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MILITARY PAY

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

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Highlights of [GAO-06-657T](#), a report to Committee on Government Reform, U.S. House of Representatives

Why GAO Did This Study

In light of GAO's past four reports and testimonies on Army military pay and travel pay for soldiers who have served in the Global War on Terrorism (GWOT), GAO was asked to determine if weaknesses in Army processes for initiating and terminating active duty pay might result in erroneous payments and debt, including (1) overpayments to soldiers in the Fort Bragg Medical Retention Processing Unit (MRPU)—1 of 23 MRPU—and (2) overpayments and other errors that resulted in debt collection action against battle-injured soldiers who were released from active duty. GAO also was asked to develop case studies to illustrate the effects of these problems on soldiers and their families and to determine ways that Congress could make the debt collection process more soldier friendly.

What GAO Recommends

GAO's report on overpayments at Fort Bragg (GAO-06-384R) recommended that DOD determine whether the same problems had occurred at the other 22 MRPU and ensure that appropriate corrective action is taken. GAO's report on separated soldier debt (GAO-06-494) raised several matters for Congress to consider regarding legislation to provide uniform debt relief to injured soldiers and exemptions from credit bureau reporting and private collection agency action. DOD partially concurred on the Fort Bragg report and concurred on the soldier debt report.

www.gao.gov/cgi-bin/getrpt?GAO-06-657T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gregory D. Kutz at (202) 512-7455 or kutzg@gao.gov.

MILITARY PAY:

Military Debts Present Significant Hardships to Sick and Injured GWOT Soldiers

What GAO Found

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

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

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

Source: GAO analysis.

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

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to discuss our recent work on Army military pay. This testimony, which is the fifth in a series of reports and related testimonies to this committee, is part of a continuing body of work related to military and travel pay for soldiers who have served in the Global War on Terrorism (GWOT) since the terrorist attacks of September 11, 2001. Our previous work¹ identified hundreds of Army National Guard and Reserve soldiers who experienced substantial pay and travel reimbursement problems caused primarily by ongoing challenges in the areas of human capital, processes, and automated systems. Our recent work, which is presented in two reports that the committee is releasing today,² presents two more examples of the overall result of a broken military pay system.

Collection action on military debt has affected GWOT soldiers from all Army components—Active, National Guard, and Reserve—and involves soldiers who were injured or killed in combat as well as soldiers who suffered from sickness and nonbattle injuries. Our Fort Bragg investigation looked into allegations that there were overpayments made to sick and injured in-service soldiers who were in Medical Retention outpatient³ status. The Fort Bragg Medical Retention Processing Unit (MRPU) is 1 of 23 Army MRPU. Once overpayments are identified, they result in debt, which must be repaid to the government. Our audit of soldier debt focused on GWOT soldiers who were injured in battle and had separated from the

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

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

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

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

The Debt Collection Act of 1982⁴ provides a statutory basis for federal agencies to use appropriate debt collection tools, such as interest charges, offset, and private collection agencies. Collection action on military debts consists of pay offset for soldiers who are still in the service and escalates to collection through debt notification letters, credit bureau reporting, and private collection agency action when soldiers have left the service and have not paid their military debts. Debts of separated soldiers may also be collected through offsets against federal income tax refunds; retirement pay; and federally administered benefits payments, such as Social Security Administration benefits. These offsets are handled by the Department of the Treasury Offset Program, referred to as TOP.

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

Summary

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

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

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

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

In addition, our investigation of pay problems related to Army National Guard and Reserve soldiers assigned to the MRPU at Fort Bragg—1 of 23 MRPU—identified overpayments of approximately \$218,000⁷ to 232 sick and injured⁸ Army National Guard and Reserve soldiers. Many sick and injured Fort Bragg soldiers faced garnishment of wages and other debt collection actions resulting from these pay errors.

