

April 2006

MILITARY PAY

Hundreds of Battle-Injured GWOT Soldiers Have Struggled to Resolve Military Debts





Highlights of [GAO-06-494](#), a report to congressional requesters

Why GAO Did This Study

As part of the Committee on Government Reform's continuing focus on pay and financial issues affecting Army soldiers deployed in the Global War on Terrorism (GWOT), the requesters were concerned that battle-injured soldiers were not only battling the broken military pay system, but faced blemishes on their credit reports and pursuit by collection agencies from referrals of their Army debts. GAO was asked to determine (1) the extent of debt of separated battle-injured soldiers and deceased Army soldiers who served in the GWOT, (2) the impact of DOD debt collection action on separated battle-injured and deceased soldiers and their families, and (3) ways that Congress could make the process for collecting these debts more soldier friendly.

What GAO Recommends

DOD concurred with GAO's report. Matters that Congress should consider to make debt relief more soldier friendly include strengthening the DOD's authority to provide uniform debt relief to injured GWOT soldiers and exempting these soldiers from credit bureau reporting and private collection agency and tax refund offset actions.

www.gao.gov/cgi-bin/getrpt?GAO-06-494.

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

Hundreds of Battle-Injured GWOT Soldiers Have Struggled to Resolve Military Debts

What GAO Found

Pay problems rooted in the complex, cumbersome processes used to pay Army soldiers from their initial mobilization through active duty deployment to demobilization have generated military debts. As of September 30, 2005, nearly 1,300 separated Army GWOT soldiers who were injured or killed during combat in Iraq and Afghanistan had incurred over \$1.5 million in military debt, including almost 900 battle-injured soldiers with debts of \$1.2 million and about 400 soldiers who died in combat with debts of \$300,000. As a policy, DOD does not pursue collection of debts of soldiers who were killed in combat. However, hundreds of battle-injured soldiers experienced collection action on their debts. The extent of these debts may be greater due to incomplete reporting. GAO's case studies of 19 battle-injured soldiers showed that collection action on military debts resulted in significant hardships to these soldiers and their families. For example, 16 of the 19 soldiers were unable to pay their basic household expenses; 4 soldiers were unable to obtain loans to purchase a car or house or meet other needs; and 8 soldiers' debts were offset against their income tax refunds. In addition, 16 of the 19 case study soldiers had their debts reported to credit bureaus and 9 soldiers were contacted by private collection agencies. The table below illustrates the experience of 4 case study soldiers.

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

| Soldier | Injury | Debt | Impact of Debt on Soldier and Family |
|---------------------------|---|----------|---|
| Army Reserve Staff Sgt. | Lost right leg below the knee. | \$2,231 | This 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 Sgt. | 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. |
| Active Army Staff Sgt. | Paralyzed from the waist down. | \$14,959 | This soldier received a reduced paycheck or no net pay during the last 4 months he was in the Army. He separated from the Army in January 2005 and his debt was not resolved until February 2006. |
| Army Reserve Specialist | Inoperable shrapnel in knee. | \$1,575 | This soldier was erroneously listed as absent without leave (AWOL) when she was actually being treated for her war injury. The AWOL error caused a pay-related debt. The soldier was unable to get a \$500 loan to pay off her credit card balance due to Army debt on her credit report. |

Source: GAO analysis.

Due to concerns about soldier indebtedness resulting from pay-related problems during deployments, Congress recently gave the Service Secretaries 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. For example, soldiers who separated more than 1 year ago are not eligible for debt relief and soldiers who paid their debts are not eligible for refunds. Further, because this authority expires in December 2007, injured soldiers and their families could face bad credit reports, visits from collection agents, and tax refund offsets in the future.

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Abbreviations

| | |
|------|--|
| AWOL | Absent without leave |
| CFR | Code of Federal Regulations |
| DDMS | Defense Debt Management System |
| DFAS | Defense Finance and Accounting Service |
| DOD | Department of Defense |
| FMS | Financial Management Service |
| GWOT | Global War on Terrorism |
| OEF | Operation Enduring Freedom |
| OIF | Operation Iraqi Freedom |
| TOP | Treasury Offset Program |
| USC | United States Code |
| WIA | Wounded-in-Action |

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United States Government Accountability Office
Washington, DC 20548

April 27, 2006

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 Management,
Finance and Accountability
Committee on Government Reform
House of Representatives

The Honorable C. A. Dutch Ruppertsberger
House of Representatives

The Army continues to mobilize tens of thousands of soldiers each year in support of the Global War on Terrorism (GWOT). Thousands of soldiers have been injured or killed as a result of hostile fire since the initial deployments to Afghanistan and Iraq in October 2001. Battle-injured soldiers returning to the United States often face the daunting prospect of adjusting to their postwar lives. Many soldiers are faced with multiple surgeries and months of physical rehabilitation. Oftentimes, these soldiers have to reassess their career goals and seek training to accommodate their new physical limitations upon separation from military service. Because these battle-injured soldiers return to the United States before their unit's mobilization period ends, their duty status is not always appropriately updated and they encounter payroll problems related to the failure by the Army to adjust combat pay (entitlements such as hostile fire pay, hardship duty pay, and family separation pay). Our previous audits have detailed weaknesses in the Army's systems and processes for providing service-related benefits to Army National Guard and Army Reserve soldiers that

have resulted in both over- and underpayments.¹ The Defense Finance and Accounting Service (DFAS) is responsible for collecting debts caused by overpayments and other pay-related problems. The Debt Collection Act of 1982² provides a statutory basis for federal agencies to use appropriate debt collection tools, such as interest charges, offset, and private collection agencies. Thus, if debts are not paid before the soldier separates from military service, DFAS can refer these debts to collection agencies. A description of the collection process for separated soldier debts is included in appendix I.

This report responds to your request that we determine (1) the extent to which Army GWOT battle-injured soldiers who were released from active duty or killed³ in combat are having military debts referred to credit bureaus and collection agencies and (2) the impact of Department of Defense (DOD) debt collection action on these soldiers and their families. In addition, because of the added burden that debt collection places on separated battle-injured soldiers and fallen soldiers and their families, you asked us to discuss ways that Congress could make the process for collecting their debts more soldier friendly.

To identify the extent of reported debts of separated battle-injured soldiers and fallen Army GWOT soldiers, we compared soldier records in the Army's Wounded in Action (WIA) Program⁴ databases, which contain information on battle-injured and fallen GWOT soldiers who served in the

¹ 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); *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 Pub. L. No. 97-365, 96 Stat. 1749 (1982).

³ The Army refers to soldiers who were killed by hostile fire as fallen soldiers.

