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STATEMENT OF
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BEFORE THE
SUBCOMMITTEE ON MILITARY PERSONNEL
COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES

ON
"RECRUITING, RETENTION AND MILITARY PERSONNEL POLICY,
BENEFITS AND COMPENSATION OVERVIEW"

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Chairman McHugh, Distinguished Members of the Subcommittee, my name is Brigadier General Denny Eakle, and I am the Deputy Director of the Defense Finance and Accounting Service (DFAS). Thank you for this opportunity to discuss our role in improving the delivery of pay and benefits that affect recruiting and retaining military personnel.

As a career military officer, I have a personal understanding of the importance of timely and accurate military pay and benefits and their impact on the morale and readiness of our soldiers, sailors, airmen, Marines, and their families. DFAS shares the responsibility to provide quality pay and customer service with the active and reserve components of the military departments. DFAS is chiefly responsible for the systems issues and overseeing the operations which execute pay for military members and military retirees. As stated in previous testimony, there have been problems associated with the aging pay systems which, regrettably, have adversely affected our service members. Over the past 12 months, DFAS and the military services have made much progress in addressing the root causes of these issues and implementing solutions. We will continue to work to address the remaining pay-related problems that continue to plague our uniformed service members.

We are taking a three-pronged attack to address these pay issues. First and foremost, the Department's ultimate solution is the Defense Integrated Military Human Resources System. Our interim solution is the Forward Compatible Payroll System, as we continue our aggressive collaboration with the Military Services and the Reserve Components to work as one team in mitigating these problems in the near term.

Currently, DFAS maintains two separate payroll systems for the Army, Navy and Air Force. The two systems are the Defense Joint Military Pay System (DJMS) – Active Component (AC) and DJMS-Reserve Component (RC). DJMS-AC is designed to pay active duty service members. In contrast, DJMS-RC was

designed primarily to pay Reserve and Guard Soldiers for monthly drill pay, which requires input to be made *each month* by the service member's unit to certify drill attendance to initiate payment.

When talking about pay systems, it is important to have a perspective of recent history. In the 1991 Gulf War, the Army transferred the pay accounts of mobilized Reserve and Guard Soldiers from the Reserve pay system to the active pay system. Since the pay system is not integrated with the personnel system, a Soldier's duty status was not automatically updated in the pay system. As a result, many Reserve and Guard Soldiers continued to receive active duty pay and allowances after they were demobilized. This caused millions of dollars in overpayments, as cited in a 1993 GAO report. To rectify this situation, in 1995 the Army made the decision to retain Reserve and Guard Soldiers on the reserve pay system in the future.

Because the pay and personnel systems remain separate, the DJMS-RC system requires numerous manual inputs to maintain the accurate status and pay of our troops. The accuracy of these payments depends on the accuracy and timeliness of input from many entitling systems operated throughout the Department. The ultimate fix to the pay problems, cited in recent Government Accountability Office reports, requires both the elimination of two separate payroll systems and the integration of multiple military personnel and payroll systems into *one integrated system*. The system that achieves this goal is the Defense Integrated Military Human Resources System (DIMHRS) program, under the auspices of the Office of the Secretary of Defense (Personnel and Readiness).

Due to the complexity and scope of delivering an integrated personnel and pay system for all military services, DoD has approved DFAS's strategy for an interim replacement of the current legacy Defense Joint Military Pay System (DJMS), to help resolve immediate payroll problems facing our service members. This replacement system is called Forward Compatible Payroll (FCP). FCP

eliminates the problem of having the separate DJMS-AC and DJMS-RC systems; under FCP, active and Reserve component service members will be on the same system. Implementation of FCP will begin with the Army's Reserve Components (RC) in the spring of 2005, with final implementation of the Navy by the spring of 2006.

