phases. For purposes of characterizing pay and allowance problems for this report, we defined overpayments and underpayments as those that were in excess of (overpayment) or less than (underpayment) the entitled payment. We considered as late payments any active duty pay or allowance paid to the soldier over 30 days after the date on which the soldier was entitled to receive such payments. As such, these payments were those that, although late, addressed a previously unpaid entitlement. We used available data through February 2004, as well as dollar amounts reported by Reserve Pay Center officials, to determine collections against identified overpayments through February 2004. In addition, while we did not attempt to calculate the exact impact of any soldier's over-, under-, and late payments on their

combat zone tax exclusion benefits, we did examine readily available data to determine the extent to which our case study unit soldiers' received their entitled combat zone tax exclusion benefits.

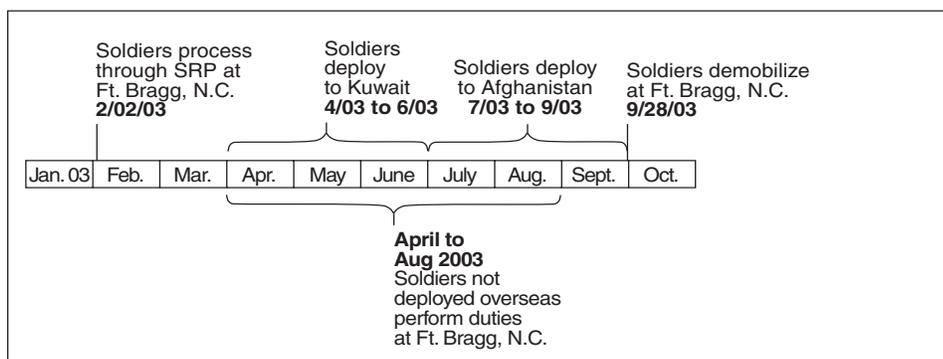
Our audit results only reflect problems we identified. Soldiers in our case study units may have experienced additional pay problems that we did not identify. Further, our work was not designed to identify, and we did not identify, any fraudulent pay and allowances to any mobilized Army Reserve soldiers. However, to the extent we identified any problems with our case study unit soldiers' active duty pays, allowances, tax benefits, and related collections, we provided documentation showing the results of our analysis to appropriate Army Reserve officials for a complete review of all soldier pay records to determine whether, and take appropriate action if, additional amounts are owed to the Army Reserve soldiers or to the government.

We briefed officials of the DOD Comptroller, Army Finance Command, Army Reserve Command, Army Reserve Regional Readiness Commands, Army Forces Command, and DFAS-Indianapolis on the details of our audit, including our findings and their implications. On July 9, 2004, we requested comments on a draft of this report. We received comments on August 11, 2004, from the Under Secretary of Defense (Comptroller) and have summarized those comments in the section of this report entitled "Agency Comments and Our Evaluation." DOD's comments are reprinted in appendix X. We conducted our audit from November 2003 through June 2004 in accordance with U.S. generally accepted government auditing standards.

824th Quartermaster Company, Fort Bragg, North Carolina

Beginning on February 2, 2003, the 824th Quartermaster Company was called to active duty for up to a year in support of Operation Enduring Freedom. A total of 68 soldiers from the 824th Quartermaster Company mobilized at Fort Bragg, North Carolina, and went through in-processing at Fort Bragg’s mobilization station in the first few weeks of February. Over the next several months, members of the unit performed their mission of rigging parachutes for individual soldiers and large equipment drops at Fort Bragg, in Afghanistan, and in and around Kuwait. On April 6, 2003, 44 members of the 824th Quartermaster Company deployed to Kuwait to assist in parachute preparations. After completing their mission, the soldiers returned to Fort Bragg 2 months later on June 19. Another 5 soldiers from the unit deployed to Afghanistan on July 14 and performed similar parachute rigging duties, returning to Fort Bragg on September 1, 2003. The other 19 soldiers in the unit remained at Fort Bragg for the entire duration of their tour of duty where they assisted in parachute rigging at the base. Beginning on July 15, 2003, soldiers in the 824th Quartermaster Company began to demobilize and return to their civilian jobs, and by the end of September 2003, all but one soldier had been released from active duty. The soldier that remained on active duty was receiving medical treatment for injuries related to his military service. A time line of actions associated with the unit’s active duty mobilization is shown in figure 3.

Figure 3: 824th Quartermaster Company’s Mobilization Time Line



Source: GAO.

As summarized in table 4, at every stage of the unit’s tour of active duty, soldiers experienced a variety of pay problems. Fifty-eight of the 68 soldiers in the 824th Quartermaster Company experienced at least one pay problem associated with their activation to, during, or deactivation from

active duty in support of Operation Enduring Freedom. Specifically, (1) we found that 11 soldiers experienced underpayments, overpayments, or late payments during their initial mobilization; (2) 50 soldiers experienced underpayments, overpayments, or late payments during their tour of active duty at Fort Bragg, in Afghanistan, and in and around Kuwait, including in-theater incentives such as hostile fire pay; and (3) 13 soldiers experienced underpayments, overpayments, and/or late payments associated with their demobilization, with most of the problems relating to the continuation of active duty pay after demobilization.

Table 4: Pay Problems by Phase

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

Source: GAO analysis.

Note: Soldiers may have experienced pay problems in more than one phase.

The dollar amounts associated with overpayments, underpayments, and late payments we identified were approximately \$60,000, \$10,000, and \$3,000, respectively. Of the overpayments we identified, about \$2,000 was subsequently collected from the unit's soldiers. Almost \$18,000 of the overpayments we identified was associated with one soldier, who continued to receive active duty pay for more than 5 months after his discharge from the Army.

Mobilization Pay Problems

As summarized in table 5, we found that 11 soldiers from the 824th Quartermaster Company experienced underpayments, overpayments, or late payments related to basic pay and associated entitlements when called to active duty. For example, we identified several soldiers who received their \$250 per month family separation allowance even though they performed their military duty at Fort Bragg, their home station, and were not separated from their families as provided by the DOD FMR Volume 7A. The soldiers were not informed by pay technicians at the unit or their mobilization station that they were not entitled to the family separation allowance if their home of record was within a reasonable commuting distance, generally 50 miles, even though the soldiers were staying at Fort Bragg.

Table 5: Mobilization Pay Problems

Type of pay or allowance	Number of soldiers who did not receive pay or allowance within 30 days of entitlement	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Family separation allowance	1	0	9
Basic allowance for housing	0	0	1
Jump pay	0	1	0

Source: GAO analysis.

Note: Soldiers may have experienced problems with more than one type of pay or allowance.

Prior to being mobilized, the soldiers in the 824th Quartermaster Company attended a SRP at their unit’s home station. The purpose of this review was to ensure that all soldiers had all required administrative paperwork, financial documents, and were physically fit for the ensuing mobilization. Members of the 81st Regional Readiness Command and unit members of the 824th Quartermaster Company, who conducted the finance portion of the SRP, were required to verify the soldiers’ supporting financial documentation, and, if necessary, submit transactions with the necessary supporting documentation to the Reserve Pay Center at Fort McCoy to update the soldiers’ Master Military Pay Accounts to reflect their mobilized status. After performing the SRP at the unit’s home station, the 824th Quartermaster Company reported to Fort Bragg, its active Army mobilization station. Fort Bragg personnel conducted a second SRP that was intended, in part, to verify each soldier’s pay account with supporting finance documents. However, instead of conducting the required review of each soldier’s pay record, Fort Bragg’s finance personnel performed only a perfunctory review of the soldiers’ supporting documents. According to finance personnel at Fort Bragg’s mobilization station, the physical layout of the in-processing station did not allow them to sit with each soldier “one on one” to compare their pay account as shown in DJMS-RC with the soldier’s pay supporting documentation in real time.

The perfunctory review and oversights during the SRPs at the home station and mobilization station allowed several soldiers to receive FSA when they were not entitled to receive it. A review by personnel at the SRP should have identified that the soldiers were not separated from their families as required, and therefore they would not have signed off as approvers of the

entitlement forms. A lack of adequately trained staff with enough time to review the unit's pay forms may have caused this pay error.

Missing or noncurrent documentation required to support active duty pays and allowances at the time of the SRP contributed to some of the late pays and allowance payments we identified. For example, one soldier did not receive family separation allowance payments because documentation necessary to start this allowance was not submitted as part of the SRP process, although the soldier was certified as ready for mobilization as a result of the SRP. It was 6 months later, when the soldiers were demobilizing at Fort Bragg, that the paperwork necessary to receive this allowance was submitted to the Fort Bragg finance office. This soldier received about 6 months of back pay in September 2003.

Pay Problems While Deployed

As summarized in table 6, we identified a number of problems associated with the unit's active duty pays and allowances.

Table 6: Deployment Pay Problems

Type of pay or allowance	Number of soldiers who did not receive pay or allowance within 30 days of entitlement	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Basic pay	2	0	0
Family separation allowance	1	1	0
Basic allowance for housing	1	1	0
Hostile fire pay	5	5	44
Hardship duty pay	0	49	47

Source: GAO analysis.

Note: Soldiers may have experienced problems with more than one type of pay or allowance.

During the soldiers' deployment to Afghanistan and Kuwait, they encountered pay problems related to payments for soldiers located in designated hardship duty locations and hostile fire zones. Most soldiers did not receive the full amount of hardship duty pay payments while deployed. In addition, they continued to receive their hardship duty pay well after

they had returned to Fort Bragg and demobilized. All 49 soldiers deployed overseas were incorrectly paid for either hardship duty or hostile fire pay.

Army area servicing finance officials, who had responsibility for initiating these entitlements, did not initiate the unit's hardship duty pay payments until several months after the unit had arrived. The delay resulted in the deployed soldiers being underpaid for most of their time in the hardship duty location.

Local active Army finance officials also did not terminate payments of hardship duty pay until 5 months after the soldiers had left the hardship duty pay location, in most cases. This erroneous continuation of hardship duty payments may have been the result of pay clerks continuing to manually process these payments each month using a roster of soldiers in the country that did not properly reflect the unit's departure from the overseas deployment location. In addition, the DJMS-RC system processing procedures in place at the time required that hardship duty pay be processed using a miscellaneous payment code that could be used for a variety of payments. The use of this miscellaneous code for hardship duty pay precluded the system from identifying the payments as active duty pay and therefore allowed these payments to continue after the soldiers were demobilized. The use of the miscellaneous payment code also led to soldier confusion because the Leave and Earning Statement did not identify the nature of the entitlement.

In addition, soldiers who deployed to Afghanistan told us that in some cases, they had trouble finding in-theater finance officers willing to help them with their pay problems. The soldiers stated that when they arrived in Afghanistan, the finance office on duty at the time was preparing to return to the United States because its tour in the country was ending. Several weeks passed before the transition of finance offices was complete, and in that time the Reserve soldiers did not have any local support that would assist them with finance problems. This gap in a functioning supporting finance office for the deployed soldiers could only have added to their frustration and confusion over in-theater pays.

In addition to the problems soldiers experienced related to their pay and entitlements, they also experienced systematic problems related to their combat zone tax exclusion benefits. All 49 of the soldiers from the 824th Quartermaster Company who deployed overseas were eligible for this tax benefit and all of them experienced some type of problem with their combat zone tax exclusion. Specifically, we found that all 49 soldiers

received their combat zone tax exclusion late, totaling about \$20,000. Five soldiers did not receive all of the combat zone tax exclusion benefits they were due during their deployment. Moreover, the soldiers who deployed to Afghanistan did not have the combat zone tax exclusion applied to their pay until nearly 3 months after they arrived in the country, and never received their combat zone tax exclusion benefit for September 2003. The error for the month of September caused over \$1,300 of extra taxes to be collected from these soldiers while in a combat zone.

Pay Problems Associated with Demobilization and Release from Active Duty

Soldiers of the 824th Quartermaster Company began to demobilize in July 2003. As summarized in table 7, during their demobilization and after their release from active duty, soldiers continued to experience pay problems. These problems were primarily overpayments associated with soldiers receiving pay after their active duty demobilization dates.

Table 7: Demobilization Pay Problems

Type of pay or allowance	Number of soldiers who were overpaid
Basic pay	6
Basic allowance for subsistence	6
Basic allowance for housing	6
Family separation allowance	9
Jump pay	6

Source: GAO analysis.

The largest pay problem related to the 824th Quartermaster Company's demobilization involved a soldier who was put into a medical hold company. The soldier initially mobilized with the unit in February, and was in-processed by personnel at Fort Bragg. During the in-processing, it was determined that the soldier had a medical condition that did not allow him to mobilize with the unit and perform his duty. He was then transferred to a medical holding company under the command of the Fort Bragg Garrison Support Unit. In this unit, the soldier underwent treatment for his condition and concluded that treatment in August 2003. On August 13, 2003, the soldier was discharged entirely from the Army and his pay should have stopped on that date. According to DFAS guidance, several locations can initiate transactions to stop a soldier's pay. The primary location is the demobilization station where the soldier receives his or her DD Form 214,

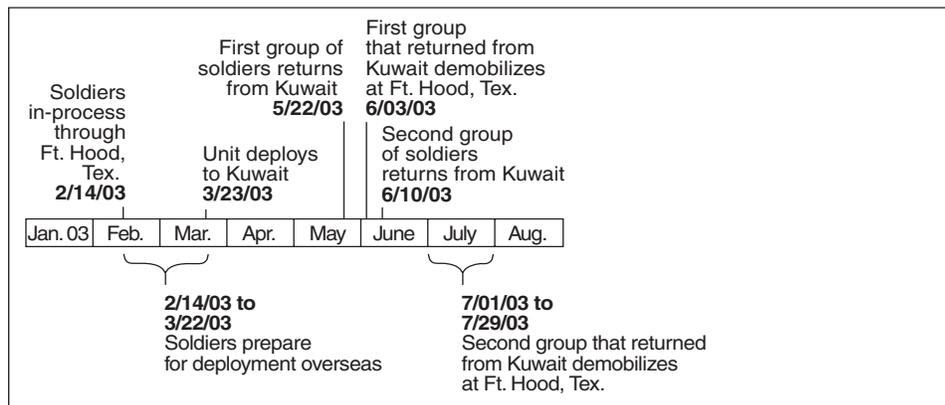
Certificate of Discharge or Release from Active Duty. As a secondary catch, the Reserve Pay Center at Fort McCoy can also stop the soldier's pay on his or her release date.