⁴ During February 2005, DFAS and the Army established the Wounded in Action Support Team for WIA pay account management and initiated action to create a centrally managed corporate database, with decentralized pay account management.

Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF) deployment from October 2001 through September 2005⁵ to DFAS Defense Debt Management System (DDMS) data on out-of-service debts.⁶ We evaluated the reliability of the WIA databases and DDMS system data and found these data to be sufficiently reliable for the purposes of our work. To determine the effect of debt collection action on separated battle-injured soldiers and their families, we invited soldiers to contact us and discuss their experience with Army debts. We prepared case studies summarizing our interviews with soldiers or family members. Where we were unable to independently validate our case study information, we attributed it to the soldiers and family members. We based our discussion of ways in which the debt collection process can be made more soldier friendly on our previous Army pay and travel-related reports; our review of applicable laws and regulations and DOD and Army policies and procedures; discussions with key Army, DFAS, DOD, and Treasury officials; and our interviews of case study soldiers and their families. We conducted our work from June 2005 through March 2006 in accordance with generally accepted government auditing standards. A detailed discussion of our objectives, scope, and methodology is presented in appendix II.

Results in Brief

Army and DFAS data as of September 30, 2005, showed that nearly 1,300 Army GWOT battle-injured soldiers who left the service or were killed in combat had military debts totaling \$1.5 million during the first 4 years of the OIF/OEF deployment.⁷ Within this total, almost 900 battle-injured soldiers had debts totaling about \$1.2 million and about 400 soldiers who died in battle had debts totaling over \$300,000. The actual number of separated battle-injured soldiers and fallen soldiers reported for debt collection may be greater due to inaccurate or incomplete information on

⁵ The Army's WIA databases include pay account and medical status information on OEF and OIF soldiers who were injured and killed in combat and soldiers who experienced disease and nonbattle injuries.

⁶ Out-of-service soldier debts occur when a soldier has separated from the service and is not receiving salary or other payments from the department that can be offset to collect debt owed to a defense agency or military service.

⁷ As of September 30, 2005, the universe of soldiers in the WIA databases used for our comparison to out-of-service debts totaled 11,142 soldiers, including 9,682 battle-injured soldiers and 1,460 soldiers who died as a result of combat injuries.

these soldiers.⁸ As a policy, DFAS does not pursue collection action on the debts of fallen soldiers. However, according to DFAS officials, military debt can be satisfied from the final pay of fallen soldiers,⁹ and DFAS may pursue collection action on other deceased soldiers. DFAS records as of September 30, 2005, showed that of the \$1.5 million in military service debts incurred by the nearly 1,300 battle-injured and fallen soldiers identified in our analysis, debts totaling almost \$959,000 were written off, waived, or cancelled, including debts of fallen soldiers; debts totaling about \$124,000 were paid; and debts totaling \$420,000 remained open.

We found that hundreds of separated battle-injured soldiers were pursued for collection of military debts incurred through no fault of their own, including 74 soldiers whose debts had been reported to credit bureaus, private collection agencies, and the Treasury Offset Program (TOP) at the time we initiated our audit.¹⁰ Overpayment of pay and allowances (entitlements), pay calculation errors, and erroneous leave payments caused 73 percent of the reported debts. Remaining debts related to requirements to repay portions of enlistment bonuses and training due to early separation and/or failure to fulfill requirements; unpaid expenses for medical services, household moves, insurance premiums, and travel advances;¹¹ and lost or damaged military equipment.

Debt collection actions have placed significant hardship on separated GWOT battle-injured soldiers and their families. When these soldiers leave the Army, they generally do not have jobs and many of them face

⁸ As of September 30, 2005, there were some problems with unreported information on battle-injured and fallen soldiers. In addition, the WIA databases of battle-injured and fallen soldiers contained some incomplete or incorrect information, including type of injury and social security numbers, which are key to identifying soldiers as battle injured and matching battle-injured and fallen soldier records to out-of-service debt. However, for purposes of our audit, we have concluded that the effect of these errors is not material.

⁹ Circumstances in which debt can be offset against a deceased soldier's final pay include normal adjustments to collect outstanding advance pay, minimal overpayments within the current month, and other outstanding debt, such as debt related to non-sufficient fund checks.

¹⁰ Under TOP, delinquent out-of-service soldier debts may be offset against Internal Revenue Service tax refunds, federal retirement payments, or specific approved federal benefit payments due to the debtor, such as Social Security Administration benefits payments.

¹¹ In accordance with § 301-71.305, *Federal Travel Regulations*, federal employees are required to account for outstanding travel advances when they file a travel claim. Any unused amount of a travel advance is required to be repaid.

continuing medical treatment for battle injuries, making it difficult to hold a job. Our case studies showed that 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. Due to their lack of income, 16 of our 19 case study soldiers told us that they had difficulty paying for basic household expenses. For example, 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. 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 listed as absent without leave (AWOL) by their units while they actually were 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 while they were not in duty status when, in fact, the soldiers were receiving medical treatment for their war injuries. When these soldiers did not respond to formal debt notification or pay their debts, many of their debts were reported to credit bureaus, private collection agencies, and TOP.

There are two primary mechanisms in law to forgive soldier debt, including (1) authority to waive debts that result from payroll, travel, and other payment and allowance errors¹² and (2) authority for remission (forgiveness) of debts involving issues of hardship or fairness.¹³ The Fiscal Year 2006 National Defense Authorization Act¹⁴ broadened remission authority to include debts of officers and any soldiers no longer on active duty for up to 1 year. However, the remission authority in the act does not cover soldiers who were released from active duty more than 1 year ago and the waiver authority does not cover cancellation of debts due to error after the applicable 3-year statute of limitations. As a result, the debt relief provisions in the act do not apply to debts of battle-injured soldiers who separated from the service during fiscal years 2002 through at least the

¹² 10 U.S.C. § 2774 and 32 U.S.C. § 716.

¹³ 10 U.S.C. §§ 4837, 6161, and 9837.

¹⁴ Pub. L. No. 109-163, § 683, 119 Stat. 3136, 3322 (2006).

first part of fiscal year 2005. In addition, the debt relief provisions in the 2006 authorization act do not contain a provision granting the Service Secretaries authority to refund any amount of indebtedness previously paid by the soldier. Further, the expanded authority under the act will terminate in December 2007, thereby making it possible that some battle-injured and fallen soldier debts may be subject to collection through credit bureau reporting and private collection agency and TOP actions in the future.

Our past reports included over 80 recommendations to address Army payroll problems, including timely recording of changes in soldier duty status and processing related payroll changes. The Army and DFAS have taken a number of actions to address these problems and help prevent them from occurring in the future. Correcting these problems, many of which cause service-related debt, is the best solution to pay-related debt problems and thus, we are making no new recommendations in this report. DOD concurred with our report. This report also presents several matters for congressional consideration if Congress wishes to make the process for collecting military debts more soldier friendly and help ensure that debt relief for injured GWOT soldiers is handled equitably.

