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REFORM  
U.S. HOUSE OF REPRESENTATIVES

**STATEMENT OF**  
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**ACTING DIRECTOR**  
**DEFENSE FINANCE AND ACCOUNTING SERVICE**

**BEFORE THE**  
**COMMITTEE ON GOVERNMENT REFORM**  
**UNITED STATES HOUSE OF REPRESENTATIVES**

**ON**  
**“AVOIDING ‘FINANCIAL FRIENDLY FIRE’:**  
**A REVIEW OF EFFORTS TO OVERCOME ARMY**  
**NATIONAL GUARD PAY PROBLEMS”**

**JANUARY 28, 2004**

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Chairman Davis, Distinguished Members of the Committee, my name is Pat Shine and I am the Acting Director of the Defense Finance and Accounting Service (DFAS). Prior to this, I was the Director of Military and Civilian Pay Services Business Line for DFAS. Thank you for the opportunity to discuss our role in paying Army National Guard personnel.

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, which is the focus of my testimony today.

Currently, DFAS maintains two separate payroll systems for the Army, Navy, and Air Force. The two systems are Defense Joint Military Pay System (DJMS) – Active Component (AC) and DJMS-Reserve Component (RC). DJMS-AC is designed to pay active duty service members. Once entitlements for pay and allowances are entered into this system, they continue until input is made to terminate the entitlement. In contrast, DJMS-Reserve Component-RC was designed to pay reserve and guard members for monthly drill pay. It is a positive reporting system, which requires input to be made each month by the soldier's unit to certify drill attendance to initiate payment. In addition, most active duty pay entitlements that a reserve and guard soldier are authorized will pay automatically once input is made into DJMS-RC, but some entitlements will not. Certain combat zone entitlements must be input monthly by the Army finance office in the deployed area and others must be input monthly by the home station.

In the 1991 Gulf War, the Army transferred the pay accounts of reserve and guard soldiers who were mobilized from the DJMS-RC system to the DJMS-AC 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, the Army made the decision in 1995 to keep reserve and guard soldiers on DJMS-RC when mobilized in the future. That business practice remains in effect today. It is a sensible practice, given the lack of integration between the DJMS-AC and DJMS-RC systems.

The long-term fix to the pay problems that occurred during The Gulf War requires both the elimination of two separate payroll systems and the integration of multiple military personnel and payroll systems into one integrated system. The Department of Defense solution has been the establishment of the Defense Integrated Military Human Resource System (DIMHRS) Program, under the lead of the Office of the Secretary of Defense (Personnel and Readiness).

To help mitigate some of the problems experienced by reserve and guard soldiers during mobilization until DIMHRS is fielded; DFAS has taken several positive steps. First, DFAS has developed a Windows based input system known as Defense Military Pay Office (DMO). DMO uses common input screens and data for both DJMS-AC and DJMS-RC, relieving some of the burden associated with dealing with two separate pay systems. It also has online help features so users can be trained more easily, and complete edits so the quality of input data is improved before it reaches DJMS.

Secondly, DFAS has pursued opportunities to add functionality to DJMS-RC to address specific problems encountered during mobilization and demobilization. For example, DJMS-RC has been enhanced to add leave accrual for reserve and guard

soldiers while they are on active duty. Hardship duty pay-location (HDP-L) will be added in April 2004.

Another major effort by DFAS is a single payroll system to replace DJMS, known as Forward Compatible Payroll system (FCP). FCP is not designed to be a competitor to DIMHRS. It is being developed using the same modern Commercial-off-the- Shelf software that DIMHRS will use to develop the future integrated pay and personnel database. FCP will eliminate the two legacy DJMS payroll systems. These aged legacy systems are very difficult to change to reflect new or modified pay entitlements. As a result, DJMS today has numerous manual workarounds to compute items of pay, introducing both delay and potential errors into the payroll process. FCP will automate these pay computations and thus eliminate manual workarounds, speeding delivery of more accurate and complete payments to our service members.

In closing, Mr. Chairman, I want to assure you that DFAS is committed to partnering with the Army and the Army National Guard to continue improving and providing quality pay and customer services to all the members of the United States Armed Forces and their families. They deserve the very best. Colonel James Leonard, Director, Army Military Pay, DFAS, is sitting beside me and has no written statement, but will be available to answer any questions along with myself that the Committee may have. This concludes my formal remarks.