Although the soldier did out-process through Fort Bragg and received his DD Form 214, personnel at the demobilization station at Fort Bragg did not amend the soldier's pay record to cut off pay on August 13. The unit also did not take any action to stop the soldier's pay because the soldier should have been off of its pay records and in the pay records of the medical hold company. This had not been done and the result was that the medical hold company could not view the soldier's pay records but knew he was discharged. Meanwhile, the unit could view the pay records but, under current procedures, did not receive a copy of the DD Form 214 showing the soldier had been discharged. Ultimately, the soldier's pay and allowances were stopped only as a result of actions we took. Specifically, in August 2003, the soldier contacted his old unit, the 824th Quartermaster Company, and faxed them a copy of his DD Form 214. At this point the unit had all necessary documentation to identify the overpayment to the soldier after his discharge date of August 13, but did not review the pay records and identify the problem. The soldier continued to get paid until the end of January 2004 when we identified the error, which resulted in an overpayment of almost \$18,000. Finally, after we brought the error to the unit's attention, the unit requested that the Reserve Pay Center at Fort McCoy stop the soldier's pay and initiate collection.

965th Dental Company Seagoville, Texas

On February 9, 2003, the 965th Dental Company¹ was called to active duty in support of Operation Enduring Freedom for an initial 1-year tour.² The unit mobilized at its home station, Seagoville, Texas, on February 11, 2003, and reported for active duty at Fort Hood, Texas, on February 14, 2003. On March 23, 2003, the 965th Dental Company deployed to Camp Arifjan, Kuwait, to provide dental services to Army soldiers involved in military operations in Iraq and surrounding areas. Upon completion of its mission, the company redeployed from Kuwait to Fort Hood in two separate groups; the first group returned on May 22, 2003, and the second on June 10, 2003. Within a few days of returning to Fort Hood, soldiers were sent home and following end-of-tour leave were discharged from active duty. By the end of July 2003, all but three soldiers had been released from active duty. Two soldiers remained on active duty because they were still receiving medical treatment for injuries sustained during their deployment and one was still deployed overseas at the time of our review.³ A time line of actions associated with the unit's active duty mobilization is shown in figure 4.

Figure 4: 965th Dental Company's Mobilization Time Line



Source: GAO.

¹The 965th Medical Company Dental Area Support is referred to as the 965th Dental Company in this report.

²The 965th Dental Company is a subordinate unit of the 807th Medical Command, which is the Army's III Corps medical brigade.

³The two soldiers were still on medical hold at the time of our review.

As summarized in table 8, soldiers of the 965th Dental Company experienced various pay problems at every stage of the unit's tour of active duty. Overall, 89 of 93 mobilized soldiers experienced some type of pay problem associated with their activation to, during, or deactivation from, active duty in support of Operation Enduring Freedom. Specifically, 25 soldiers experienced underpayments, overpayments, or late payments associated with their initial mobilization; 86 experienced underpayments, overpayments, or late payments during their deployment to areas in and around Kuwait, including in-theater incentives such as hostile fire pay and hardship duty pay; and 7 soldiers experienced underpayments or overpayments associated with their demobilization, including problems related to the continuation of active duty pay after demobilization. One soldier received \$36,000 of active duty pay even though he never mobilized with the unit. Another soldier incorrectly received hostile fire pay, hardship duty pay, the family separation allowance, and the combat zone tax exclusion benefit following his return home to recuperate from injuries sustained overseas.

Table 8: Pay Problems by Phase

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

Source: GAO analysis.

Note: Soldier may have experienced pay problems in more than one phase.

The dollar amounts associated with overpayments, underpayments, and late payments we identified were approximately \$100,000, \$16,000, and \$27,000, respectively. Of the overpayments we identified, about \$400 was subsequently collected from the soldiers prior to the time we started our audit.

Mobilization Pay Problems

As summarized in table 9, we found that 25 soldiers from the 965th Dental Company experienced underpayments, overpayments, or late payments related to basic pay and associated entitlements during mobilization processing.

Table 9: Mobilization Pay Problems

Type of pay or allowance	Number of soldiers who did not receive pay or allowance within 30 days of entitlement	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Basic pay	8	0	3
Family separation allowance	8	2	0
Basic allowance for housing	6	2	6
Basic allowance for subsistence	2	0	3
Special dental pay	1	1	0

Source: GAO analysis.

Note: Soldiers may have experienced problems with more than one type of pay or allowance.

The unit administrator conducted a premobilization SRP review during October 2002 at the unit's home station. However, according to the unit administrator, about 30 to 40 soldiers did not attend the SRP session because the soldiers would have had to travel from distant locations, such as Albuquerque, New Mexico, where they typically attended Army Reserve inactive duty training, or for other reasons. Thus, when these soldiers arrived at the unit's home station prior to reporting to Fort Hood, the unit administrator quickly performed the SRP process for them at that time. However, instead of submitting necessary changes to soldiers' pay accounts to the Reserve Pay Center, the unit administrator waited until the unit arrived at the Fort Hood mobilization station to submit them. According to documentation obtained from the Reserve Pay Center, some soldiers' documentation was not submitted until March 22, 2003, a month after the unit was mobilized. As a result, promotion pay increases and other entitlements were paid over 2 months late. For 3 soldiers, correct entitlements were not received until the soldiers returned from their overseas tour.

Delays in submitting required forms and documentation were the primary causes for late pay and entitlements. Also, three soldiers were overpaid pay and benefits because their active duty pay was started too early. These minor overpayments were collected from the soldiers' pay during demobilization out-processing. One soldier received double the amount of basic allowance for housing, for an estimated overpayment of \$6,600. In

addition, the process of paying soldiers their family separation allowance was not consistently applied for the soldiers of the 965th Dental Company. For example, a soldier from Gulfport, Mississippi, was paid family separation allowance during his commute to the mobilization station; however, a soldier from Claremore, Oklahoma, was not.

The lack of accountability for deploying soldiers resulted in one unit soldier being paid active duty pay even though the soldier never mobilized with the unit. This soldier received orders to mobilize with the unit, but because the soldier had a disability that prevented his serving on active duty, the unit commander excused the soldier from mobilization. However, although unit personnel transferred the soldier to another unit that was not mobilizing, no one canceled the soldier's original mobilization order in the Army Reserve personnel system, or notified the Reserve Pay Center to stop the soldier's active duty pay. In addition, unit personnel did not notify the Fort Hood mobilization station that this soldier had received a mobilization order so the mobilization station could confirm that the order had been revoked and stop pay for this soldier. Further, the soldier receiving the unauthorized pay did not report the overpayments to the unit to which he had been transferred. Thus, the soldier received approximately \$36,000 of active duty pay for which he was not entitled. These overpayments continued for more than 12 months and were not identified until we discovered them during our visit to the unit in January 2004.

During our visit to the home station, we informed the unit commander about the soldier's overpayment and he stated that this soldier should not be held responsible for repaying the overpayment because he believed the soldier did nothing wrong or illegal. He also stated that he did not review the Unit Commander's Pay Management Report because the soldiers were able to review their pay online. It is likely that the improper payments to this soldier would have been identified if either the unit commander or unit administrator had monitored the unit's pay reports.⁴

Pay Problems While Deployed

As summarized in table 10, we identified extensive problems associated with active duty pays and allowances applicable to the unit's overseas deployment to Kuwait. In total, 86 soldiers experienced some type of pay

⁴This soldier was still receiving pay during the time of our review. We notified the unit administrator and after our site visit the pay was stopped and the soldier incurred a debt balance for the total amount overpaid.

problem during the deployed phase, including one soldier who did not deploy overseas, but received in-theatre incentives.

Table 10: Deployment Pay Problems

Type of pay or allowance	Number of soldiers who did not receive pay or allowance within 30 days of entitlement	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Basic pay	0	1	0
Family separation allowance	0	2	0
Basic allowance for housing	0	1	0
Basic allowance for subsistence	0	0	0
Hostile fire pay	61	9	21
Hardship duty pay	0	85	85
Special dental pay	1	1	1

Source: GAO analysis.

Note: Soldiers may have experienced problems with more than one type of pay or allowance.

During the unit’s deployment to Kuwait, soldiers encountered pay problems related to hardship duty pay, hostile fire pay, and the combat zone tax exclusion, all of which are benefits eligible to soldiers when serving in designated hardship duty locations and hostile fire zones. All 85 of the soldiers deployed overseas were incorrectly paid for either hardship duty pay or hostile fire pay, most of which were overpayments.

In total, 85 soldiers did not receive the full amount of their hardship duty pay entitlement while deployed to Kuwait. These soldiers were underpaid a total of about \$8,000. In addition, 76 soldiers continued to receive hardship duty pay payments following their return from Kuwait. Sixty-six of these soldiers continued receiving the payments for 6 or more months following their return home. Overpayments made to all 76 soldiers amounted to approximately \$46,500. This amount does not include the overpayments made to soldiers involving a type of hardship duty pay that is no longer paid to soldiers serving in Kuwait.

In addition, we estimated that the combat zone tax exclusion benefit was applied to 76 soldiers late or incorrectly. We estimated that approximately 75 soldiers received their combat zone tax relief benefits 2 to 3 months late, which was after their deployment ended, totaling \$24,000. In addition, one soldier did not receive all of the combat zone tax exclusion benefits she was due during her deployment, resulting in an estimated \$200 underpayment, while 2 other soldiers were overpaid for a combined overpayment of about \$300.

Pay Problems Associated with Demobilization and Release from Active Duty

Soldiers of the 965th Dental Company returned to Fort Hood in two different groups; the first group returned on May 22, 2003, and the second group returned on June 10, 2003. As summarized in table 11, 7 of 93 soldiers had problems associated with properly stopping their active duty pays and allowances during their demobilization.

Table 11: Demobilization Pay Problems

Type of pay or allowance	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Basic pay	1	1
Basic allowance for subsistence	1	0
Basic allowance for housing	1	0
Family separation allowance	1	1
Special dental pay	3	0

Source: GAO analysis.

Note: Soldiers may have experienced problems with more than one type of pay or allowance.

Of the soldiers who experienced pay problems associated with this phase, most had underpayments. One of the soldiers we reviewed had his active duty pay stopped before his actual demobilization date and another soldier's special medical pay was stopped a month early. Each soldier was underpaid an estimated \$1,200. Another soldier's active duty pay continued past his demobilization date for an overpayment of approximately \$1,400.

In addition, one soldier returned home early from deployment in May 2003 due to a medical emergency. However, his pay and entitlements were not adjusted correctly. As a result, during his convalescence, much of which was at his home, the soldier continued to receive hardship duty pay, hostile fire pay, the family separation allowance, and the combat zone tax

Appendix III
965th Dental Company Seagoville, Texas

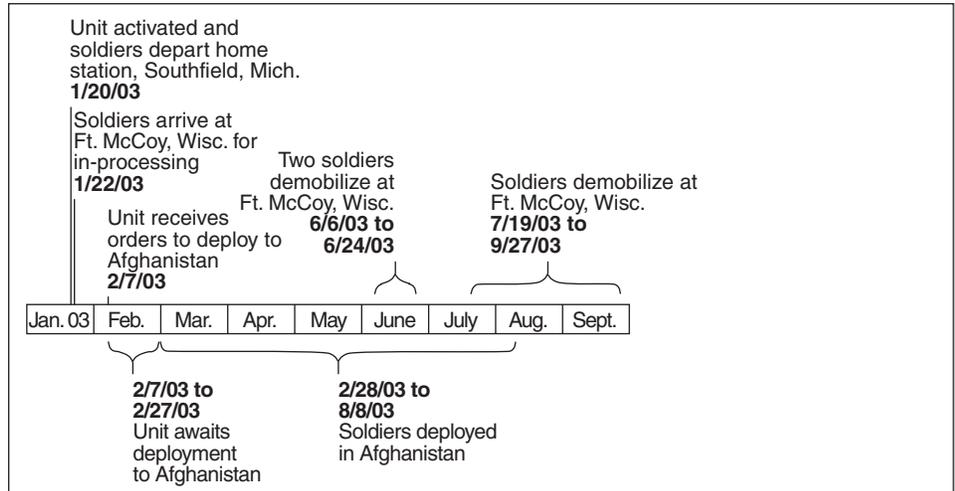
exclusion through April 2004 when we brought the overpayments to the unit's attention.

948th Forward Surgical Team, Southfield, Michigan

On January 20, 2003, the 948th Medical Detachment Forward Surgical (948th Forward Surgical Team) was mobilized to active duty in support of Operation Enduring Freedom for a 1-year tour.¹ A total of 20 soldiers from the 948th Forward Surgical Team, including four surgeons, mobilized at its home station in Southfield, Michigan, and went through in-processing at the mobilization station at Fort McCoy, Wisconsin. On February 28, 2003, the unit deployed to Afghanistan through Baghram Air Base, Afghanistan. Most of the 20 soldiers remained in Kandahar for about 5 months. While there, the unit provided emergency medical attention to wounded soldiers and civilians in and around Kandahar and prepared them for evacuation to a combat support hospital. Two surgeons from the team returned in June 2003 and a third soldier returned in July 2003 as a result of a medical condition and was released from active duty on September 27, 2003. Sixteen of the remaining 17 soldiers returned to Fort McCoy on August 5, 2003, for demobilization and were released from active duty by August 29, 2003. The 948th Forward Surgical Team's commander remained in Afghanistan until August 8, 2003, when he returned to Fort McCoy for demobilization and was released from active duty on September 4, 2003. A time line of the unit's movements associated with its mobilization under Operation Enduring Freedom is shown in figure 5.