The Army Has Referred Debts of Nearly 1,300 Battle-Injured Soldiers for Collection, and the Number May Be Greater

Our analysis of Army and DFAS data through the end of fiscal year 2005 identified nearly 1,300 separated battle-injured soldiers¹⁵ and soldiers who were killed in combat who had military debts totaling \$1.5 million that were reported to DFAS for debt collection action. Of the nearly 1,300 soldiers, almost 900 separated battle-injured soldiers had debts totaling about \$1.2 million and about 400 soldiers who died in combat had debts totaling over \$300,000. The actual number of separated battle-injured soldiers and fallen soldiers who owed military debts may be greater due to incomplete and inaccurate reporting of some information to the WIA databases.¹⁶ Overpayment of pay and allowances (entitlements), pay calculation errors, and erroneous leave payments caused 73 percent of the reported debts. Remaining debts related to requirements to repay portions of enlistment bonuses and training due to early separation and/or failure to

¹⁵ As of September 30, 2005, the universe of soldiers in the WIA databases used for our comparison to out-of-service debts totaled 11,142 soldiers, including 9,682 battle-injured soldiers and 1,460 soldiers who died as a result of combat injuries.

¹⁶ The Army's WIA databases capture data on all injured, sick, and deceased GWOT soldiers for pay and debt account management purposes.

fulfill requirements; unpaid expenses for medical services, household moves, insurance premiums, and travel advances; and lost military equipment.

Because the Army lacks a centralized automated system that integrates payroll, personnel, and medical data on its soldiers, the Army and DFAS formed a Wounded in Action Support Team and created WIA databases that included soldier personnel, payroll, and medical information using weekly data calls from five separate Army systems.¹⁷ The Army and DFAS are using ad hoc work-around processes to research, verify, and correct incomplete and inaccurate data. These labor-intensive, manual procedures are necessary due to continuing, uncorrected weaknesses in Army personnel and payroll systems and the growing number of battle-injured soldiers whose pay accounts need to be researched and verified to determine whether overpayments or other problems have resulted in debt. As a policy, DFAS does not pursue collection of debts of fallen soldiers. However, DFAS officials told us that military debt may be satisfied from the final pay and allowances of fallen soldiers¹⁸ and DFAS may pursue collection of debts of other deceased soldiers. During the past 2 fiscal years, the Army pursued hundreds of battle-injured soldiers for collection of their military debts after they left the service. Collection action begins with monthly debt notification letters and escalates to credit bureau reporting and private collection agency and TOP action when there is no response or debts are not paid.

The Army Has Reported Debts of Battle-Injured GWOT Soldiers to Credit Bureaus and Private Collection Agencies

At the time we initiated our audit in June 2005, the Army was taking collection action on active debts of over 300 battle-injured soldiers. Our initial analysis of Army and DFAS data as of June 30, 2005, identified 331 battle-injured soldiers, whose military service debts were undergoing collection action, including at least 74 soldiers whose military debts had been reported to credit bureaus and to private collection agencies and TOP. However, in response to our audit, Army and DFAS officials told us that they had suspended collection action on these soldiers' debts and

¹⁷ The five Army systems are the Joint Personnel Tracking and Accountability, Patient Accountability Real-time Reporting Tracking, Medical Operational Data System, Patient Tracking Module, and Electronic Military Personnel Office systems.

¹⁸ Circumstances in which debt can be offset against a deceased soldier's final pay include normal adjustments to collect outstanding advance pay, minimal overpayments within the current month, and other outstanding debt, such as debt related to non-sufficient fund checks.

recalled their reports to credit bureaus and their referrals to the Department of the Treasury for private collection agency and TOP collection action until a determination could be made as to whether these soldiers' debts were eligible for relief.

We independently confirmed the recall of credit bureau reporting and Treasury referrals with those entities. DFAS records as of September 30, 2005, showed that of the \$1.5 million in military service debts incurred by the nearly 1,300 battle-injured and fallen soldiers identified in our analysis, debts totaling almost \$959,000 were written off, waived, or cancelled, including debts of fallen soldiers; debts totaling about \$124,000 were paid; and debts totaling \$420,000 remained open. In addition, at the end of our audit, the Army and DFAS advised us that waivers had been approved for active debts of 202 of the 331 separated battle-injured soldiers' debts that were being pursued for collection when we initiated our audit in June 2005.

The Number and Dollar Amount of Separated Battle-Injured Soldier and Fallen Soldier Debts Increased from Fiscal Years 2002 through 2005

While many soldiers had only one or two debts, other soldiers had three or more debts. The nearly 1,300 separated battle-injured soldiers and fallen soldiers identified in our analysis had a total of 2,324 debts. Debts for these soldiers grew from 404 debts totaling \$128,230 at the end of fiscal year 2002 to 2,324 debts totaling over \$1.5 million at the end of fiscal year 2005.

As shown in table 1, the number of debts generally has increased each fiscal year as more soldiers have been deployed and Army payroll problems remained unresolved. More than 40 percent of these soldier debts totaling over half of the \$1.5 million were incurred during fiscal year 2005.

Table 1: Number and Dollar Amount of Military Debts Incurred by Separated Battle-Injured Soldiers and Fallen Army GWOT Soldiers by Fiscal Year

| Fiscal year | Number of debts | Percentage of debts | Original debt amount | Percentage of total amount |
|--------------------|------------------------|----------------------------|-----------------------------|-----------------------------------|
| 2002 | 404 | 17 | \$128,230 | 8 |
| 2003 | 279 | 12 | 139,689 | 9 |
| 2004 | 640 | 28 | 384,006 | 26 |
| 2005 | 1,001 | 43 | 850,685 | 57 |
| Total | 2,324 | 100 | \$1,502,610 | 100 |

Source: GAO analysis.

Previously, we reported that most soldier payroll problems related to Army National Guard and Army Reserve soldiers. Our analysis of military service debts of the nearly 1,300 separated Army battle-injured soldiers and fallen soldiers showed that for the first 4 years of the GWOT deployment, 661 (51 percent) of the debts related to active component Army soldiers, 346 (about 27 percent) of the debts related to Army National Guard soldiers, and 248 (about 19 percent) of the debts related to Army Reserve soldiers. The field units that reported debts for the remaining 35 Army soldiers (about 3 percent) did not identify these soldiers by component. Table 2 shows the relative number and amount of debts by component.

