RECORD VERSION

STATEMENT BY

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BEFORE THE

HOUSE OVERSIGHT AND GOVERNMENT REFORM
SUBCOMMITTEE ON GOVERNMENT ORGANIZATION, EFFICIENCY, AND
FINANCIAL MANAGEMENT
AND
SENATE HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS COMMITTEE'S
SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT

SECOND SESSION, 112TH CONGRESS

PANEL ON FINDINGS OF GAO'S REPORT ON AUDIT OF THE ARMY PAYROLL DEFENSE FINANCE AND ACCOUNTING SERVICE – INDIANAPOLIS (DFAS-IN)

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HOUSE COMMITTEE ON OVERSIGHT & GOVERNMENT REFORM

Chairman Platts, Chairman Carper, Ranking Member Towns, Brown and Members of the House Committee on Oversight and Government Reform and Members of the Senate Subcommittee on Federal Financial Management, thank you for the opportunity to testify today regarding the audit readiness of the Army's Military Pay Appropriation and the draft report issued by the Government Accountability Office (GAO).

As you know, military pay is a significant portion of the Army's budget authority and we are committed to providing an accurate and comprehensive accountability of the monies authorized and appropriated by Congress for the purpose of paying our most valuable assets – our Soldiers.

We are working diligently with the Assistant Secretary of the Army for Financial Management, Dr. Sally Matiella, and her point person on audit readiness, Mr. Jim Watkins, to ensure that our G-1 systems, processes, and procedures that impact military pay fully support the effort to be audit ready for the Statement of Budgetary Resources (SBR) by 2014 and for all financial statements by 2017. We are using the Financial Improvement and Audit Readiness (FIAR) principles to guide our efforts.

We appreciate the balanced and constructive approach used by GAO in assessing our audit readiness for active duty military pay. The dual focus of GAO was to validate the accuracy of the population paid and verify all documentation for entitlements received. GAO highlighted that these two areas currently being worked in support of the overall audit readiness effort, require significant additional emphasis.

The Integrated Personnel and Pay System – Army (IPPS-A) program is our major effort to address these shortcomings. The initial release of IPPS-A will give us an integrated database of all Army components (Active, Guard, and Reserve), and subsequent releases will eventually get us to an integrated personnel and pay system. This implementation of the commercial PeopleSoft Human Resources Management System configured to meet the Army's needs will strengthen our internal controls and ensure that our entire population is paid accurately. No longer will there be separate personnel and pay databases. Digital signatures, strong audit capabilities, a built- in rules engine, and a strict roles and permissions structure will further ensure accuracy and internal control for Military Pay.

Additionally, we are aggressively studying the expansion of our Personnel Electronic Records Management System (iPERMS) to include the full spectrum of pay supporting documentation as well as the personnel documentation already being captured. Our current process for capturing pay documentation is paper-centric and relies on National Archives and Records Administration (NARA) storage facilities. This process is outmoded and cumbersome and does not support our move to an auditable environment.

The IPPS-A and iPERMS efforts will address and correct the GAO findings allowing us to meet Secretary Panetta's audit readiness goals.

I welcome your questions.