¹The order mobilizing the 948th Forward Surgical Team states that physicians and nurse anesthetists were to deploy for only 90 days in a theater unless they voluntarily extended their tour with the approval of the command authority.

Figure 5: 948th Forward Surgical Team's Mobilization Time Line



Source: GAO.

All 20 soldiers in the 948th Forward Surgical Team experienced one or more pay problems associated with their 2003 mobilization to active duty. As summarized in table 12, soldiers in the 948th Forward Surgical Team experienced pay problems during all phases of their active duty mobilization, with the majority of the problems encountered in the last two phases. Specifically, we identified pay problems associated with (1) basic active duty pay, special medical pays, or allowances for 5 soldiers during the mobilization phase; (2) basic active duty pay, special medical pays, allowances, combat zone tax exclusion, or an in-theater incentive pay associated with the deployment phase for 20 soldiers; and (3) basic active duty pay, special medical pays, or allowances associated with 18 soldiers' demobilization from active duty.

Table 12: Pay Problems by Phase

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

Source: GAO analysis.

Note: Soldiers may have experienced pay problems in more than one phase.

In total, the pay problems we identified resulted in estimated overpayments of about \$20,700, underpayments of about \$2,000, and late payments of about \$5,600. In addition, we identified about \$15,300 and about \$130 of combat zone tax exclusions that were delayed or not refunded, respectively. Available records showed that about \$2,300 of the \$20,700 in identified overpayments were subsequently collected from the soldiers.

We were informed of several instances in which the unit's pay problems created financial hardships for the unit's soldiers and their families. Specifically, several of the unit's soldiers could not pay their bills while they were deployed and were forced to borrow money from friends and relatives in order to meet their financial obligations.

Mobilization Pay Problems

As summarized in table 13, we found that five soldiers from the 948th Forward Surgical Team experienced underpayments, overpayments, or late payments related to their active duty pay and allowances associated with their initial mobilization.

Table 13: Mobilization Pay Problems

Type of pay or allowance	Number of soldiers who did not receive pay or allowance within 30 days of entitlement	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Basic pay	1	0	0
Basic allowance for housing	1	0	0
Family separation allowance	0	1	0
Special medical pay	0	2	1

Source: GAO analysis of payroll data.

Note: Soldiers may have experienced problems with more than one type of pay or allowance.

Five soldiers experienced a variety of pay problems associated with their mobilization to active duty. For example, one physician was underpaid the special medical pay he was entitled to receive while on active duty. In January 2003, the physician began receiving special medical payments at a rate lower than he was entitled to receive. In March 2003, DFAS identified

and corrected this error by paying the physician the correct special medical pay. However, DFAS did not retroactively pay the physician the correct medical pay covering the first 39 days he was on active duty.

Another soldier experienced a problem related to his basic pay. The soldier had previously received a reduction in rank for not completing training requirements. On February 12, 2003, the commanding officer signed an order revoking the reduction in rank—after the unit was mobilized to active duty, but before it was deployed to Afghanistan. The Reserve Pay Center received the revocation order on March 7, 2003, but did not process this personnel action until April 4, 2003, resulting in late payments totaling an estimated \$520.

Deployment Pay Problems

In late February 2003, the 948th Forward Surgical Team left Fort McCoy and traveled to Afghanistan. While in Kandahar, the soldiers experienced further pay problems related to hardship duty pay, hostile fire pay, and to a lesser extent, active duty basic pay, basic allowance for housing, family separation allowance, and special medical pays. They also experienced problems with respect to their benefits associated with the combat zone tax exclusion. Table 14 summarizes the pay, allowance, and tax benefit problems that the 948th Forward Surgical Team encountered during its deployment.

Table 14: Deployment Pay Problems

Type of pay, allowance, or tax benefit	Number of soldiers who did not receive pay or allowance within 30 days of entitlement	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Basic pay	2	0	0
Basic allowance for housing	2	0	0
Hostile fire pay	19	1	3
Hardship duty pay	19	2	20
Family separation allowance	0	1	0
Special medical pay	0	0	1

Source: GAO analysis.

Note: Soldiers may have experienced problems with more than one type of pay or allowance.

We found that 19 of the 20 soldiers did not receive their initial hostile fire pay of \$150 for February until an average of 47 days after arriving in Afghanistan. We also found that one soldier never received her initial hostile fire pay for February and March totaling \$300. She also never received a retroactive hostile fire payment of \$75 for February 2003.²

All 20 soldiers experienced problems with their hardship duty pay. Nineteen of the 20 soldiers did not receive their hardship duty pay for February 2003 until April 2003. For 13 of the 19 soldiers, their February 2003 hardship duty payment was not only late but contained an overpayment because the payments covered a period when the soldiers were still at Fort McCoy. Additionally, 19 soldiers continued to receive hardship duty payments not only after they left the location for which they were authorized to receive this pay, but for periods ranging from 1 to 5 months following demobilization.

All 20 soldiers waited 67 days before receiving their February combat zone tax exclusion benefit payment, which averaged \$377. We also found that one soldier was not refunded the total amount of taxes withheld while in combat zone tax exclusion status.

Pay Problems Associated with Demobilization and Release from Active Duty

Eighteen of 20 soldiers in the 948th Forward Surgical Team experienced pay problems associated with their demobilization from active duty. Seventeen of the unit's soldiers returned to Fort McCoy in August 2003 to begin their demobilization process. The other 3 left Afghanistan and returned to Fort McCoy in June and July 2003. As summarized in table 15, soldiers were overpaid their active duty basic pay, certain allowances, and special medical pays after their release from active duty, while others never received (and were therefore underpaid) all of the family separation allowance or special medical pays they were entitled to receive.

²Initially, the soldiers were to receive \$150 as their hostile fire pay, but in April 2003, Congress increased the amount of hostile fire pay to \$225 and made the \$75 increase retroactive to October 2002. In May 2003, DFAS implemented the hostile fire pay increase and initiated action to disburse the \$75 retroactive payments.

Table 15: Demobilization Pay Problems

Type of pay or allowance	Number of soldiers who did not receive pay or allowance within 30 days of entitlement	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Basic pay	0	0	12
Basic allowance for housing	0	0	13
Basic allowance for subsistence	0	0	13
Family separation allowance	0	2	6
Special medical pay	0	1	3

Source: GAO analysis.

Note: Soldiers may have experienced problems with more than one type of pay or allowance.

We determined that 16 soldiers received 1 or more days worth of active duty basic pay, special medical pays, or allowances after being released from active duty. These pay problems occurred because the demobilization station was late in entering transactions to stop pays and allowances as of the date the soldiers were released from active duty.

443rd Military Police Company, Owings Mills, Maryland

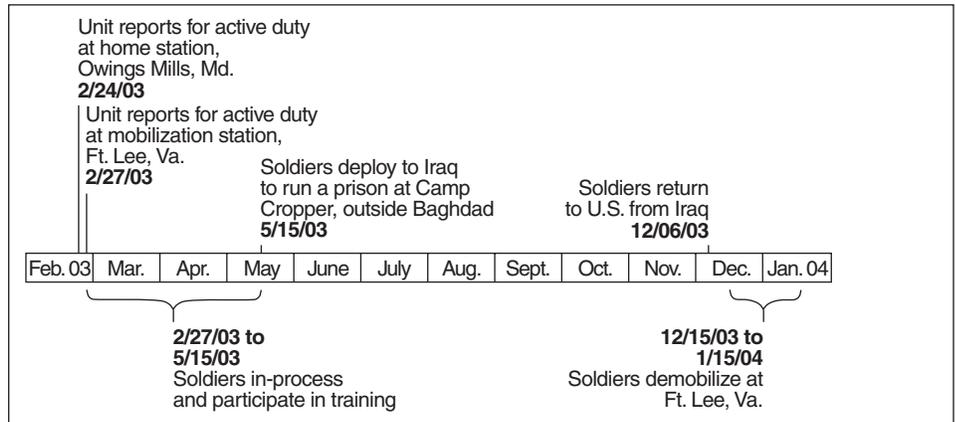
The 443rd Military Police Company, headquartered in Owings Mills, Maryland, has been called to active duty twice since September 11, 2001. However, only the second mobilization fell within the time period of our case study analysis. The first mobilization (October 6, 2001, to September 2002) activated 112 soldiers to perform “secure and defend” functions at Fort Sam Houston in support of Operation Noble Eagle.¹ On February 24, 2003, 121 soldiers of the 443rd Military Police Company were mobilized with the unit, including 76 who had returned from the deployment to Fort Sam Houston 5 months prior to this mobilization and 25 soldiers who were cross-leveled in from other units. These cross-leveled soldiers included 12 soldiers from Puerto Rico, 7 soldiers from Pennsylvania, 3 soldiers from Maryland, and 1 soldier each from New Jersey, Virginia, and West Virginia.

In support of Operation Enduring Freedom, soldiers from the 443rd Military Police Company reported to the home station in Owings Mills for a SRP designed to help prepare them for mobilization. They later reported to Fort Lee, Virginia on February 27, 2003, for additional mobilization and in-processing procedures. After approximately 2.5 months at Fort Lee, 112 soldiers arrived in Iraq on May 15. Of the 9 remaining soldiers, 1 soldier arrived in Iraq earlier, on May 14, 1 soldier arrived on September 16, and 7 were on medical hold at Fort Lee for the entire mobilization. While in-theater, the 443rd Military Police Company operated a prison, Camp Cropper, located near the Baghdad airport. On December 6, 2003, 112 of the 114 soldiers who deployed to Iraq left the Middle East and returned to Fort Lee. One of the 2 other soldiers left early—on August 17—and the other left later—on December 14. The soldiers of the 443rd Military Police Company began demobilizing and returning to their civilian jobs on December 15. By January 15, 2004, all but 6 of the 121 soldiers had demobilized; the 6 soldiers remained on active duty to receive medical treatment at Fort Lee. A time line of actions associated with the unit’s active duty mobilization is shown in figure 6.

¹This mobilization falls outside of the audit period for this report and is therefore only considered for its impact on the second mobilization.

Appendix V
443rd Military Police Company, Owings Mills,
Maryland

Figure 6: 443rd Military Police Company's Mobilization Time Line



Source: GAO.

As summarized in table 16, soldiers experienced a range of pay problems at every stage of the 443rd Military Police Company's tour of active duty. Overall, 119 of 121 soldiers who mobilized experienced some type of pay problem associated with their activation to, during, or deactivation from federal service in support of Operation Enduring Freedom. Specifically, we found that (1) 70 soldiers experienced underpayments, overpayments, or late payments during their initial mobilization; (2) 114 soldiers experienced underpayments, overpayments, or late payments during their tour of active duty at Camp Cropper, Iraq; and (3) 17 soldiers experienced underpayments, overpayments, or late payments during their demobilization.

Table 16: Pay Problems by Phase

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

Source: GAO analysis.

Note: Soldiers may have experienced pay problems in more than one phase.

The dollar amounts associated with overpayments, underpayments, and late payments we identified were approximately \$25,000, \$15,000 and

\$20,000, respectively. In addition, soldiers received late payment of their combat zone tax exclusion benefit totaling about \$33,000. Of the overpayments we identified, about \$4,000 were subsequently collected from the unit's soldiers.

Mobilization Pay Problems

As summarized in table 17, we found that 67 soldiers from the 443rd Military Police Company experienced overpayments, underpayments, or late payments related to basic pay and the associated entitlements when called to active duty.

Table 17: Mobilization Pay Problems

Type of pay or allowance	Number of soldiers who did not receive pay or allowance within 30 days of entitlement	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Basic pay	2	0	2
Basic allowance for housing	20	10	6
Cost of living allowance	0	0	1
Family separation allowance	24	4	32
Overseas housing allowance	1	2	0

Source: GAO analysis.

Note: Soldiers may have experienced problems with more than one type of pay or allowance.

Before arriving at the mobilization station, the 99th Regional Readiness Command performed a SRP for the 443rd Military Police Company at their home station. This review was designed to prepare soldiers for mobilization by confirming that their financial documents and personnel paperwork were in order, as well as verifying that the soldiers were medically fit to mobilize. The finance portion of the SRP consisted of a briefing that covered the different entitlements soldiers could expect to receive and a review of how to read the soldiers' Master Military Pay Accounts. Soldiers who found errors in their individual accounts were supposed to notify the Regional Readiness Command's finance personnel at the SRP, who would then process the corrections upon returning to their

headquarters and send the necessary documentation to Fort McCoy's Reserve Pay Center.

Upon reporting to Fort Lee, the 443rd Military Police Company's active Army mobilization station, the unit underwent a second SRP, as required by Army regulations. However, despite going through two SRPs, the soldiers still experienced various pay problems related to their mobilization.

For example, not all of the eligible soldiers in the 443rd Military Police Company received the proper amount of family separation allowance. Many of the unit's soldiers began receiving family separation allowance earlier than they should have, resulting in small overpayments that totaled approximately \$550 for the unit. In addition, 15 soldiers received late family separation allowance payments during mobilization.