Table 2: Number and Amount of Separated Battle-Injured Soldier and Fallen Soldier Debts by Army Component for Fiscal Years 2002 through 2005

| Army component | Number of soldiers | Percentage of soldiers | Original debt amount | Percentage of debt |
|-----------------------|---------------------------|-------------------------------|-----------------------------|---------------------------|
| Active Army | 661 | 51 | \$ 869,140 | 58 |
| National Guard | 346 | 27 | 295,461 | 19 |
| Army Reserves | 248 | 19 | 236,799 | 16 |
| Unidentified | 35 | 3 | 101,210 | 7 |
| Total | 1,290 | 100 | \$1,502,610 | 100 |

Source: GAO analysis.

Because Congress passed legislation¹⁹ that permitted the Secretary of Defense to cancel up to \$2,500 in individual soldier debt during Desert Shield/Desert Storm, your offices asked us to determine the dollar amount of debts of separated battle-injured and fallen soldiers by incremental thresholds. Our analysis of the amounts of debt reported for separated battle-injured soldiers and fallen soldiers who served in OIF and OEF during fiscal years 2002 through 2005 showed that about 82 percent of these soldiers had debts that totaled \$1,500 or less and the vast majority, about 90 percent of the soldiers, had debts that totaled \$2,500 or less. While making this comparison, it is appropriate that debt relief is adjudicated prudently in consideration of individual circumstances. Table 3 shows the stratification of battle-injured and fallen soldier debt in \$500 increments up to \$3,500 and total amounts over \$3,500.

Table 3: Stratification of Separated Battle-Injured and Fallen Soldier Debts by Dollar Amount

| Dollar range of soldier debts | Number of soldiers | Cumulative percentage of soldiers |
|-------------------------------|--------------------|-----------------------------------|
| \$ 1 - \$500 | 763 a | 59 a |
| \$501 - \$1,000 | 190 | 74 |
| \$1,001 - \$1,500 | 108 | 82 |
| \$1,501 - \$2,000 | 45 | 86 |
| \$2,001 - \$2,500 | 49 | 90 |
| \$2,501 - \$3,000 | 30 | 92 |
| \$3,001 - \$3,500 | 15 | 93 |
| Over \$3,500 | 90 | 7 |
| Total | 1,290 | 100 |

Source: GAO.

^aUnder the \$225 collection threshold, 526 of the 763 soldiers (41 percent) had debts that were subject to write-off.

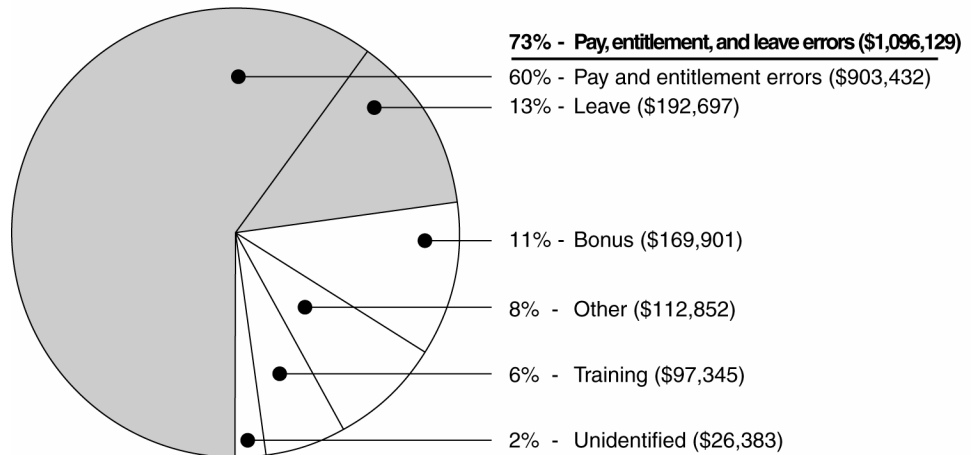
Ninety soldiers had debts that totaled more than \$3,500, including original soldier debts that ranged from \$3,528 to \$34,124. Sixty-seven of these soldiers had debts that totaled less than \$10,000, 16 soldiers had debts totaling between \$10,000 and \$20,000, and 7 soldiers had debts that totaled more than \$20,000.

¹⁹ Department of Defense Appropriation Act, Pub. L. No. 102-172, § 8138, 105 Stat. 1150, 1212 (1991).

Most Military Debts Relate to Pay Errors

Consistent with our case studies, which are discussed in the next section, DOD data showed that most of the debts of the nearly 1,300 soldiers who were injured or killed in combat related to errors in pay calculations and overpayment of combat pay entitlements and erroneous payments for unused leave. 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 fallen soldiers related to errors in pay calculations, entitlement 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 medical services, housing and household moves, insurance premiums, travel advances,²⁰ and loss or damage of government property. The reasons for the remaining debt (2 percent) were not recorded in DDMS.

Figure 1: Dollar Amount of Battle-Injured and Fallen Soldier Debts by Major Reason



Source: GAO analysis.

²⁰ In accordance with 41 C.F.R. § 301-71.305, federal employees are required to account for outstanding travel advances when they file a travel claim. Any unused amount of a travel advance is required to be repaid.

According to DFAS officials, while 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, because Army units and medical facilities have not always prepared or processed changes in orders when soldier duty status changed, soldiers do not have required documentation needed to submit a voucher for travel reimbursement. Because the travel system is not integrated with the payroll and debt management systems, neither DFAS nor the Army could tell us the amount of soldier debt that could potentially be offset by travel reimbursements owed to soldiers. The new WIA Support Team's standard operating procedures for soldier pay account review require identification and processing of all soldier travel claims.

Debt Collection Action Has Placed Significant Hardship on Many Battle - Injured Soldiers and Their Families

Debt collection actions have caused a variety of problems for separated GWOT battle-injured soldiers. 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. If these soldiers have military debt that has been identified, their final separation pay may be offset to cover the debt and they may leave the service with no funds to pay immediate expenses. Due to the lack of income, 16 of the 19 soldiers we interviewed told us that they had difficulty paying for basic household expenses. In addition, 3 soldiers told us that they were erroneously identified as 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 2 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 a home, meet other needs, or obtain VA educational benefits due to 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.

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. Although the soldier's family expected that he would receive retirement pay when his 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, his 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, although the soldier had been receiving treatment at an Army medical center and a VA polytrauma center over a 5-month period, the day the soldier was released to go home, his Army unit called his wife to ask why he was not reporting for duty—an indication that his Army unit had considered him to be AWOL.

Table 4 illustrates examples of the effects of debt collection actions on selected separated Army battle-injured soldiers and their families based on our case studies. 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 finance office personnel at several locations. Debts imposed the greatest hardship on battle-injured soldiers who have had to endure financial problems while they cope with adjusting to physical limitations due to their injuries.

