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**U.S. SENATE SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT,  
GOVERNMENT INFORMATION, FEDERAL SERVICES, AND  
INTERNATIONAL SECURITY**

**AND**

**U.S. HOUSE OF REPRESENTATIVES SUBCOMMITTEE ON GOVERNMENT  
OPERATIONS, EFFICIENCY AND FINANCIAL MANAGEMENT**

**JOINT HEARING: “New Audit Finds Problems in Army Military Pay”**

WASHINGTON – Today, Sen. Tom Carper (D-Del.), Chairman of the Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, co-chaired a joint hearing with the House Committee on Oversight and Government Reform Subcommittee on Government Organization, Efficiency, and Financial Management entitled, “New Audit Finds Problems in Army Military Pay.”

The hearing examined the findings of an audit conducted by the Government Accountability Office (GAO) of the U.S. Army’s military payroll accounts for FY 2010 and the problems in ensuring correct pay for Army uniformed personnel, including those deployed overseas.

For more information on the hearing or to watch a webcast of the hearing, please click [here](#).

*A copy of Sen. Carper’s opening statement, as prepared for delivery, follows:*

**“Since the 1990’s, Congress has passed a series of laws with the important goal that all federal agencies must produce auditable financial statements. Recently, Janet Napolitano, Secretary of the Department of Homeland Security announced that the Department was now audit ready, reaching that important goal nearly two years early. That’s a commendable achievement for the Administration and the Department of Homeland Security.**

**“It also leaves the Department of Defense in the rather unenviable position of being the only federal agency that cannot produce an audit. In fact, its books are so bad**

**that auditors cannot even attempt to perform a complete audit. This is clearly unacceptable. Fortunately, Secretary of Defense Leon Panetta has pledged to make achieving a financial audit a priority, and has stated that the Department will complete this important mission before the current 2017 deadline.**

**“As our witnesses and my colleagues know, successful financial statement audits are the outcome of strong financial management. Keeping a federal agency’s books in order, ensuring good financial controls, and getting a clean audit helps ensure that taxpayers are getting the services they paid for. Unfortunately, these basic managerial tasks have proven challenging to the Department of Defense.**

**“Federal agencies should always strive to be good stewards of taxpayer funds, but as we struggle to address our massive federal debt and deficit, this effort has taken on even greater importance. We must improve the basic financial management practices at the Department of Defense and throughout the Federal government. After all, we can’t effectively identify areas to reduce spending if we don’t know how much – and where – we’re spending that money in the first place.**

**“Now more than ever, we need to establish a different kind of culture in Washington when it comes to spending. Clean, auditable financial statements can provide the roadmap we need to move from a culture of spendthrift, towards a culture of thrift.**

**“Clean statements would give agency leadership and those of us here in Congress the information we need to look in every nook and cranny of federal spending and ask this question: “Is it possible to get better results for less money?”**

**“Unfortunately, the Department’s finances have been on the Government Accountability Office’s high-risk list since 1995, in part due to pervasive management deficiencies that would never be tolerated in a private sector business. In fact, these deficiencies aren’t tolerated even in most federal agencies. These deficiencies make it difficult if not impossible to know for certain how and when the Department of Defense spends the money we entrust to it.**

**“Of course, successful financial audits also determine whether an agency can do its job effectively and efficiently. An agency must have confidence that a payment was made accurately and on time. The Department of Defense must know whether or not it receives the goods and services it is paying for.**

**“Today, we will hear from witnesses about serious problems with the U.S. Army’s ability to pay its troops accurately and on time. The Government Accountability Office, upon the request of the Members of our two subcommittees, investigated the Army payroll system. What they found was disturbing, though not necessarily surprising given the Department of Defense’s ongoing struggles with basic financial management.**

**“As part of its audit, the Government Accountability Office (GAO) asked for a random sample of 250 pay records. The GAO team originally wanted to check and see if the usual and basic documentation for payroll supported the payments. Correct documentation is a critical part of any financial audit. In other words, the GAO was verifying that a soldier’s pay grade, locality pay, number of dependents, or combat and hazardous duty pay, and other pay factors were correct.**

**“However, the Army was only able to produce documentation for five out of the 250 pay records sampled. That’s right; the Army system apparently is so troubled that no records were available for most of the payments. Of course, without documentation, no agency or company can pass a financial audit. In effect, the Army was not able to find the “receipts” to prove the payments were correct for most of the audited sample.**

**“The GAO audit also shows a problem that we have heard about from soldiers. Too often, a pay problem happens for a soldier and it take days, or weeks or months to correct an incorrect pay amount. If an Army Reservist is called to active duty and sent overseas to Iraq or Afghanistan, the soldier’s family can’t wait weeks or months to receive the correct pay. If the Army cannot produce documentation showing the soldier’s status, the service member or their family is forced to find pay records, orders for deployment or other proof. This is an added and unnecessary burden on soldiers and their families.**

**“The Army’s inability to accurately manage payrolls underscores the major weaknesses throughout the Department of Defense’s financial management system, a problem that my colleagues and I have been pressing the Pentagon to fix for some time now.**

**“In order to empower the Department of Defense in its efforts to achieve this goal, the Department must first improve its financial management systems, which includes putting into place real financial controls and programs that effectively manage pay. Unfortunately, the Department of Defense’s last attempt at upgrading the military pay system ended two years ago as a billion-dollar failure.**

**“As I mentioned earlier, Secretary of Defense Panetta has pressed the Department to drastically improve its financial management practices. In fact, last year, the Secretary required that the entire Department, including the U.S. Army, meet its financial audit goals sooner than the current 2017 deadline.**

**“I welcome that commitment from Secretary Panetta and am hopeful that the Army is able to get its financial house in order quickly, not only to ensure that taxpayer dollars are spent correctly, but to ensure that we don’t shortchange our war fighters.**

**“We ask so much of service members and their families. It seems like the very least we can do is ensure that they are paid accurately and in a timely manner for their**

**service. Unfortunately, it appears that because of an antiquated and fundamentally broken Army payroll system, thousands of pay mistakes are made each year. That's unacceptable.**

**“We have an opportunity, an imperative actually, to make financial management at the Department of Defense better so that, every day, decisions can be made based on quality information. This way we can support the men and women in uniform and ensure they receive accurate and timely pay.”**

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