In addition, the soldiers of the 443rd Military Police Company also had difficulties in starting their basic allowance for housing entitlements and active duty basic pay. Ten soldiers experienced overpayments and 6 soldiers experienced underpayments of their basic allowance for housing.

The 12 soldiers cross-leveled into the 443rd Military Police Company from Puerto Rico were not entitled to the basic allowance for housing type I during their mobilization because they were classified as overseas soldiers. Instead, these soldiers received basic allowance for housing type II, a cost of living allowance and an overseas housing allowance. One soldier received an overpayment of the cost of living allowance and 2 soldiers received underpayments of their overseas housing allowance entitlements, all of which occurred because these payments were based on incorrect rates.

Four members of the unit experienced problems starting their active duty basic pay. Two soldiers received a delay in their promotions, resulting in nearly \$500 in late payments. The two other soldiers had received demotions that were not promptly entered into DJMS-RC. The first soldier's demotion had been effective at the start of the mobilization, but the soldier continued to receive payments at the incorrect, higher rate until July 2003. The resulting overpayments of active duty basic pay, totaling over \$2,500, were not identified by the Reserve Pay Center until we raised questions about them.

The second soldier, however, incurred almost \$6,400 in collections when his demotion was processed 16 months after it became effective, and

despite the fact that his higher rank was restored shortly thereafter. His demotion occurred because he had been unable to attend training to maintain his rank before being mobilized for Operation Noble Eagle in October 2001. During this mobilization, in February 2002, Army personnel at the 99th Regional Readiness Command generated a grade reduction order, but the transaction was not entered into DJMS-RC until June 2003, 4 months after the soldier's mobilization for Operation Enduring Freedom and after his deployment to Iraq. Although his previous grade was restored in July 2003, the restoration was not retroactive, so the soldier still had to pay back almost \$6,400.

One problem that occurred during the mobilization process did not have an immediate effect on the soldiers of the 443rd Military Police Company, but rather later, during their deployment. In October 2003, 20 soldiers had their basic allowance for housing switched from the regular entitlement to the partial basic allowance for housing. In addition, another 16 soldiers had their family separation allowance entitlements stopped. These changes occurred because during the SRP process in February, finance personnel failed to extend the dates of eligibility for the basic allowance for housing and the family separation allowance to reflect the end date of the current mobilization. Pay records showed that these 36 soldiers were entitled to receive one of these entitlements through October 2003, exactly 2 years after the date of the first mobilization. While the soldiers were paid for active duty beyond the October end date of eligibility in the system, the allowances were automatically turned off by the system. Most of these problems were caught shortly after occurring and were corrected by the end of the following month, resulting in about \$5,750 of late payments. However, 4 soldiers failed to have their entitlements turned back on, resulting in total underpayments of \$3,500.

Soldiers of the 443rd Military Police Company complained that finance personnel at Fort Lee in March refused to help them and told soldiers that they needed to contact their unit administrator to fix their problems. The unit administrator, who did not mobilize with the unit, voluntarily went to Fort Lee to help ensure that all of the Company's soldiers' pay issues were addressed. However, finance personnel at Fort Lee asked him to leave after he attempted to help resolve some of his unit's pay problems. Despite spending over 2 months at Fort Lee, many of the pay problems that began during mobilization were not corrected by the time the soldiers deployed to Iraq. In fact, 52 of the 121 soldiers left the mobilization station with unresolved pay-related problems.

Pay Problems While Deployed

As summarized in table 18, we identified a number of pay problems associated with active duty pays and allowances during the 443rd Military Police Company's deployment while on active duty.

Table 18: Deployment Pay Problems

Type of pay or allowance	Number of soldiers who did not receive pay or allowance within 30 days of entitlement	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Basic pay	6	0	0
Basic allowance for housing	5	4	1
Basic allowance for subsistence	0	1	0
Family separation allowance	1	0	1
Hardship duty pay	107	112	5
Hostile fire pay	1	1	2
Overseas housing allowance	1	2	1
Cost of living allowance	1	1	0

Source: GAO analysis.

Note: Soldiers may have experienced problems with more than one type of pay or allowance.

While deployed in Iraq, all of the soldiers experienced problems related to the location-based payments—specifically, problems with hardship duty pay, hostile fire pay, and the combat zone tax exclusion. All of the 114 soldiers deployed to Iraq with the 443rd Military Police Company experienced some sort of overpayment, underpayment, or late payment of at least one of these three entitlements.

Soldiers in the 443rd Military Police Company were entitled to \$100 per month for hardship duty pay for serving in Iraq. However, officials at the Army area servicing finance office paid the first partial month's hardship duty pay more than 2 months after it was due to 107 of the 114 soldiers deployed to Iraq. Of the remaining 7 soldiers, 4 received hardship duty pay on time and 3 never received the first partial month's hardship duty pay during our audit period. Additionally, none of the 113 soldiers remaining in Iraq during December 2003 received any hardship duty pay payments for

the partial month they spent in-theater. Soldiers in the unit also experienced assorted individual problems relating to the payment of the hardship duty pay entitlement. For example, 1 soldier who remained on medical hold at Fort Lee received hardship duty pay payments, totaling over \$350, despite never deploying. Two soldiers each received two hardship duty pay payments in a given month, resulting in over \$150 in overpayments. Finally, one soldier continued to receive over \$300 in hardship duty pay payments after leaving Iraq in August 2003.

Of the 113 soldiers entitled to hostile fire pay during the deployment, 3 experienced some sort of problem with this pay. Two soldiers received overpayments of hostile fire pay, including 1 soldier who continued to receive hostile fire pay after he left the in-theater location and another soldier who erroneously received \$300 in hostile fire pay instead of the correct \$225 amount for 1 month. This second soldier also received part of his May 2003 hostile fire pay 75 days after it was due. Finally, 1 other soldier experienced a \$450 underpayment of hostile fire pay because he stopped receiving the entitlement before leaving Iraq.

Of the 114 soldiers deployed to Iraq, 112 received their first month's combat zone tax exclusion more than 30 days after they were entitled to it. This resulted in late payments totaling over \$33,000, more than the late payments from all other sources combined. Additionally, 3 soldiers experienced overpayments and underpayments related to the combat zone tax exclusion. One of these soldiers erroneously received over \$250 as a combat zone tax exclusion repayment related to a bonus payment that was taxable. Another soldier did not receive his combat zone tax exclusion repayment for the last 2 months of his mobilization, creating an overwithholding of over \$400.

We were unable to determine the extent to which one additional soldier in the unit experienced problems with his combat zone tax exclusion, hardship duty pay, and hostile fire pay during the mobilization. His DD Form 214, Certificate of Release and Discharge from Active Duty, stated that the soldier served with his unit in theater from May 15, 2003, to December 6, 2003. However, the soldier did not receive any of these location-based entitlements during his tour of duty. Pay personnel at Fort McCoy stated that his records indicate he was on convalescent leave (leave for soldiers returning to duty after illness or injury) from May 21 to July 16, and therefore may not have been entitled to these allowances. Pay personnel at Fort McCoy were continuing to research this case and could

not tell us anything further. Without additional information, we could not determine whether this soldier was paid correctly.

In addition, during this phase, some of the soldiers of the 443rd Military Police Company also experienced various individual problems with active duty basic pay, the basic allowance for housing, and the overseas housing allowance. Because of delays in promotions, six soldiers experienced late payments of active duty basic pay and four of these soldiers also experienced late payments of basic allowance for housing. Other problems included one soldier who received overpayments of the basic allowance for housing throughout the mobilization, totaling over \$850, because her spouse was a service member who periodically went on and off duty. Two other soldiers had their overseas housing allowance paid inconsistently and at varying rates, creating net overpayments for both soldiers.

Pay Problems Associated with Demobilization and Release from Active Duty

The soldiers of the 443rd Military Police Company began to demobilize in December 2003. As summarized in table 19, some soldiers continued to experience pay problems throughout their demobilization and even after release from active duty. These problems consisted primarily of differences between the last dates for which soldiers were paid and the dates of release from active duty as recorded on the DD Form 214, Certificate of Release or Discharge from Active Duty.

Table 19: Demobilization Pay Problems

Type of pay or allowance	Number of soldiers who did not receive pay or allowance within 30 days of entitlement	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Basic pay	0	2	5
Basic allowance for housing	0	3	6
Basic allowance for subsistence	0	2	4
Hardship duty pay	0	0	1
Family separation allowance	0	0	1
Overseas housing allowance	7	2	0

Source: GAO analysis.

Note: Soldiers may have experienced problems with more than one type of pay or allowance.

Of the 115 soldiers who demobilized by the end of our audit period, including 2 who had been on medical hold, 6 soldiers were paid beyond their date of demobilization and 2 soldiers had their pay stopped shortly before demobilizing. The 6 soldiers paid beyond their date of demobilization were overpaid for an average of 19 days and nearly \$2,500 each. This includes 1 soldier who was overpaid for at least 68 days and \$10,500. This soldier, who demobilized in February 2004, stated that he contacted his demobilization station, home unit, and the pay section of the Regional Readiness Command by early April, but nevertheless continued to be paid through April 2004. The 2 soldiers whose pays were stopped before demobilizing were underpaid a total of almost \$400.

In addition to the problems associated with the date of release from active duty, several soldiers experienced other problems related to their demobilization. For example, the demobilization station processed “hardship duty pay for certain places” for 1 soldier from May 2003 to December 2003. This type of hardship duty pay has not been authorized for newly deployed soldiers since December 2001 and the soldier had received his correct “hardship duty pay for designated areas” while he was deployed in Iraq. This erroneous transaction during the soldier’s out-processing created an overpayment of approximately \$150 that went undetected. Additionally, 7 of the 12 soldiers cross-leveled into the 443rd Military Police

Appendix V
443rd Military Police Company, Owings Mills,
Maryland

Company from Puerto Rico experienced late payments of their last month's overseas housing allowance entitlement, totaling almost \$1,500.

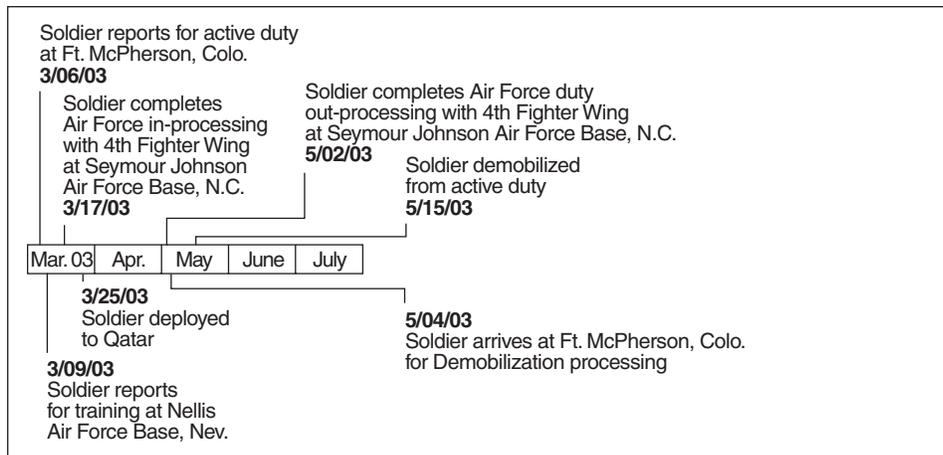
FORSCOM Support Unit, Finksburg, Maryland

A major in the Army's Individual Ready Reserve,¹ who lives in Maryland, volunteered for active duty. He received orders mobilizing him to active duty on March 6, 2003, in support of Operation Iraqi Freedom. The major was activated as a separate one-person unit. Because he was mobilized from an inactive status, he did not have a home unit. He reported to Fort McPherson, Georgia, on March 6, 2003, where he participated in an Army SRP. On March 9, 2003, he reported to Nellis Air Force Base in Nevada for training. Because he was to serve as an Army liaison to the Air Force while deployed, on March 17, 2003, he reported to Seymour Johnson Air Force base in North Carolina, where he underwent an Air Force mobilization in-processing review with the Air Force's 4th Fighter Wing. He arrived in Qatar on March 25, 2003. He was assigned to serve as an Army Forces Command (FORSCOM) Ground Liaison Officer attached to the Air Force's 379th Expeditionary Force at the Air Force base at Doha, Qatar. As a Ground Liaison Officer, he was responsible for a team of Army officers that briefed Air Force pilots before every mission during the Iraqi offensive on the latest information concerning the location of Army troops and enemy forces. He was also responsible for providing briefings to the Air Force general in charge of flight operations at Doha on the status and positions of coalition ground forces. He served in this capacity until May 1, 2003, when he left Qatar. On May 2, 2003, he underwent Air Force active duty outprocessing with the Air Force's 4th Fighter Wing at Seymour Johnson Air Force Base. He arrived at Fort McPherson on May 4, 2003, for demobilization processing. He was demobilized from active duty on May 15, 2003, and returned to his home in an inactive status as a member of the Army's Individual Ready Reserve. In August 2003, the major resigned his commission and received an honorable discharge from the Army Reserve. Key events associated with the major's active duty pays and allowances for his 2003 mobilization are summarized in figure 7.

¹The Army's Individual Ready Reserve members do not participate in any regularly scheduled training and are not paid for their membership in the Ready Reserve. Each year, the Army transfers thousands of soldiers who have completed active duty or Selected Reserve commitments to the Individual Ready Reserve. Individual Ready Reserve soldiers can be mobilized to active duty to help meet requirements.

**Appendix VI
FORSCOM Support Unit, Finksburg,
Maryland**

Figure 7: FORSCOM Support Unit Soldier Time Line



Source: GAO.