Table 4: Examples of Battle-Injured Soldier Pay Problems Resulting in Debt

| Soldier | Type of injury | Debt amount | DOD-reported debt reason(s) | Impact on soldiers and family members |
|--|--|--------------------|--|---|
| #1 Staff Sergeant, Army Reserve | Lost right leg, below the knee. | \$2,231 | Payroll and leave payment errors. Soldier also had erroneous Servicemen's Group Life Insurance (SGLI) and Survivor Benefit Program (SBP) premium billings. | Soldier spent 1-1/2 years on disputes and appeals after leaving the service before multiple debts, errors, and unreimbursed travel expense were resolved. Soldier said he deferred purchase of a house due to 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 | Pay and entitlement errors, including payment for unused leave. Soldier also was erroneously listed as AWOL while actually receiving treatment in a VA 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 the waist down. | \$14,959 | Pay and entitlement 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 due to 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 her military debt stayed 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 2 weeks, and PTSD. | \$2,030 | Pay and entitlement 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 them 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 | Leg injury from mortar, shrapnel and gun shot wounds. 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 Ft. 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. Soldier also had 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 due to military debt on her credit report. The soldier would have had to pay a higher interest rate due to Army debt, and she could not afford the resulting higher monthly payment on the loan. |

Source: GAO.

The following case summaries provide additional details of selected soldier debt experiences. The first soldier, case study #1, battled for 1-1/2 years after he separated from the service to resolve his debts and obtain a reimbursement related to travel expense during his deployment.

Soldier Engages in 1-1/2 Year Battle to Resolve Debts

An Army Reserve Staff Sergeant who lost his leg in a roadside bomb explosion near the town of Ramadi, Iraq, on July 14, 2003, found himself involved in a lengthy effort to resolve pay-related debts after he separated from the Army in August 2004. The Sergeant's Army debt was the only unpaid debt on his credit report. The first problem occurred in August 2004, when the Army failed to terminate the soldier's active duty pay after he separated from military service, resulting in an overpayment of \$2,728. Because the soldier was still owed his final separation pay of \$2,230, this amount was used to offset his debt, reducing it to \$498. The Army also incorrectly billed the soldier for several months of Servicemen's Group Life Insurance (SGLI) premiums, which should have ceased when the soldier left the service. In attempting to correct the SGLI billings, the soldier's account was mistakenly reactivated in the pay system because a Fort Belvoir finance clerk did not know how to handle this transaction. As a result, the system then generated an erroneous pay check to the soldier totaling \$1,733, increasing his debt to \$2,231. According to the soldier, around the same time, in January 2005, an Army headquarters official contacted him to say his debt had been resolved, leading the soldier to believe that the \$1,733 payment was the result of his pay audit and possibly included his unpaid travel reimbursement. However, shortly thereafter, the soldier began receiving debt collection letters from DFAS for the \$2,231 debt, which also appeared on his credit report. The soldier appealed this debt and requested a waiver, but was turned down due to a ruling that he should have known that he was not entitled to another pay check once he had been out of the service for 4 months. Because lenders view unpaid federal debts as a significant problem, the soldier and his wife decided to forego applying for a loan to purchase a house until his Army debt was resolved.

According to DFAS officials, it took about 6 months to research changes in the soldier's duty status and pay the soldier's travel reimbursement. Because the soldier had not been issued any orders after his initial deployment, DFAS had to work with the Army to prepare and backdate military orders for each change of status from the time the soldier was medically evacuated to Landstuhl Regional Medical Center in Germany, transferred to Walter Reed Army Medical Center, in Washington, D.C., and entered into the Medical Retention Program. In addition, we learned that the soldier also received erroneous monthly billings for Survivor Benefit Program (SBP) premiums—even though he and his wife had declined participation in writing, as required, when he separated.²¹ The monthly SBP billings continued because Walter Reed had not forwarded the soldier's paperwork to the SBP program office at DFAS Cleveland. In December 2005, the soldier's second, more detailed request for debt waiver was accepted. In addition, his travel voucher was approved and he received his contingency travel reimbursement of \$2,727—an amount that exceeded his debt by almost \$500. However, the soldier's SBP program election was not properly canceled because a change was made to only one of two codes that needed to be changed in the system. As a result, the soldier's final debt was not corrected until February 2006—1-1/2 years after he separated.

²¹ Pursuant to 10 U.S.C. § 1448, SBP is a mandatory program unless both the soldier and his/her spouse, after being fully briefed on the program, decline participation in writing.

Case study #2 involved a seriously injured Army National Guard soldier who went without pay for several months when his separation paperwork was not entered in the pay and personnel systems.

Brain-Damaged Soldier Goes without Pay Due to Error

This Army National Guard Staff Sergeant was injured 3 months after being deployed to Iraq, when his Humvee was hit by another truck during an attack on December 11, 2004. The soldier suffered a crushed jaw and severe head injuries, resulting in permanent brain damage. The soldier was sent to Walter Reed Army Medical Center in Washington, D.C., where he remained in a coma for over 3 months. On March 28, 2005, he was transferred to the Richmond VA Medical Center for care in their polytrauma rehabilitation center. On April 28, 2005, the soldier was sent home on convalescent leave before he returned to Walter Reed for further surgery. The soldier was released to go home in May 2005, pending separation from the service. On the day he was released from Walter Reed and sent home, the soldier's wife got a call from his Army unit asking why her husband was not reporting to active duty—an indication that the soldier's unit believed him to be AWOL.

Although the soldier had been through medical board evaluations and was supposed to be retired effective July 23, 2005, his separation paperwork was not entered in the pay and personnel systems. The soldier was rated 80 percent disabled and his family expected to receive disability benefit income of over \$3,000 per month. When the sergeant suddenly received no income in October 2005, he learned that he owed the Army a debt of \$6,400 and that the paperwork to start his disability benefits had not been processed. About this time, a finance clerk noted that the sergeant had not been paid for his unused leave. Because the finance clerk did not know how to post the leave payment transaction, the clerk put the soldier back on active duty, resulting in an additional overpayment of \$6,101, and increasing his debt to \$12,501. According to a family member, the soldier's family was without income and could not pay for basic household expenses. As a result, the family's utilities were cut off and the soldier's 11-year-old daughter was sent out of state to live with relatives. After receiving a call from the soldier's family member in mid-October 2005, we alerted Army headquarters to the soldier's debt pay and debt problems. The Army took immediate action to research the soldier's pay account. On January 25, 2006, DOD approved a waiver of \$12,662 debt, and DFAS refunded \$2,355 in debt previously withheld from the soldier's pay.