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

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

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

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

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

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

Case studies related to both of our reports showed that sick and injured soldiers sometimes went months without paychecks⁹ because debt caused by overpayments of combat pay and other errors was offset against their military pay. Similarly, work performed for both of our reports also showed that when debts were not paid after the soldiers separated from the service, they were subject to credit bureau reporting and collection agency actions. Out-of-service debt collection actions created additional hardships on the soldiers by preventing them from getting loans to buy houses or automobiles or pay off other debt, and sending several of the soldiers into financial crisis. Some battle-injured soldiers forfeited their final separation pay to cover part of their military debt, and they left the service with no funds to cover immediate expenses while facing collection action on their remaining debt. Because of their lack of income, 16 of 19 separated battle-injured soldiers who contacted us during our audit told us that they had difficulty paying basic household expenses. Because they were unable to pay their military debts, 16 of these soldiers' debts were reported to credit bureaus, 9 soldiers were pursued by collection agencies, and 8 soldiers had their income tax refunds withheld under TOP.

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

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

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

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

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

Continuing Pay Problems for Army Soldiers

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

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

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

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

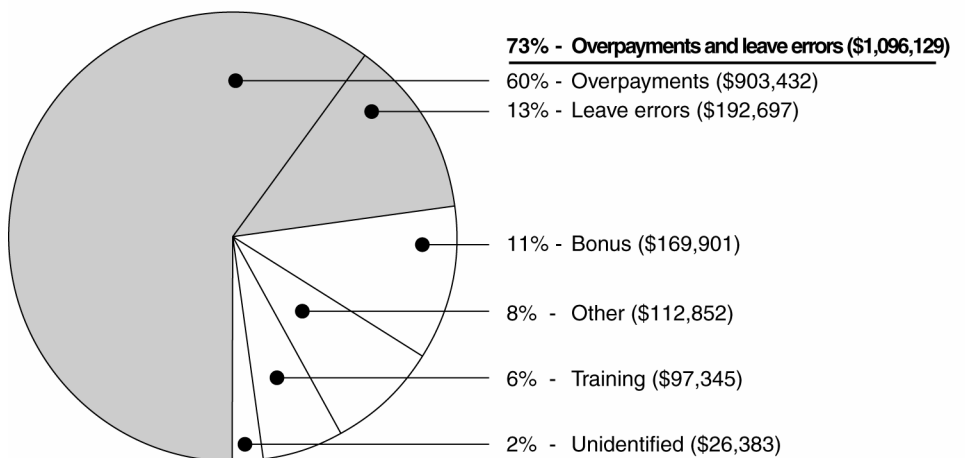
As illustrated in figure 1, Army and DFAS data for fiscal years 2002 through 2005 showed that 73 percent of the debts for the nearly 1,300 separated battle-injured soldiers and soldiers killed in combat related to errors in pay calculations, combat pay errors, and erroneous leave payments during fiscal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

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

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

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

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



Source: GAO analysis.

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

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

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

Fort Bragg Soldier Case Studies

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

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

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

Table 1. Examples of Fort Bragg Soldier Pay Problems

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

Source: GAO.

^aDays elapsed equals the number of days between the date the soldier visited Finance and date ineligible pay was stopped.

^bEstimated overpayments equals hostile fire and hardship duty payments made to a soldier after arrival at Fort Bragg MRPDU.

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

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

Separated Battle-Injured Soldier Case Studies

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

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

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

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

- Sixteen soldiers had their military debts reported to credit bureaus, 9 soldiers had debts turned over to private collection agencies, and 8 soldiers had their income tax refunds withheld under TOP.
- Sixteen could not pay their basic household expenses.
- Four soldiers were unable to obtain loans to purchase homes, meet other needs, or obtain VA educational benefits because of service-related debt on their credit reports.
- At least 8 soldiers were owed travel reimbursements at the same time they were being pursued for collection of their service-related debts. Table 2 illustrates examples of the effects of debt collection actions on 10 of our separated Army battle-injured case study soldiers and their families. Debts imposed the greatest hardship on battle-injured soldiers who have had to endure financial problems while they cope with adjusting to physical limitations caused by their injuries.

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

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

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

Source: GAO.

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

DOD Actions to Address Pay and Travel Reimbursement Problems

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

Opportunities for a More Soldier-Friendly Debt Collection Process

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

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

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

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

Concluding Comments

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

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

Contacts and Acknowledgments

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