As summarized in table 20, this one-soldier unit experienced various pay problems associated with his location-based active duty pays and allowances that continued until well after his demobilization to Individual Ready Reserve status. Specifically, we found that this single-soldier unit (1) did not have any underpayments, overpayments, or late payments during initial mobilization; (2) experienced overpayments and late payments associated with deployment location-based pays, allowances, and related tax benefits; and (3) continued to experience problems with active duty pays, allowances, and related tax benefits for months after his demobilization.

Table 20: Pay Problems by Phase

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

Source: GAO analysis.

Note: Pay problems associated with deployment continued through demobilization.

The dollar amounts associated with overpayments and late payments we identified were about \$8,000 and \$300, respectively. Of the overpayments we identified, all were subsequently collected from the soldier by May 31, 2004.

Mobilization Pay Problems

Finance personnel at the soldier's mobilization station at Fort McPherson, Georgia, started his active duty pay entitlements associated with his initial mobilization. We did not identify any pay problems associated with the soldier's initial mobilization to active duty.

Pay Problems While Deployed

As summarized in table 21, we identified active duty pay and combat zone tax benefit problems associated with the soldier's assigned deployment location while on active duty. When the soldier arrived at his assigned active duty deployment location in Qatar on March 25, 2003, he was entitled to receive hardship duty pay and was entitled to exempt his pay from federal taxes while assigned to that location. However, while the soldier went through an Air Force in-processing procedure when he arrived in Qatar, there were no procedures in place to provide flight manifest documentation to an Army area servicing finance office notifying it of his arrival. Such documentation is necessary to start the soldier's hostile fire pay and related combat zone tax exclusion benefits. Because he was assigned to support an Air Force operation, he did not process through, or have any access to, an Army area servicing finance office to start his location-based pays and related tax benefits. It was not until he left Qatar and arrived at his demobilization station at Fort McPherson that finance personnel at that location received supporting documentation from the soldier and took the actions necessary to process transactions for him to receive his pay and tax benefit entitlements. Consequently, he did not receive any of his hostile fire pay until May 21, 2003, or his related combat

zone tax exclusion benefits until June 4, 2003—after he returned from his overseas deployment.

Table 21: Deployment Pay Problem

Type of pay or allowance	Type of problem
Hostile fire pay	Late payment

Source: GAO analysis.

Army finance officials did not initiate the soldier's hostile fire pay and combat zone tax exclusion benefit, which he was entitled to receive beginning in March 2003, until officials at his demobilization station took action to start this pay and tax benefit. The soldier was deployed to serve as an Army liaison to an Air Force unit with an Air Force finance office; he was unable to find anyone at or near his deployed location who could help him get his entitled location-based pay and related tax benefits started. Air Force finance personnel told the soldier to contact finance personnel back in the United States at Fort McPherson to address his pay problems. The soldier told us that while he was in Qatar he was able to contact DFAS by e-mail, but officials there told him there was little they could do to help him get his location-based pays and tax benefits started. He said that telephone calls to the United States were difficult because of time differences and his limited access to phones to make an overseas call.

Pay Problems Associated with Demobilization and Release from Active Duty

The soldier left Qatar on May 1, 2003, to return to his demobilization station at Fort McPherson. Fort McPherson issued orders to demobilize him from active duty to the Army's Individual Ready Reserve as of May 15, 2003. As summarized in table 22, during his demobilization and after his release from active duty, the soldier continued to experience pay problems. These problems were overpayments associated with the soldier receiving active duty pay after the date of his demobilization from active duty.

Table 22: Demobilization Pay Problems

Type of pay or allowance	Type of problem
Basic pay	Overpayment
Basic allowance for subsistence	Overpayment
Basic allowance for housing	Overpayment
Family separation allowance	Overpayment
Aviation career incentive pay	Overpayment

Source: GAO analysis.

Note: Soldier may have experienced problems with more than one type of pay or allowance.

The soldier out-processed through Fort McPherson and received his DD Form 214, Certificate of Release or Discharge from Active Duty, with a release from active duty date of May 15, 2003. However, finance personnel at the Fort McPherson demobilization station did not take action to stop his active duty pays and allowances as of that date. As a result, he continued to receive active duty pays and allowances that he was not entitled to receive for a month after his demobilization—from May 16 through June 13, 2003. In addition, he continued to receive his combat zone tax exclusion benefits for the same period, May 16 through June 13, even though he had not only left the combat zone, but had already demobilized from active duty and returned home. The income tax withholdings for this period were refunded directly to the soldier. His pay was not stopped at the end of his active duty tour initially because finance personnel at Fort McPherson were waiting for his hardship duty pays to “clear,” but they then forgot to stop all pays related to active duty.

This failure to stop the soldier’s active duty pays and allowances on time resulted in the soldier writing a \$6,150.75 check to DFAS in an attempt to resolve all overpayment issues associated with his mobilization. As summarized in table 23, the soldier undertook a series of time-consuming phone calls and faxes to Fort McPherson, DFAS-Indianapolis, DFAS-Denver, and DFAS-Cleveland over a 13-month period to finally get his pay issues resolved. Ultimately, the soldier’s pay issues related to his March and April 2003 active duty deployment were only identified and resolved through the relentless efforts of the soldier and our inquiries into the matter. With the soldier’s recent \$1,140.54 check to DFAS, his pay issues with his March and April 2003 mobilization were resolved—over a year after his deployment ended.

Appendix VI
FORSCOM Support Unit, Finksburg,
Maryland

Table 23: Timetable of Soldier's Attempts to Correct Problems Related to Active Duty Entitlements

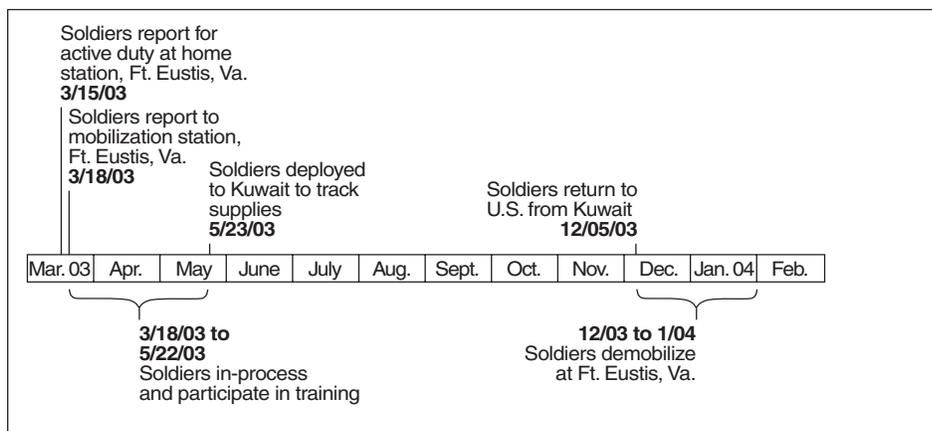
Date	Action
June 6, 2003	Based on a Leave and Earnings Statement indicating he was continuing to receive active duty pays and allowances after he was demobilized, the soldier sent an e-mail through his myPay online account asking how to get these erroneous active duty payments stopped. About 2 weeks later, the soldier was told he needed to contact the pay office at his demobilization location (Fort McPherson) to get his active duty payments stopped.
June 30, 2003	The soldier spoke with a Fort McPherson official who stopped his active duty payments and faxed him documentation showing he owed \$6,150.75 as a result of his active duty overpayments.
July 25, 2003	The soldier mailed a check for \$6,150.75 to the DFAS-Indianapolis address he was provided.
August 15, 2003	The soldier called Fort McPherson officials to inquire why his Leave and Earnings Statement continued to show a debt that he'd already repaid.
September 4, 2003	After three more phone calls to officials at Fort McPherson, on September 4, 2003, the soldier was told that DFAS had received his check and would adjust his account to remove the erroneous debt.
November 3, 2003	Two months later, on November 3, 2003, after again receiving a Leave and Earnings Statement showing an erroneous debt balance, the soldier again called Fort McPherson. He was told, "there is nothing more I can do for you" and advised to call 1-888-PAY-ARMY for service.
November 3, 2003	When he called 888-PAY-ARMY, the soldier was referred to debt collections (at 800-962-0648).
November 3, 2003	The soldier called 800-962-0648 and was assured that "he did not need to worry, because he did not appear in their debt system."
December 23, 2003	After receiving another Leave and Earnings Statement showing an erroneous debt balance, the soldier called 888-PAY-ARMY. He was told that only DFAS-Indianapolis could help him resolve his problem, but the service representative would not give him a phone number to call at that location. Instead, he was told to call Fort McPherson. The soldier protested that an official at Fort McPherson told him that they could not help him and that he would have to contact the number he was now calling. Nonetheless, he was told he had to call Fort McPherson.
December 23, 2003	The soldier called Fort McPherson. He was told to fax a copy of his canceled check showing that he repaid his active duty overpayment and they would again try to rectify this erroneous debt.
January 5, 2004	After receiving a copy of his canceled check sent to DFAS in July 2003, the soldier faxed a copy to Fort McPherson.
January 8, 2004	The soldier e-mailed us to ask for our assistance in resolving this erroneous debt.
April 20, 2004	After the soldier informed Fort McPherson officials that he contacted us about this matter, he was informed that a complete review of his pay records and a recalculation of the payments he received showed he owed an additional \$1,140.54 associated with an erroneous combat zone tax exclusion benefit.
May 3, 2004	The soldier wrote a check for \$1,140.54 and sent it to DFAS.

Source: GAO analysis.

629th Transportation Detachment, Fort Eustis, Virginia

The 629th Transportation Detachment was called to active duty in support of Operation Enduring Freedom on March 15, 2003, for a period not to exceed 365 days. Twenty-seven soldiers with the 629th Transportation Detachment received orders to mobilize; but only 24 soldiers actually deployed with the unit.¹ The unit arrived at its home station, Fort Eustis, Virginia, on March 15, 2003, where it began the SRP in-processing. On March 18, 2003, the soldiers continued their mobilization processing at Fort Eustis, Virginia, which was also their designated mobilization station. The unit remained at Fort Eustis for approximately 2 months undergoing additional in-processing and training. On May 22, 2003, the 629th Transportation Detachment was deployed to Kuwait and was assigned responsibility for tracking supplies in and out of Army field locations in and around Kuwait. After completing its assigned mission, the unit left Kuwait on December 5, 2003, to return to its demobilization station. By the end of January 2004, all of the soldiers were released from active duty with the exception of 1 soldier who was placed on medical hold. A time line of key actions associated with the unit's mobilization under Operation Enduring Freedom is shown in figure 8.

Figure 8: 629th Transportation Company's Time Line



Source: GAO.

¹Three soldiers did not deploy with the unit. One soldier had documentation supporting a medical condition that made him medically unfit for mobilization. Another soldier had his orders revoked the day after mobilization. The third soldier was mobilized but stayed behind in a medical hold status.

As summarized in table 24, all 24 of the deployed soldiers experienced at least one pay problem associated with their activation to, during, and deactivation from, active duty service in support of Operation Enduring Freedom. Specifically, we found that (1) 5 soldiers experienced underpayments or late payments during their initial mobilization; (2) 24 soldiers experienced underpayments, overpayments, or late payments during their tour of active duty in and around Kuwait, including in-theater incentives such as hostile fire pay and hardship duty pay; and (3) 1 soldier was underpaid entitled pays and allowances associated with his demobilization.

Table 24: Pay Problems by Phase

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

Source: GAO analysis.

Note: Soldier may have experienced pay problems in more than one phase.

In total, we identified estimated overpayments of about \$3,000, underpayments of about \$2,000, and late payments of about \$14,000, associated with the pay problems we identified. Specifically, we determined the following:

- More than half of the \$3,000 in overpayments we identified was associated with the majority of the unit's soldiers receiving an extra \$75 payment of hostile fire pay during their tour of active duty in Kuwait.
- More than 70 percent of the soldiers deployed to Kuwait did not receive hardship duty pay in the months of May and December 2003, contributing to the underpayments of \$2,000.
- An estimated \$8,000 of the \$14,000 in late payments we identified were associated with two soldiers. Available pay records for one soldier show he did not receive the correct amount of basic allowance for housing during his active duty tour until 9 months after his mobilization date. Another soldier did not receive the correct amount of basic pay and basic allowance for housing until approximately 3 months after his promotion had become effective.

Mobilization Pay Problems

As summarized in table 25, we identified several soldiers who experienced underpayments or late payments related to basic pay and associated entitlements associated with the mobilization phase. Most, if not all, of these cases were likely the result of proper documentation not being submitted promptly, resulting in some soldiers receiving delayed housing allowances and promotions. For example, one soldier did not receive the correct amount of basic pay and basic allowance for housing based on a promotion that should have been effective in January 2003 but did not get processed until 3 months later in mid-April. We found the personnel action form was not signed until April 2003.

Table 25: Mobilization Pay Problems

Type of pay or allowance	Number of soldiers who did not receive pay or allowance within 30 days of entitlement	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Basic pay	0	1	0
Basic allowance for housing	1	1	0
Basic allowance for subsistence	0	0	0
Family separation allowance	2	2	0

Source: GAO analysis.

Note: Soldier may have experienced problems with more than one type of pay or allowance.

Upon receipt of individual mobilization orders, the unit's soldiers reported to their unit's home station in Fort Eustis, Virginia, where they attended a SRP. The purpose of this SRP was to ensure that all soldiers had all required administrative paperwork, financial documents, and were physically fit for the ensuing mobilization. Personnel from the 99th Regional Readiness Command sent a team who conducted the finance portion of the SRP to verify the soldiers' supporting financial documentation. If necessary, the 99th Regional Readiness Command team submitted transactions with the necessary supporting documentation to the Reserve Pay Center at Fort McCoy to update the soldiers' Master Military Pay Accounts to correctly reflect their mobilized pay status. However, we identified several soldiers who did not have appropriate supporting

documentation maintained in their files to justify basic allowance for housing payments. For example, we identified 12 soldiers who received basic allowance for housing payments for which we were unable to obtain supporting documentation (i.e., DA Form 5960). Total basic allowance for housing payments for those 12 soldiers amounted to over \$110,000.