In addition to these systems solutions, we have embarked on many other initiatives to improve pay for all our service members in the near term. An executive oversight committee has been established consisting of senior executives from the Assistant Secretary of the Army for Financial Management and Comptroller, DFAS, the Director, Army National Guard and the Chief, Army Reserve, that provides quarterly updates to the House Government Reform Committee regarding progress made to improve pay for mobilized Soldiers. Within the last 12 months, we have collectively made great strides in improving processes and procedures within the finance community. The majority of these action items apply to both the Army National Guard (ARNG) and the US Army Reserve (USAR).

We are already seeing positive results from our action plan. For example:

- We have implemented a military pay "safety net" as another way of ensuring accurate pay. One component of this safety net is a monthly data reconciliation of the pay accounts of demobilizing Soldiers; hundreds of Soldiers' accounts have been corrected as a direct result of this component of the safety net.
- Another safety net component is the data reconciliation done between the DFAS central database and the deployed theater finance office's arrival and departure manifests. Through this business practice initiative, we input at DFAS central site more than 700,000 transactions for mobilized Soldiers since January 2004, thus minimizing the risk associated with manual field input.

- We are also using data mining to compare the entitlements deployed soldiers should be receiving against what they are actually being paid. All anomalies are researched and corrections made as needed. This has helped us identify and correct over \$2.4 million in overpayments that have been collected in the past 12 months.

Mr. Chairman, DFAS remains fully committed to our continuing partnership with all service components in improving the accuracy and timeliness of all service members' pay accounts. We will remain steadfast in the aggressive implementation of our action plan.

Because this hearing is more broadly concerned with the effect of pay and benefits on recruiting and retention, I would like to address two other issues – the recovery of overpayments due to pay errors and retired pay operations.

One of DFAS's responsibilities within military pay is the collection of overpayments. When overpayments occur and a debt is established, DFAS is required to take recoupment action even if the overpayment was made through no fault of the individual. DFAS is sympathetic to the hardship and inconvenience overpayments and collection of those overpayments can create. Military members can request a waiver through their chain of command. If denied, individuals may appeal the decision through the Defense Office of Hearings and Appeals (DOHA). Unless these waiver requests are approved, DFAS must take action to recover the overpayment to prevent fraud, waste and abuse.

The last issue I want to address relates to the pay operations supporting our 2.2 million military retirees. Providing quality pay products and customer services to these members of our defense community fulfills an important obligation. DFAS is committed to continuing to improve the pay services and products these citizens have earned.

Today, retired and annuitant pay operations are conducted by contractors under the direction of DFAS's Continuing Government Authority as a result of an A-76 competition conducted in 2001. Since the transfer, the contractor has met minimum contract requirements and we continue to manage the contractor's performance to improve the results for retirees and annuitants. Since the transfer in January 2002, the overall cost of these operations as compared to the 2001 baseline has decreased from \$44.5 million to \$31.2 million – a 30 percent reduction.

Retired and annuitant pay must continue improving in two primary areas. First, we must be able to more quickly effect changes in entitlements authorized by legislation. This requires better coordination between multiple agencies, resolution of policy questions and more timely guidelines to allow DFAS to implement systems changes or take necessary actions to ensure entitlements are delivered when expected. The second area that we must continue to address is our customer service to military retirees. We now have over 560,000 retirees using our self-service web application, myPay. As more retirees become comfortable with Internet technology and use of myPay spreads among retirees, retirees will have greater control and awareness of their retirement accounts.

DFAS will continue to be committed to providing the best possible service to our retiree and annuitant pay customers, to managing our contract service delivering this service at the best value to the nation, and to working with the military services and other agencies in implementing changes and improvements to their pay and entitlements.

Mr. Chairman, DFAS is dedicated to continuing our partnership with all service components in improving accuracy and timeliness of pay and entitlements to all of our payees – active duty, Reserve and Guard, civilian and retirees. We know that successfully fulfilling this mission enhances the

Department's ability to retain and recruit the world's best military force. We will remain steadfast in taking aggressive action. Mr. Chairman, this concludes my formal remarks and I will be happy to answer any questions the Committee may have. Thank you.