An Army Reserve soldier, case study #4, was faced with debt due to an erroneous AWOL report while she was receiving treatment at a private health facility under direction of an Air Force physician.

Soldier Finds Debt Is Due to Erroneous AWOL Report During Rehabilitation

An Army Reserve Specialist was injured during a mortar attack on the outskirts of Baghdad on March 23, 2003, and was awarded a Purple Heart. The soldier underwent a total of six surgeries at a field hospital and military hospitals in Kuwait, Spain, and Germany—none of which were successful in removing shrapnel from her knee. She was then flown to a military hospital in Baltimore, Maryland, and in early April 2003, she was sent to a military hospital at Keesler Air Force Base, in Biloxi, Mississippi, for treatment. At Keesler, the soldier was given the choice of receiving rehabilitative treatment at the Keesler medical facility or at a rehabilitation center near her home in Leakesville, Mississippi. There were no Army facilities near Keesler, and the soldier was told she

would have to rent an apartment nearby and pay for it herself. As a result, the soldier decided to return home to begin her rehabilitation sessions at a private facility approved by Keesler. The soldier was required to travel to the Keesler AFB Orthopedic Center (a 2-hour round trip) every 2 weeks to be examined by the referring Air Force physician. The soldier told us the Air Force doctor released her in July 2003, noting that she had completed her rehabilitation treatment. The soldier was medically discharged from her Army Reserve unit on November 18, 2003.

The soldier learned she had a military debt of \$1,575, including \$975 related to a requirement to repay the unearned portion of her enlistment bonus when a collection agent contacted her in January 2004—2 months after she had separated from the Army. As a result of this contact, the soldier learned that her Army unit had lost track of her and had reported her as AWOL while she was being treated for her battle injuries. However, the soldier told us that in April 2003, when she arrived at Keesler, she had made several unsuccessful attempts to let her unit Sergeant know her duty status and whereabouts. When her calls were returned in July 2003, she was told to report to Fort Stewart, Georgia, and to remain there until her unit returned from Iraq and was demobilized. The soldier told us she did as ordered and was placed in Medical Hold status at Fort Stewart. Although the soldier told us she traveled to her unit in Brookhaven, Mississippi, on two occasions in an effort to document that she was not AWOL because she was at an approved medical facility during the time in question, she was unsuccessful because the collection agent continued to call her. As of the end of July 2004, DFAS records showed the soldier's debt totaled \$1,575, including \$975 related to the unearned portion of her enlistment bonus and \$600 in overpayment of her hardship duty pay. Although DFAS had recalled this debt from the soldier's credit report in July 2005, as of October 2005 this debt still showed on her credit report. We confirmed that DFAS recalled the debt from the soldier's credit report a second time. However, in March 2006, the debt reappeared on the soldier's credit report. The soldier told us that she was unable to get a loan for \$500 to pay off her credit card balance because the military debt kept showing up on her credit report. At the end of our field work, the Army advised that the reappearance of military debt on the soldier's credit report was due to errors made by both DFAS and the credit bureau.

Our past four reports²² have discussed numerous problems related to Army pay and travel reimbursements and made over 80 recommendations for correcting weaknesses in human capital, processes, and systems that caused these problems. Effective action to address pay and travel reimbursement problems will also help prevent the occurrence of military debts.

²² See footnote 1.

Opportunities Exist for Congress to Legislate a More Soldier-Friendly Process for Collecting GWOT Debts

As a result of concern regarding the indebtedness of soldiers resulting from pay-related problems during deployments, Congress on occasion has provided authority to the Secretary of Defense to cancel such debts. For example, in the Department of Defense Appropriation Acts for fiscal years 1992 through 1996,²³ the Secretary was given authority to cancel military debt up to \$2,500 owed by soldiers or former soldiers so long as the indebtedness was incurred in connection with Operation Desert Shield/Desert Storm. Further, these appropriation acts authorized the Secretary to provide refunds to soldiers who had satisfied their debts.

Facing similar concerns with military debts incurred by GWOT soldiers, Congress recently gave the Secretary authority, in the National Defense Authorization Act for Fiscal Year 2006, to cancel debts occurring on or after October 7, 2001, the date designated as the beginning of the OIF/OEF deployment. However, unlike the authority granted to provide debt relief for Operation Desert Shield/Desert Storm, the Secretary's discretion under the fiscal year 2006 authorization act is generally more limited. For example, the Secretary was not given authority to issue refunds and he can not uniformly provide debt relief to all GWOT soldiers. Rather, the Secretary may only cancel debts of soldiers who are (1) on active duty or in active status; (2) within 1 year of an honorable discharge; or (3) within 1 year of active release from active status in a Reserve component. Additionally, the Secretary's authority under the fiscal year 2006 authorization act terminates on December 31, 2007, and a more narrow statutory cancellation authority will be revived.²⁴

There are two primary mechanisms in law to forgive soldier debt, including (1) authority to waive debts that result from payroll, travel, and other payment and allowance errors²⁵ and (2) authority for remission (forgiveness) of debts involving hardship or fairness.²⁶ The Fiscal Year 2006 National Defense Authorization Act broadened remission authority to include debts of officers and any soldiers no longer on active duty for up

²³ Pub. L. No. 102-172, § 8138, 105 Stat. 1212 (1991); Pub. L. No. 102-396, § 9100, 106 Stat. 1926 (1992); Pub. L. No. 103-139, § 8071, 107 Stat. 1457 (1993); Pub. L. No. 103-335, § 8060, 108 Stat. 2633 (1994); Pub. L. No. 104-61, § 8052, 109 Stat. 662 (1995).

²⁴ Under the more narrow statute, the Secretary will only be able to cancel an enlisted soldier's debts existing before or at the time of the soldier's discharge.

²⁵ 10 U.S.C. § 2774 and 32 U.S.C. § 716.

²⁶ 10 U.S.C. §§ 4837, 6161, and 9837.

to 1 year. However, the remission authority in the act does not cover soldiers who were released from active duty more than 1 year ago and the waiver authority does not cover cancellation of debts due to error after the applicable 3-year statute of limitations. In addition, unlike waivers, soldiers who paid debts are not eligible for refunds under the remission statute. Further, the debt relief eligibility period for the three case study soldiers who separated in June 2005 will expire in the next few months.

Our case studies showed that some battle-injured soldiers did not receive debt notification letters until 8 to 10 months after they separated from the Army. One 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 soldiers separated from the Army more than 1 year ago and these soldiers' eligibility for debt relief under the fiscal year 2006 authorization act has already expired. Further, the debt relief eligibility period for the three case study soldiers who separated in June 2005 will expire in the next few months.