Additionally, we identified inconsistencies with the determinations of soldiers' entitlements to the family separation allowance made at the mobilization station. According to the DOD FMR Volume 7A, soldiers should be separated from their families by more than 50 miles in order to receive the family separation allowance. We found 10 soldiers from the 629th Transportation Detachment, including the soldier who was placed on medical hold, who received the family separation allowance while at their home station and mobilization station even though that location was less than 50 miles from their home. The soldiers were never informed by pay technicians at the unit or at their mobilization station that they were not entitled to the family separation allowance if they were staying at Fort Eustis but their home of record was within 50 miles, and we did not see any documentation showing that the unit commander had approved an exception to the mileage restriction on family separation allowance eligibility.

Pay Problems While Deployed

As summarized in table 26, we identified a number of pay problems with five different types of active duty pays and allowances associated with the unit's deployment while on active duty.

Table 26: Deployed Pay Problems

Type of pay or allowance	Number of soldiers who did not receive pay or allowance within 30 days of entitlement	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Basic pay	8	0	0
Basic allowance for housing	3	1	0
Family separation allowance	1	1	0
Hostile fire pay	22	1	23
Hardship duty pay	0	24	2

Source: GAO analysis.

Note: Soldiers may have experienced more than one type of problem with more than one type of pay or allowance.

During the soldiers' deployment to Kuwait, all 24 of the 629th Transportation Detachment's soldiers encountered pay problems related to hardship duty pay and hostile fire pay. Most soldiers did not receive any hardship duty pay during the month they arrived in-theater and the month that they left the theater. In addition, all of the soldiers received their combat zone tax exclusion benefit at least one month late.

Per DOD FMR Volume 7A, soldiers who perform duties in designated areas for over 30 days are entitled to the hardship duty pay incentive. The regulation specified the general area of Kuwait as a designated area and provided \$100 a month to all soldiers serving there. Per the same regulation, soldiers serving in Kuwait are also entitled to hostile fire pay of \$225 per month. Both hardship duty pay and hostile fire pay should start at the same time upon the soldier's arrival in Kuwait. In the case of the 629th Transportation Detachment, the soldiers had their military identification cards swiped into the Tactical Personnel System upon landing in Kuwait to document their date of arrival. However, most of the soldiers never received any payment for hardship duty pay in the month that they arrived in Kuwait, nor did most receive any hardship duty pay payment in the month that they left Kuwait. Officials at the local Army area servicing finance office did not initiate the unit's hostile fire pay incentive until 1 month after the soldiers arrived in theater. Furthermore, the soldiers incorrectly received a hostile fire pay payment of \$300 during the month of June (an overpayment of \$75). One of the unit's soldiers left Kuwait earlier

than the rest of the unit, but the soldier's hardship duty pay continued for another 6 months and his hostile fire pay continued for 1 extra month before it was stopped.

Pay Problems Associated with Demobilization and Release from Active Duty

Soldiers of the 629th Transportation Detachment returned to their demobilization station at Fort Eustis, Virginia, around December 5, 2003, and began the SRP out-processing. As summarized in table 27, we identified one soldier who experienced pay problems associated with the demobilization phase of his active duty tour.

Table 27: Demobilization Pay Problems

Type of pay or allowance	Number of soldiers who did not receive pay or allowance within 30 days of entitlement	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Family separation allowance	0	1	0

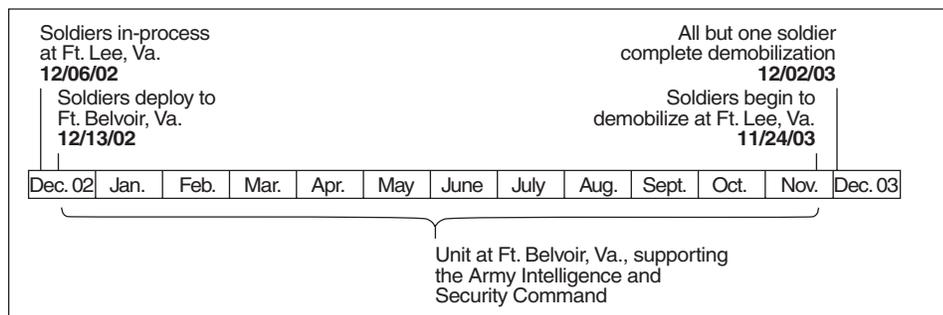
Source: GAO analysis.

We identified one soldier who did not receive any family separation allowance payments during the last 3 months of active duty. This soldier's home of record was more than 50 miles from the demobilization station in Fort Eustis, Virginia, and he was not commuting daily. Consequently, he should have received family separation allowance for these 3 months. Ten other soldiers in the unit who returned to Fort Eustis and lived within the 50-mile range of the demobilization station and did not have a commander's exception on file received \$250 per month in family separation allowance payments until their release from active duty. By January 2004, all mobilized soldiers, with the exception of the soldier who was on medical hold, were released from active duty.

3423rd Military Intelligence Detachment New Haven, Connecticut

The 3423rd Military Intelligence Detachment was called to active duty in support of Operation Noble Eagle on December 3, 2002. A total of 11 soldiers from the unit were mobilized to support operations at the Intelligence and Security Command at Fort Belvoir, Virginia.¹ The 3423rd Military Intelligence Detachment does not have a unit administrator during peacetime and had no dedicated unit administrator during the mobilization. The unit was called to active duty and reported to its mobilization station, Fort Lee, Virginia, where the soldiers went through in-processing during December 2002. After this processing, the unit went to the Army's National Ground Intelligence Center in Charlottesville, Virginia, for 1 week of additional in-processing and was then transferred to Fort Belvoir. For the next 11 months, the unit carried out its mission to gather and analyze intelligence information in support of U.S. Army Intelligence and Security Command operations at Fort Belvoir. In November 2003, the 3423rd Military Intelligence Detachment began to demobilize at Fort Lee and by December 2, 2003, all but 1 soldier had been released from active duty. The unit reported that the remaining soldier stayed on active duty at Fort Belvoir for an additional year. A time line of key actions associated with the unit's mobilization to active duty is shown in figure 9.

Figure 9: 3423rd Military Intelligence Company's Mobilization Time Line



Source: GAO.

As summarized in table 28, soldiers experienced a range of pay problems at every stage of the 3423rd Military Intelligence Detachment's tour of active duty. The unit did not have a dedicated unit administrator to carry out pay support responsibilities during its active duty mobilization. Overall, all 11

¹A 12th soldier was mobilized from June 2002 to June 2003, but was not part of this mission.

soldiers in the unit experienced some type of pay problem associated with their activation to, during, or deactivation from active duty in support of Operation Noble Eagle. Specifically, we found that (1) 10 soldiers experienced underpayments, overpayments or late payments during their initial mobilization; (2) 9 soldiers experienced underpayments, overpayments, or late payments during their tour of active duty at Fort Belvoir; and (3) 9 soldiers experienced underpayments, overpayments, or late payments during their demobilization.

Table 28: Pay Problems by Phase

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

Source: GAO analysis.

Note: Soldiers may have experienced pay problems in more than one phase.

The dollar amounts associated with the overpayments, underpayments, and late payments we identified were about \$18,500, \$4,000, and \$5,000, respectively. Of the overpayments we identified, about \$2,000 were subsequently collected from the unit's soldiers as of January 31, 2004.

Mobilization Pay Problems

As summarized in table 29, we found that 10 of the 11 soldiers from the 3423rd Military Intelligence Detachment experienced pay problems related to basic pay and the associated entitlements when called to active duty.

Table 29: Mobilization Pay Problems

Type of pay or allowance	Number of soldiers who received late payments	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Basic allowance for housing	1	1	0
Cost of living allowance	8	5	4
Family separation allowance	0	1	9

Source: GAO analysis.

Note: Soldiers may have experienced pay problems with more than one type of pay or allowance or more than one type of problem per pay or allowance.

Before mobilization, the unit attended several SRPs put on by the 94th Regional Readiness Command. Specifically, after September 11, 2001, the unit received warnings that it might be called up and therefore began attending SRPs to prepare for impending mobilization. The unit first attended a program at the Reserve center in Waterbury, Connecticut, in October 2001, along with several other units that were definitely mobilizing. The soldiers attended a second SRP in November 2002. The finance portion of the SRP consisted of a briefing that covered the different entitlements soldiers could expect to receive and a review of the soldiers' Master Military Pay Accounts. Upon reporting to the active Army mobilization station at Fort Lee, the unit underwent a third SRP.

We found 10 of the 11 soldiers in the 3423rd Military Intelligence Detachment were entitled to the continental U.S. cost of living allowance during their mobilization at a rate based on their principal place of residence at the time they were ordered to active duty.² One of these 10 soldiers did not receive the entitlement during his mobilization, resulting in a \$500 underpayment. The 9 remaining soldiers erroneously began receiving the overseas cost of living allowance rather than the continental U.S. cost of living allowance at the beginning of the mobilization. In April 2003, all 9 soldiers began correctly receiving continental U.S. cost of living allowance and the entitlement was paid retroactively in May to 8 of the

²The 11th soldier was not entitled to the continental U.S. cost of living allowance because his principal place of residence did not qualify for a cost of living adjustment.

soldiers for the period December 2002 through March 2003.³ The erroneous payments of the overseas cost of living allowance were collected immediately for 4 of the soldiers, while the erroneous payments for the other 4 soldiers were only partially collected later in the mobilization. The delay in collecting the overseas cost of living allowance for the 4 soldiers resulted in overpayments of over \$3,500 that were not collected in full by the end of the mobilization. One soldier continued to receive the overseas cost of living allowance and the continental U.S. cost of living allowance concurrently through August 2003, totaling more than \$2,500. DOD began to recoup these amounts in October 2003. In addition to the overpayments and underpayments associated with overseas cost of living allowance payments, discrepancies between the overseas and continental U.S. cost of living allowance rates for 8 of the 9 soldiers led to over \$700 in late payments.

We also found that 9 of the 10 soldiers in the 3423rd Military Intelligence Detachment received family separation allowance overpayments during mobilization. Because of pay clerks' confusion regarding family separation allowance entitlement rules, the 9 soldiers began receiving the family separation allowance 1 to 3 days earlier than they should have, resulting in small overpayments that totaled almost \$200 for the unit.

Additionally, one soldier in the unit experienced a problem related to his basic allowance for housing pay during mobilization. Shortly after mobilization, the soldier's basic allowance for housing entitlement erroneously switched from the "with dependents" rate to the "without dependents" rate for half of December 2002 and for January through March 2003. In April 2003, the soldier was repaid basic allowance for housing at the "with dependents" rate for January through March 2003.⁴ These switches resulted in \$800 in payments more than 30 days after the soldier was entitled and almost \$200 in underpayments for the period in December 2002 when the soldier did not receive basic allowance for housing at the "with dependents" rate. Furthermore, even though the soldier was deployed from his home in Connecticut to his active duty location at Fort Belvoir in Virginia, he did not receive his family separation allowance for the entire mobilization, creating an estimated \$3,000 underpayment.

³The 9th soldier did not have his overseas cost of living adjustment recollected and the continental U.S. cost of living adjustment paid instead, creating a \$2 underpayment.

⁴The basic allowance for housing previously paid under the "without dependents" rate was recollected concurrently with the April 2003 payment.

Pay Problems While Deployed

As summarized in table 30, we identified a number of pay problems associated with active duty pays and allowances during the 3423rd Military Intelligence Detachment's deployment while on active duty.

Table 30: Deployment Pay Problems

Type of pay or allowance	Number of soldiers who received late payments	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Active duty basic pay	1	0	0
Basic allowance for housing	1	0	0
Foreign language proficiency pay	0	1	0

Source: GAO analysis.

Note: Soldiers may have experienced pay problems with more than one type of pay or allowance or more than one type of problem per pay or allowance.

Two soldiers experienced individual problems with active duty basic pay, basic allowance for housing, and foreign language proficiency pay. Additionally, during their deployment to Fort Belvoir, the unit's soldiers experienced pay problems related to the basic allowance for subsistence provided to enlisted soldiers. Ten of the 11 soldiers in the unit experienced some sort of overpayment, underpayment, or late payment associated with their deployment.

Two soldiers experienced problems relating to various pay entitlements during their deployment. One soldier received about \$1,800 in active duty basic pay and basic allowance for housing payments more than 30 days after he was entitled to receive them because of a delay in processing his promotion. Another soldier did not receive his foreign language proficiency pay for 1 month of his deployment, creating a \$100 underpayment.

While we did not count any of the unit's basic allowance for subsistence payments as pay problems because of incomplete documentation, seven enlisted soldiers in the unit experienced significant confusion over whether they received their correct basic allowance for subsistence payments. The unit's enlisted soldiers initially received the regular basic allowance for subsistence until April 2003. At that time, all basic allowance for subsistence amounts paid to these soldiers were collected and a different

basic allowance for subsistence rate, called “rations in kind not available,”⁵ was retroactively paid to these soldiers. In 2003, rations-in-kind-not-available payments were about \$20 more per month than the regular basic allowance for subsistence.

However, finance personnel at the Intelligence and Security Command (the unit’s servicing finance office while deployed at Fort Belvoir) determined that even though the unit was issued orders stating that housing and mess would not be provided, the soldiers actually could eat at the Fort Belvoir mess. This resulted in (1) a collection in May of all of the previous rations-in-kind-not available payments to the unit’s soldiers except for payments for the initial mobilization time prior to arrival at Fort Belvoir, and (2) a retroactive repayment of the regular basic allowance for subsistence. Nevertheless, the enlisted soldiers continued to receive the rations-in-kind-not-available rate from mid-May through July 2003. In July 2003, Fort McCoy again initiated transactions to collect the rations-in-kind-not-available payments and instead pay regular basic allowance for subsistence. The regular basic allowance for subsistence then continued for the rest of the unit’s mobilization, despite the fact that in June 2003, a committee of finance personnel at Fort Belvoir determined that it was not feasible for the soldiers to continue to use the mess facilities at Fort Belvoir because of mission requirements and transportation costs.

Pay Problems Associated with Demobilization and Release from Active Duty

The soldiers of the 3423rd Military Intelligence Detachment began to demobilize in November 2003. As summarized in table 31, some soldiers continued to experience pay problems throughout their demobilization and release from active duty.

⁵According to DOD FMR Volume 7A, in general, “rations in kind not available” applies to enlisted soldiers on duty at a permanent station where a government mess is not available or is impracticable for the soldiers to use.

Table 31: Demobilization Pay Problems

Type of pay or allowance	Number of soldiers who received late payments	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Active duty basic pay	0	0	9
Basic allowance for housing	0	0	9
Basic allowance for subsistence	0	0	9
Family separation allowance	0	0	8
Foreign language proficiency pay	0	0	1

Source: GAO analysis.

Note: Soldiers may have experienced pay problems with more than one type of pay or allowance or more than one type of problem per pay or allowance.

Of the 10 soldiers who demobilized by the end of our audit period, 9 continued to receive their active duty pay and entitlements past the date of separation from the Army. Two of the 9 overpaid soldiers continued to receive their entitlements for 28 days past the date of demobilization, while the remaining 7 soldiers were overpaid for 13 days. This resulted in \$14,000 in overpayments of active duty basic pay, basic allowance for housing, basic allowance for subsistence, and where applicable, the family separation allowance and foreign language proficiency pay.

When demobilizing through Fort Lee, the demobilization finance officials failed to change the pay status code in DJMS-RC to stop active duty pay for nine of the unit's soldiers. The timing of the unit's release from active duty made it more difficult to catch and correct these concerns, as the soldiers demobilized during the Thanksgiving holiday and a particularly severe snowstorm. The problem was eventually caught and corrected by the 94th Regional Readiness Command when personnel examined the Unit Commander's Pay Management Report in January 2004. Finance personnel at the 94th Regional Readiness Command reported that available pay reports indicated most of the soldiers' overpayments have now been collected from the unit's soldiers.

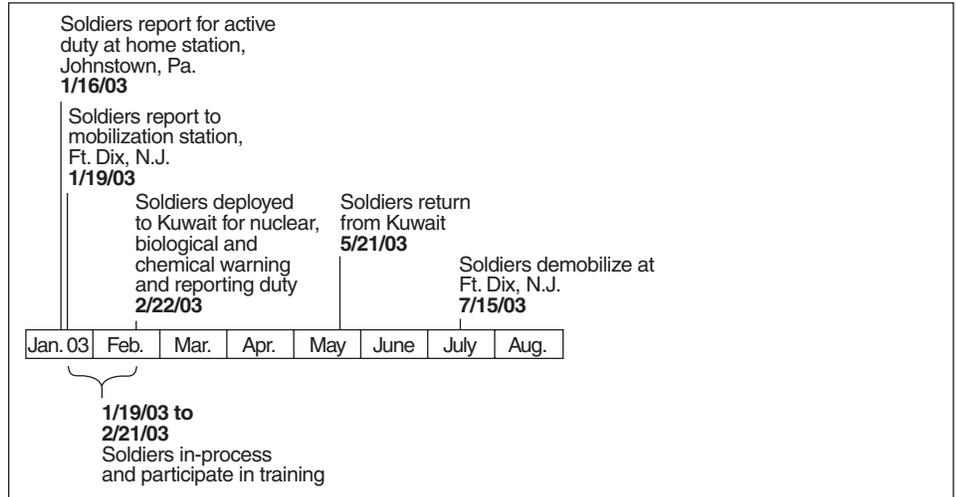
431st Chemical Detachment Johnstown, Pennsylvania

The 431st Chemical Detachment was called to active duty in support of Operation Enduring Freedom on January 16, 2003, for a period not to exceed 365 days. Ten soldiers who received orders to mobilize with the 431st Chemical Detachment reported to their home station in Johnstown, Pennsylvania, on January 16, 2003. They underwent an initial SRP at their Johnstown home station. On January 19, 2003, they arrived at their designated mobilization station at Fort Dix, New Jersey, where they remained for the next month undergoing additional in-processing and training. Approximately 1 month later, around February 22, 2003, 8 of the 10 soldiers from the 431st Chemical Detachment were deployed to Kuwait. Two soldiers from the unit left for Kuwait 1 month later, on March 20, 2003.

The primary mission of the 431st Chemical Detachment while deployed in and around Kuwait was to track and report nuclear, biological, or chemical attacks so that soldiers in the area could take appropriate protective actions. After completing their mission, all 10 soldiers in the detachment left Kuwait on May 21, 2003. Upon returning to Fort Dix, the soldiers began the demobilization process and stayed at Fort Dix until the end of June 2003. For the period of July 1 through July 15, 2003, all of the soldiers in the 431st Chemical Detachment were placed on transitional leave. By July 15, 2003, all of the soldiers had been released from active duty. A time line of key actions associated with the unit's mobilization under Operation Enduring Freedom is shown in figure 10.

Appendix IX
431st Chemical Detachment Johnstown,
Pennsylvania

Figure 10: 431st Chemical Detachment's Mobilization Time Line



Source: GAO.

As summarized in table 32, all 10 of the unit's soldiers experienced some sort of pay problem, primarily associated with the overseas deployment phase of their active duty mobilization. Pay problems included overpayments, underpayments, and late payments of pay entitlements and incentives, such as family separation allowance, hostile fire pay, and hardship duty pay associated with their initial mobilization and deployment to Kuwait.

Table 32: Pay Problem by Phase

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

Source: GAO analysis.

Note: Soldier may have experienced pay problems in more than one phase.

In total, we identified estimated overpayments of about \$12,000, underpayments of about \$2,000, and late payments of about \$1,000 associated with the pay problems we identified. Of the estimated \$12,000 in

identified overpayments, we identified about \$450 that was subsequently collected. Specifically, we determined that

- 2 soldiers did not receive correct payments for up to 6 months after their mobilization date; and
- all 10 soldiers in the unit experienced underpayments, overpayments, or late payments associated with their tour of active duty deployment in Kuwait, including problems with hostile fire pay and hardship duty pay.

Mobilization Pay Problems

As summarized in table 33, we identified six soldiers with pay problems related to overpayments of family separation allowance during the unit's initial mobilization to active duty.

Table 33: Mobilization Pay Problems

Type of pay or allowance	Number of soldiers who received late payments	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Family separation allowance	0	0	6

Source: GAO analysis.

Upon receipt of individual mobilization orders, the soldiers reported to their unit's home station in Johnstown, Pennsylvania, where they attended a SRP. The purpose of this SRP was to ensure that all soldiers had all required administrative paperwork, financial documents, and were physically fit for the ensuing mobilization. SRP finance officials were required to verify the soldiers' supporting financial documentation and submit transactions with the necessary supporting documentation to the Reserve Pay Center at Fort McCoy to update the soldiers' Master Military Pay Accounts to reflect their mobilized status.

However, we identified several soldiers who did not have appropriate supporting documentation maintained in their files to justify their basic allowance for housing payments. One soldier appeared to be underpaid for the basic allowance for housing during the period that he was called to report to his home station for active duty. During the first pay period of his mobilization, he was paid at a lower basic allowance for housing rate. Subsequent payments for the basic allowance for housing throughout his

tour of duty were at a higher rate. We were not able to substantiate the higher amount through supporting documentation. The total basic allowance for housing payments to this soldier that could not be verified amounted to approximately \$3,500.

Furthermore, we identified four other soldiers who received basic allowance for housing payments for which we were unable to obtain supporting documentation (i.e., DA Form 5960). Total basic allowance for housing payments for those four soldiers amounted to approximately \$30,000.

In addition, we identified six soldiers in the 431st Chemical Detachment who received overpayments of the family separation allowance because they began receiving this entitlement upon reporting to their home station, even though that location was less than 50 miles from their homes and there was no evidence that they had an unreasonable commuting distance, as required by DOD FMR Volume 7A. Based on these criteria, the family separation allowance payments should not have started until the soldiers reached their mobilization station at Fort Dix, New Jersey. The family separation allowance overpayments to these soldiers totaled \$150.

Pay Problems While Deployed

As summarized in table 34, we found that during the soldiers' deployment to Kuwait, they experienced problems related to hardship duty pay and hostile fire pay. In addition, all of the soldiers received their combat zone tax exclusion benefit at least 1 month late.

Table 34: Deployment Pay Problems

Type of pay or allowance	Number of soldiers who received late payments	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Hostile fire pay	8	0	10
Hardship duty pay	1	10	10

Source: GAO analysis.

Note: Soldiers may have experienced problems with more than one type of pay or allowance.

Most soldiers did not receive the full amount of their hardship duty pay while deployed. Moreover, they continued to receive hardship duty pay well after they had returned to Fort Dix and demobilized. In total, all 10

deployed soldiers were incorrectly paid for either hardship duty or hostile fire pay.

Soldiers of the 431st Chemical Detachment who deployed overseas had their identification cards scanned into the Tactical Personnel System upon landing at Kuwait International Airport. However, the unit's hostile fire payments did not start until more than 2 months after the soldiers arrived in theater. Moreover, it took approximately 3 months from the time that the soldiers arrived to start receiving hardship duty payments. In fact, hardship duty payments were not processed until May 21, 2003, the same day that the soldiers left the designated hardship duty location.

These delays resulted in the deployed soldiers being underpaid for most of their time while serving in the hardship duty location. Furthermore, hardship duty pay continued for another 7 months after the soldiers had left Kuwait. As a result, the soldiers continued to receive payments of hardship duty pay after their demobilization and release from active duty. Also, local Army area servicing finance officials did not terminate payments of hostile fire pay for the 2 months following the soldiers' return to the United States. These two breakdowns in the process of paying the correct in-theater incentives to soldiers in a timely manner resulted in underpayments or late payments at the front end of the soldiers' deployment and overpayments after the soldiers had returned.

In addition, the unit administrator, who also deployed with the unit, stated that she had trouble finding anyone in the local Army area servicing finance office in Kuwait to assist with getting the unit's hostile fire pay started. Since the 431st Chemical Detachment was working for the Marine Corps and was far away from the Army area servicing finance office, the unit was given the number at Fort Doha as its supporting finance office in Kuwait. The unit administrator made repeated telephone attempts to contact the finance office at Fort Doha but could only reach a recording that told her to call back later. This gap in a functioning supporting finance office for the deployed soldiers added to their frustration and confusion over in-theater pays.

Upon the unit's return to the U.S. in May 2003, most of the soldiers noticed that they continued to receive an additional \$100 per month for 7 additional months. However, because their Leave and Earnings Statements were not clear as to what the payments represented, the soldiers contacted the unit administrator for assistance. The unit administrator determined that the payments represented erroneous hardship duty pay and tried to go through

the unit's chain of command to get the payments stopped, but received no response. The unit administrator also accessed the pay hotline at 888-PAY-ARMY, but was placed on hold for such a long time that she gave up.

Pay Problems Associated with Demobilization and Release from Active Duty

All 10 soldiers of the 431st Chemical Detachment arrived at the demobilization station at Fort Dix, New Jersey, on May 21, 2003, to begin the SRP out-processing. The soldiers were stationed at Fort Dix for approximately 1 month. At the end of June 2003, the soldiers returned to their home station in Johnstown, Pennsylvania, where they spent a few days before being placed on transitional leave for the first 2 weeks in July 2003. While on transitional leave, the soldiers continued to receive \$250 per month for the family separation allowance even though they were not separated from their families.

Comments from the Department of Defense



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

AUG 11 2004

Mr. Gregory D. Kutz
Director
Financial Management and Assurance
U.S. Government Accountability Office
Washington, DC 20548

Dear Mr. Kutz:

This is the Department of Defense (DoD) response to the Government Accountability Office (GAO) Draft Report, "Military Pay: Army Reserve Soldiers Mobilized to Active Duty Experienced Significant Pay Problems," dated July 9, 2004, (GAO Code 192109/GAO-04-911). The DoD concurs with the 15 recommendations in the draft report and is already taking actions to correct the noted deficiencies.

The Department appreciates the opportunity to comment on the subject report. My staff point of contact on this matter is Ms. Jacqueline Jenkins. She may be contacted by e-mail: jacqueline.jenkins@osd.mil or by telephone at (703) 697-8282.

Sincerely,

A handwritten signature in black ink, appearing to read "Tina W. Jonas".