Conclusions

Since the OIF/OEF deployment in October 2001, separated, battle-injured Army soldiers have faced considerable hardships related to collection action on their military service debts through no fault of their own, including forfeiture of separation pay and tax refunds; credit bureau reporting; and action by private collection agencies. The best solution to this problem is for DOD to prevent debts for these soldiers from happening in the first place, and our past reports have included numerous recommendations for correcting weaknesses in Army payroll systems and processes. Over the past year, DOD and the Army have taken a number of actions to identify and relieve debts of separated battle-injured GWOT soldiers, and Congress has enacted broader authority for relief of some soldier debts. There are additional actions available to Congress if it wishes to make debt relief more soldier friendly. Because of a restriction in the current law, injured Army GWOT soldiers who separated from the service at different times have been treated differently, which raises questions of equity. Some of these soldiers may obtain debt relief, while others may not. Further, there is no current authority to issue refunds to battle-injured soldiers who previously paid debts that are now eligible for relief. Because the current debt relief authority expires on December 31, 2007, injured soldiers and their families who have GWOT-incurred military debts could face the prospect of bad credit reports, visits by collection agencies, and offsets of their tax refunds if the authority is not available

throughout the OIF/OEF deployment and a reasonable period after the deployment ends.

Matters for Congressional Consideration

There are several matters that Congress should consider if it wishes to strengthen the Secretary's authority to provide debt relief so that it can be applied uniformly for all GWOT-incurred debt. First, Congress could consider legislation to grant DOD the following authorities.

- Give the Service Secretaries authority to make debt relief available to all injured GWOT soldiers regardless of when they separate from active duty.
- Give the Service Secretaries authority to provide refunds to soldiers who have paid debts incurred while in an active status.
- Ensure that the Secretary of Defense has authority to cancel GWOT-incurred debt throughout, and a reasonable period following, the deployment and thus, can exempt injured soldiers from debt collection action through credit bureau reporting and private collection agency and TOP action.

Second, we suggest that Congress consider directing the Secretary of Defense to take the following actions, as appropriate, in concert with any changes to debt relief provisions in law.

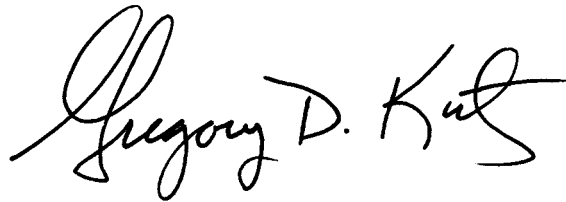
- Take immediate action to make debt relief policy applicable to all GWOT soldiers who sustain battle injuries or are killed in combat-related actions.
- Identify the military debts of battle-injured soldiers that were previously paid and were not subject to remission or waiver and issue refunds.

Agency Comments and Our Evaluation

We provided a draft of our report to DOD for comment. In oral comments received from the Office of the Secretary of Defense, the department concurred with our report.

We are sending copies of this letter to interested congressional committees; the Secretary of Defense; the Deputy Under Secretary of Defense for Personnel and Readiness; the Under Secretary of Defense Comptroller; the Secretary of the Army; the Director of the Defense Finance and Accounting Service; and the Director of the Office of Management and Budget. We will make copies available to others upon request.

Please contact Gregory D. Kutz at (202) 512-7455 or kutzg@gao.gov, if you or your staffs have any questions concerning this report. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Major contributors to this report are acknowledged in appendix III.

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
Managing Director
Forensic Audits and Special Investigations

Appendix I: Background

The Federal Claims Collection Act of 1966, the Debt Collection Act of 1982, the Debt Collection Improvement Act of 1996,¹ and related federal regulations provide for collection of debts owed to the federal government, including the debts of battle-injured soldiers who had separated from the Army and fallen Army soldiers² who served in the Global War on Terrorism. These laws and related federal regulations³ establish authority for the Department of Defense (DOD) and the Department of the Treasury to engage in federal debt collection actions.

Out-of-service soldier debts occur when a soldier has separated from the service and is not receiving salary or other payments from the department that can be offset to collect debt owed to a defense agency or military service. DOD is authorized to write off debts of fallen soldiers; however, it may pursue collection of other deceased soldiers' debts.⁴ Out-of-service debts arise from a large number of circumstances, including overpayments of pay and allowances (entitlements), such as hostile fire pay, hazardous duty pay, and family separation pay; travel advances for which expense vouchers have not been submitted; indebtedness related to public use of the DOD facilities or services, such as family medical services; and loss or damage of government property. Figure 2 illustrates the out-of-service debt collection process, including DOD actions and Department of the Treasury debt collection actions.

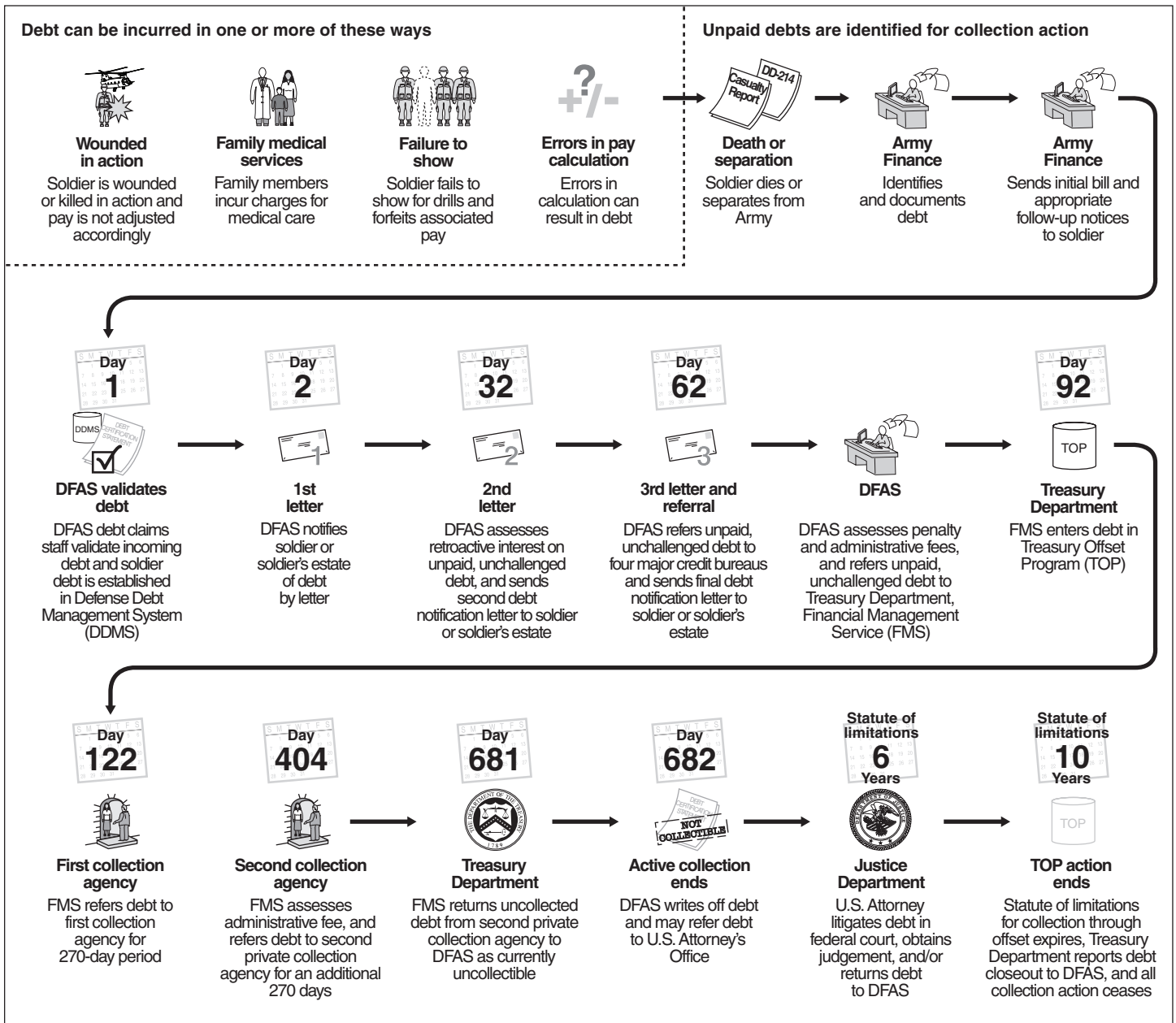
¹ Pub. L. No. 89-508, 80 Stat. 308 (1966); Pub. L. No. 97-365, 96 Stat. 1749 (1982); and Pub. L. No. 104-134, 110 Stat. 1321-1358 (1966).