Tina W. Jonas

Enclosure:
As stated

GAO DRAFT REPORT - DATED JULY 9, 2004
GAO CODE 192109/GAO-04-911

“MILITARY PAY: ARMY RESERVE SOLDIERS MOBILIZED TO
ACTIVE DUTY EXPERIENCED SIGNIFICANT PAY PROBLEMS”

DEPARTMENT OF DEFENSE COMMENTS
TO THE RECOMMENDATIONS

RECOMMENDATION 1: The GAO recommended that the Secretary of Army, in conjunction with the Under Secretary of Defense (Comptroller), establish procedures for unit commanders and unit administrators, or other designated officials (for soldiers transferred between units), to reconcile the names of Army Reserve soldiers receiving active duty pay with the names of Army Reserve soldiers reporting for duty at mobilization stations. (p. 70/GAO Draft Report)

DoD RESPONSE: Concur. The Defense Finance and Accounting Service (DFAS) will provide procedures for mobilization stations to query the Defense Joint Military Pay System – Reserve Component (DJMS-RC) to identify all soldiers on a mobilization tour in the system and assigned to a unit reporting to the mobilization station. The query results will be validated with the unit against the actual personnel reporting to the mobilization station. This process will also be incorporated into the Army Mobilization/Demobilization Standing Operating Procedures. In addition, the United States Army Reserve Command (USARC) is conducting a data matching process twice monthly to ensure soldiers’ pay status is correct. The estimated completion date is November 2004.

RECOMMENDATION 2: The GAO recommended that the Secretary of Army, in conjunction with the Under Secretary of Defense (Comptroller), establish procedures for unit commanders and unit administrators, or other designated officials, to provide the names and arrival dates for all soldiers entering and exiting in theater locations to a designated local area finance office to facilitate accurate and timely payment of in-theater location-based active duty pays, allowances, and related tax benefits. (p. 71/GAO Draft Report)

DoD RESPONSE: Concur. The Army personnel command in theater will continue to provide automated listings of all soldiers arriving and departing theater using the Tactical Personnel System. This system uses a process that populates data based on the soldier physically swiping his/her common access card upon arrival/departure. A May 2004 change to the system and procedures added the input of a status code for pay purposes to the system at the point of embarkation/debarkation. The system files are now quality checked against images of hardcopy manifests to minimize errors. **Action is complete.**

RECOMMENDATION 3: The GAO recommended that the Secretary of Army, in conjunction with the Under Secretary of Defense (Comptroller), establish procedures to provide demobilization stations with a list of soldiers returning from overseas that are scheduled to arrive at the demobilization station for outprocessing. (p. 71/GAO Draft Report)

DoD RESPONSE: Concur. The Army Mobilization/Demobilization Standing Operating Procedure requires the demobilization finance cell to obtain a by-name listing of soldiers by unit arriving at the demobilization station. This guidance includes the requirement to achieve 100 percent accountability for the soldiers in a unit for finance demobilization input. This process is now validated through compliance reviews for mobilization/demobilization stations. This is in addition to the ongoing reconciliation of the DJMS-RC data and Transition Processing System DD Form 214 (Certificate of Release or Discharge from Active Duty) data and the transmission of departure data from the Tactical Personnel System directly to DFAS. **Action is complete.**

RECOMMENDATION 4: The GAO recommended that the Secretary of Army, in conjunction with the Under Secretary of Defense (Comptroller), establish procedures to reconcile the names of Army Reserve soldiers, who recently demobilized, with the names of Army Reserve soldiers still receiving mobilization pay and take appropriate action to resolve any identified pay issues. (p. 71/GAO Draft Report)

DoD RESPONSE: Concur. A centralized automated reconciliation of the DJMS-RC data and the Transition Processing System DD Form 214 data is now performed with followup of discrepancies at the individual mobilization stations. **Action is complete.**

RECOMMENDATION 5: The GAO recommended that the Secretary of Army, in conjunction with the Under Secretary of Defense (Comptroller), clarify policy concerning “thorough” review of soldiers pay records upon initial mobilization to specify that finance personnel at Army mobilization stations must conduct a one-on-one review of on-line pay records for each mobilized soldier. (p. 71/GAO Draft Report)

DoD RESPONSE: Concur. Policy was initially published in January 2004 and is also included in the Army Mobilization/Demobilization Standing Operating Procedure. This process is now validated through compliance reviews for mobilization/demobilization stations. **Action is complete.**

RECOMMENDATION 6: The GAO recommended that the Secretary of Army, in conjunction with the Under Secretary of Defense (Comptroller), establish procedures to ensure unit commanders and unit administrators, or other designated officials, have on-line access to pay management reports, such as the Unit Commander’s Pay Management Report, particularly for mobilized units. (p. 71/GAO Draft Report)

DoD RESPONSE: Concur. Processes and capabilities will be established to ensure that Unit Commander's Pay Management Reports are produced and distributed to units while away from home station during periods of mobilization. The feasibility of on-line access will be evaluated; however, units deployed to austere environments often do not have the communications to obtain access. The estimated completion date is November 2004.

RECOMMENDATION 7: The GAO recommended that the Secretary of Army, in conjunction with the Under Secretary of Defense (Comptroller), clarify the DJMS-RC procedures to specifically require unit commanders, unit administrators, or other designated officials, to review and reconcile key pay and personnel data every month, including personnel records, with the monthly Unit Commander's Pay Management Report, for all mobilized Army Reserve soldiers. (p. 71/GAO Draft Report)

DoD RESPONSE: Concur. The USARC will update the DJMS-RC Procedures Manual (USARC Pamphlet 37-1) to more clearly define procedures for use of the Unit Commander's Pay Management Report during mobilization. The USARC will also publish this requirement through command channels. The estimated completion date is February 2005.

RECOMMENDATION 8: The GAO recommended that the Secretary of Army, in conjunction with the Under Secretary of Defense (Comptroller), clarify and simplify procedures and forms implementing Family Separation Allowance entitlement policy, particularly with respect to 30-day waiting period and commuting distance criteria. (p. 71/GAO Draft Report)

DoD RESPONSE: Concur. The Army, in conjunction with the DFAS, will review and, within legislative constraints, update appropriate policy, procedures, and forms used in the authorization of Family Separation Allowance in relation to the 30-day waiting period and commuting distance criteria. The estimated completion date is 3rd quarter 2005.

RECOMMENDATION 9: The GAO recommended that the Secretary of Army, in conjunction with the Under Secretary of Defense (Comptroller), take appropriate action to address the issues of inadequate resources provided to carry out key unit administrator pay management responsibilities identified at our case study units, particularly with respect to: (1) vacancies in unit administrator positions resulting from the requirement for "dual status" unit administrators; and (2) lack of pay management support for Army Reserve soldiers transferred between units. (p. 71/GAO Draft Report)

DoD RESPONSE: Concur. The USARC recognized problems caused by the lack of availability of unit administrators. The Chief, Army Reserve approved the Army Reserve Human Capital Strategic Plan for the Full-Time Support Workforce, which includes unit administration support. The strategic plan consolidates administrative support, to include pay, into a Center Support Concept that provides unit administrative support. The centralized administrative cell is planned to be supported by military technician positions with corresponding drilling reserve positions, so during periods of military duty, the unit administrator

will remain at the reserve center performing the same functions. By pooling unit administration resources and responsibilities within a reserve center, there will be continuity of administrative support for units even during absences or vacancies for individual administrators. The USARC is currently conducting a pilot program at one of the Regional Readiness Commands that runs from July 1, 2004, through December 30, 2004. In addition, the USARC will promulgate guidance emphasizing the responsibility of the parent unit administration to support all soldiers assigned to a derivative unit, including those soldiers cross-leveled from other units. This guidance will include conducting Soldier Readiness Processing for cross-leveled soldiers from other units or the Individual Ready Reserves. The estimated completion date is October 2006.

RECOMMENDATION 10: The GAO recommended that the Secretary of Army, in conjunction with the Under Secretary of Defense (Comptroller), determine whether issues of inadequate resources identified at our case study units apply to other mobilized Army Reserve units and soldiers, and if so, take appropriate action to address any deficiencies identified. (p. 71/GAO Draft Report)

DoD RESPONSE: Concur. The USARC has determined that of the 1,993 unit administrator positions in the command, 395 (20 percent) are temporarily vacant due to the incumbent serving on active duty. Only 101 (5 percent) are vacant awaiting a new personnel selection. **Action is complete.**

RECOMMENDATION 11: The GAO recommended that the Secretary of Army, in conjunction with the Under Secretary of Defense (Comptroller), evaluate the feasibility of establishing an ombudsman to serve as the single focal point and have overall coordination responsibility and visibility to ensure that all Army Reserve soldiers' problems and inquiries, with respect to applicable active duty pays, allowances, and related combat zone tax exclusion benefits, are promptly and fully resolved. (p. 71/GAO Draft Report)

DoD RESPONSE: Concur. The USARC will build upon the existing mobilization helpdesk/support cell established in May 2003 at the United States Army Reserve Pay Center. The availability of the cell, which has responded to over 13,300 requests from individuals and organizations, will be further enhanced through the addition of toll-free help lines and wider advertising of the help lines as a pay ombudsman for mobilized soldiers. The estimated completion date is November 2004.

RECOMMENDATION 12: The GAO recommended that the Secretary of Army, in conjunction with the Under Secretary of Defense (Comptroller), evaluate the feasibility of modifying the deployability code or adding a duty status code in the Total Army Personnel Database- Reserves (TAPDB-R) that can be compared with the pay status code field in the DJMS-RC to assist in identifying pay errors resulting from discrepancies between the soldiers' duty status and pay status. (p. 72/GAO Draft Report)

DoD RESPONSE: Concur. The Army Human Resources Command already maintains a mobilization status code in the TAPDB-R and is adding a mobilization status to the record status code values. In addition, the active Army personnel databases also have fields established for mobilized reservists. The feasibility will be evaluated of using one of these fields for comparison to the pay status code in the DJMS-RC. The specific field value and database will be based on the systems and processes through which it is populated (i.e., based on orders or actual arrival at the mobilization station). The estimated completion date is November 2004.

RECOMMENDATION 13: The GAO recommended that the Secretary of Army, in conjunction with the Under Secretary of Defense (Comptroller), evaluate the feasibility of modifying the DJMS-RC to stop withholding taxes from soldiers when they serve in designated tax-exempt combat zones. (p. 72/GAO Draft Report)

DoD RESPONSE: Concur. The DFAS completed a feasibility assessment, and the DJMS-RC would require a systems change to stop the withholding of taxes in tax-exempt combat zones. The systems change would take 12-18 months to implement. Since the implementation would be after the Army Reserve accounts conversion to the Forward Compatible Pay (FCP) system, a change to the DJMS-RC is not feasible. The issue will be resolved upon FCP implementation in spring 2005.

RECOMMENDATION 14: The GAO recommended that the Secretary of Army, in conjunction with the Under Secretary of Defense (Comptroller), evaluate the feasibility of establishing a system edit to prevent DJMS-RC from generating payments for active duty service to soldiers after their date of demobilization from active duty. (p. 72/GAO Draft Report)

DoD RESPONSE: Concur. The DFAS completed a feasibility assessment, and the DJMS-RC would require a systems change to modify the process to prevent the payments after demobilization. The systems change would take 12-18 months to implement. Since the implementation would be after the Army Reserve accounts conversion to the FCP system, a change to the DJMS-RC is not feasible. The issue will be resolved upon FCP implementation in spring 2005.

RECOMMENDATION 15: The GAO recommended that the Secretary of Army, in conjunction with the Under Secretary of Defense (Comptroller), address the deficiencies noted in this report as part of the functional requirements for the FCP and the Defense Integrated Military Human Resources System (DIMHRS) system development efforts currently underway. (p. 72/GAO Draft Report)

DoD RESPONSE: Concur. The Department has addressed the deficiencies noted in the report by creating detailed military pay requirements for the DIMHRS Program. These detailed military pay requirements are also being used as the requirements baseline for the FCP system. These requirements address pay problems resulting from systemic issues identified in this report. Specifically, the requirements establish an integrated single record for all military members

(Active, Reserve, and Guard). The single record will support seamless status transition as military members are mobilized/demobilized. The current Reserve system requirement to reenter entitlements monthly will be eliminated. Duty status changes from Reserve to Active, will automatically initiate basic pay and allowances (e.g., basic allowance for housing, basic allowance for subsistence) and enable one time entry to start/stop location based entitlements (e.g., hazardous duty pay) and current non automated entitlements (e.g., foreign language proficiency pay) eliminating the need for monthly reentry of entitlements. Automation of all entitlements and allowances will: (1) reduce manual workarounds, (2) enhance edits and validations, (3) improve pay accuracy, and (4) reduce the workload of field finance offices. The DIMHRS is envisioned to create a single military personnel/pay record for each Service member supporting all Service Component affiliations and duty statuses and will resolve any residual pay problems associated with personnel and pay interfaces. The FCP will begin deployment in spring 2005 and complete its deployments by spring 2006.

GAO Contact and Staff Acknowledgments

GAO Contact

Geoffrey B. Frank, (202) 512-9518

Acknowledgments

Staff making key contributions to this report include James D. Berry, Amy C. Chang, Francine M. DelVecchio, Jennifer L. Hall, Ken Hill, Kristi L. Karls, Jason M. Kelly, Tram Le, Julia C. Matta, Jonathan T. Meyer, Michelle Philpott, John J. Ryan, Jennifer F. Wilson, and Leonard E. Zapata.

GAO's Mission

The Government Accountability Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday, GAO posts newly released reports, testimony, and correspondence on its Web site. To have GAO e-mail you a list of newly posted products every afternoon, go to www.gao.gov and select "Subscribe to Updates."

Order by Mail or Phone

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. Government Accountability Office
441 G Street NW, Room LM
Washington, D.C. 20548

To order by Phone: Voice: (202) 512-6000
TDD: (202) 512-2537
Fax: (202) 512-6061

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Gloria Jarmon, Managing Director, JarmonG@gao.gov (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, D.C. 20548

Public Affairs

Jeff Nelligan, Managing Director, NelliganJ@gao.gov (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, D.C. 20548

**United States
Government Accountability Office
Washington, D.C. 20548-0001**

**Presorted Standard
Postage & Fees Paid
GAO
Permit No. GI00**

**Official Business
Penalty for Private Use \$300**

Address Service Requested