² Army soldiers discussed in this report include Active Component, Army National Guard, and Army Reserve soldiers.

³ 31 C.F.R. Parts 900-904, Federal Claims Collection Standards (2005) and 31 C.F.R. Part 285, Debt Collection Authorities under the Debt Collection Improvement Act (2005).

⁴ 31 C.F.R. 903.3 (a)(1).

Figure 2: Out-of-Service Debt Collection Process for WIA and Fallen Soldiers



Source: GAO analysis.

Note: Process actions are noted as the day on which a particular action begins. In some cases there are intervening days to assess fees or prepare paperwork before the next step in the process begins. Debts of fallen soldiers are written off on Day 1 of this process; however, collection action may proceed against the estates of other deceased soldiers, depending on individual circumstances.

Appendix II: Objectives, Scope, and Methodology

The purpose of our audit was to determine the (1) extent to which Army soldiers serving in the Global War on Terrorism (GWOT) who were injured or killed by hostile fire and were released from active duty are having debts referred to credit bureaus and collection agencies and (2) the impact of Department of Defense (DOD) debt collection action on these soldiers and their families. You also asked us to discuss ways that Congress could make the process for collecting out-of-service debts more soldier friendly.

To determine the extent of debt related to Army soldiers who served in Operation Iraqi Freedom and Operation Enduring Freedom and sustained battle injuries and left the service or were killed in action, we compared Army Wounded in Action and Killed in Action databases (referred to collectively in this report as WIA databases) maintained by the Defense Finance and Accounting Service (DFAS) Wounded-in-Action Support Team and compared the soldier records in these databases with debt records in the Defense Debt Management System (DDMS) for out-of-service personnel. Soldier records are identified by soldier name and social security number in both the WIA databases and DDMS. The data used in our audit covered fiscal years 2002 through 2005—the first 4 years of the Operation Iraqi Freedom and Operation Enduring Freedom deployments.

We assessed the reliability of data obtained from the WIA databases and the DDMS systems by obtaining an understanding of the processes used to collect and report the data, verifying control totals of data extracted and used for file comparisons, validating the computer program used to perform the file comparison, asking systems officials to complete our data reliability questionnaire, and analyzing selected transaction data for accuracy. We also considered findings and recommendations related to payroll problems and unidentified soldier debt in our previous audits¹ and our recent Fort Bragg investigation.² DFAS and the Army have implemented procedures for reviewing and correcting soldier status and pay account information in the WIA databases and DDMS data is subjected to periodic DOD audits.

To determine the impact of debt collection actions on Army battle-injured and fallen soldiers and their families, we reached out to WIA soldiers and invited soldiers to contact us and share their experience. We focused on

¹ See footnote 1.

² [GAO-06-348R](#).

soldiers whose debts had been reported to credit bureaus and collection agencies. We were contacted by 19 separated battle-injured Army GWOT soldiers. We used the experiences of these soldiers to illustrate the hardships posed by debt collection action on battle-injured soldiers and their families. For all of the soldiers with debt problems who contacted us, we worked with the Army and DFAS to help resolve their debts. Where we were unable to independently validate our case study information, we attributed it to the soldiers and family members. We analyzed the DDMS data to confirm management assertions that DFAS does not pursue collection of debts of fallen soldiers.

To determine ways that Congress could help make the debt collection process more soldier friendly, we considered debt relief provisions in current law, DOD and Army policy, and the experience of soldiers who contacted us as well as information obtained for case studies included in our prior reports.³ We reviewed federal laws and regulations and DOD and Army policies and procedures related to debt collection and relief of debt.

We met with Army, DFAS, and DOD officials to discuss their efforts to identify and resolve soldier debt. We also met with Department of the Treasury Financial Management Service (FMS) officials about their processes for collecting Army soldier debt referred by DFAS. In addition, we obtained independent confirmation from credit bureaus and FMS that DFAS had recalled credit bureau reporting and private collection agency and Treasury Offset Program referrals for WIA soldiers for active debt cases. On April 5, 2006, we requested comments on a draft of this report. We worked closely with the Army and DFAS to ensure the accuracy of the factual information in our report. We received oral comments from the Office of the Secretary of Defense on April 21, 2006, and have summarized those comments in the Agency Comments and Our Evaluation section of this report. We conducted our work from June 2005 through March 2006 in accordance with generally accepted government auditing standards.

³ See footnotes 1 and 3.

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Gregory D. Kutz, 202-512-7455

Acknowledgments

Staff making key contributions to this report include Stephen P. Donahue, Dennis B. Fauber, Gayle L. Fischer, Danielle Free, Gloria Hernandezsaunders, Wilfred B. Holloway, John B. Ledford, Barbara C. Lewis, Renee McElveen, Richard C. Newbold, John P. Ryan, and Barry Shillito.

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