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Need To Detect And Correct
Military Pay Errors
Prior To Member's Separation
From The Service B-125037

Department of the Army

*UNITED STATES
GENERAL ACCOUNTING OFFICE*

Nov.

~~Nov.~~ 3.1971

095488



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

DEFENSE DIVISION

B-125037

Dear Mr. Secretary:

This is our report on the need to detect and correct military pay errors prior to member's separation from the service, Department of the Army. Our findings, conclusions, and recommendations are summarized in the digest.

Most of the matters referred to have been discussed with the Comptroller of the Army, and substantial corrective action has been initiated. These constructive and aggressive actions taken by the Comptroller to implement our recommendations are set forth in his letter of September 8, 1971, attached as appendix III.

This report is subject to the provisions of section 236 of the Legislative Reorganization Act of 1970. We shall appreciate receiving copies of the statements you furnish to specified committees in accordance with these provisions.

Copies of this report are being sent to the Director, Office of Management and Budget, and to the Secretary of the Army.

Sincerely yours,

A handwritten signature in cursive script that reads "R.W. Lutmann".

for Director, Defense Division

The Honorable
The Secretary of Defense

GENERAL ACCOUNTING OFFICE
REPORT TO THE
SECRETARY OF DEFENSE

NEED TO DETECT AND CORRECT
MILITARY PAY ERRORS PRIOR TO
MEMBER'S SEPARATION FROM THE
SERVICE

Department of the Army
B-125037

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D I G E S T

WHY THE REVIEW WAS MADE

Prior audits of pay accounts of Army members by the General Accounting Office (GAO) have shown that errors, mostly overpayments, amount to tens of millions of dollars annually and result principally from poor Army military pay administration throughout the servicemen's period of active duty.

In 1964 the Army instituted the Quality Assurance Program to upgrade the quality of pay transactions. Because of the significant number of Army members who separate from the service each year or reenlist (over 750,000 in fiscal year 1970), GAO undertook a review of the quality of individual pay accounts at the time servicemen separate from the Army, to test the improvement program started by the Army.

FINDINGS AND CONCLUSIONS

The Army continues to separate thousands of servicemen each month who are either overpaid or underpaid at the time of separation. GAO audited samples of pay accounts of servicemen who separated from the service or reenlisted in November 1969 and found that about 37 percent of the pay accounts in both samples were incorrect. About 44,000 men having 1 year or more of military service separated to return to civilian life, and about 7,000 men reenlisted that month. (See p. 7.)

On the basis of sample audits, GAO estimates that, in November 1969, overpayments, uncorrected at the time of separation, amounted to about \$2 million and that underpayments amounted to about \$100,000. GAO believes that this is a conservative estimate inasmuch as it is based only on records available at the Finance Center, U.S. Army. (See p. 5.)

During prior reviews GAO identified the following major causes of erroneous payments: (1) excessively high-turnover rate and shortage of trained personnel, (2) lack of sufficient training, and (3) weak supervision. Also many installation commanders, in recent correspondence with GAO concerning deficiencies in their installations' pay accounts, concluded that high turnover of personnel, shortage of trained personnel, and inadequate training were major causes of erroneous payments. (See pp. 4 and 5.)

Nov.
3, 1971

During this review GAO identified the same general types of errors which had been reported in prior audits. (See pp. 8 and 19.) The major types are:

- Erroneous leave settlements.
- Unliquidated advance, casual, and partial payments.
- Unsatisfied indebtedness on discharge.
- Duplicate payments.
- Unliquidated indebtedness established on pay adjustment documents.

GAO concluded that, although the Army had increased its emphasis on pay and allowance matters (see p. 14), the program started by the Army had not, as yet, significantly improved the quality of military pay administration and that additional command emphasis was needed throughout the Army to improve pay administration. (See p. 19.)

RECOMMENDATIONS OR SUGGESTIONS

GAO recommends that the Secretary of the Army:

- Reemphasize the local commander's responsibility to (1) see that each serviceman is paid correctly and (2) enforce regulations requiring reconciliation of personnel and finance records by personnel officers 90 days prior to separation.
- Evaluate the commander's performance in these areas in the same manner as his performance is evaluated in other areas of mission responsibility.
- Provide trained qualified personnel, enhance career opportunities for pay and personnel specialists, and establish greater personnel stabilization in duty assignments to support commanders' efforts to upgrade and sustain the quality of pay administration.
- 2 --Require the Finance Center to expand and improve the Quality Assurance Program by (1) increasing surveillance of field quality assurance activities, (2) expanding the audits of accounts of final separations and of separations to reenlist, and (3) expanding and upgrading the reporting on the results of audits. 127

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ABBREVIATIONS

FCUSA	Finance Center, U.S. Army
GAO	General Accounting Office
JUMPS	Joint Uniform Military Pay System

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- Require the Finance Center to expand and improve the Quality Assurance Program by (1) increasing surveillance of field quality assurance activities, (2) expanding the audits of accounts of final separations and of separations to reenlist, and (3) expanding and upgrading the reporting on the results of audits.

CHAPTER 1

INTRODUCTION

Army members, on completion of specified tours of duty, are either separated from the service to return to civilian life (final separation) or separated for the purpose of reenlisting for another tour of duty. Those finally separated receive their pay and allowances through the date of discharge, including cash settlement for unused leave and travel allowances to their home of record or place of entry in the service. Those separated to reenlist are entitled to substantially the same benefits; however, they can elect to carry their unused leave forward to the new enlistment.

Separations to reenlist occur at any Army installation; however, final separations generally take place at locations within the continental United States. Army members generally are paid through the date of separation by finance officers at the separation point. Original copies of all pay vouchers are forwarded to the Finance Center, U.S. Army (FCUSA), at Fort Benjamin Harrison, Indiana, where individual pay accounts are maintained for each man.

The purposes of this review were to determine (1) the correctness of pay records and the accuracy of payments at the time of separation, (2) whether reviews of pay records by field installations were made in accordance with Army regulations, and (3) whether postseparation audits by FCUSA were adequate.

PREVIOUS GAO REVIEWS OF ARMY PAY AND ALLOWANCES

Since 1963 the General Accounting Office has issued numerous reports to the Congress and to local installation commanders concerning improvement needed in the administration of Army pay and allowances. Collectively, these reports have covered virtually the entire spectrum of military pay and allowances and have pointed out that discrepancies amount to many millions of dollars annually. Following are examples of these reports.

In April 1963 we issued a report to the Congress entitled "Review of Causes of Overpayments of Military Pay and Allowances, Department of Defense" (B-125037). A follow-up report, under the same reference number, was issued in April 1968. These reports pointed out that serious deficiencies in administration existed and that greater efforts on the part of the Department of Defense were necessary if military pay, allowances, leave, and travel were to be correctly administered. Among the causes of erroneous payments cited in the reports were: (1) excessively high-turnover rate and shortage of trained personnel, (2) lack of sufficient training, and (3) weak supervision.

In April 1970 we issued a report to the Congress entitled "Overpayments to Army Personnel Resulting from Weaknesses in Payroll Procedures, Department of the Army" (B-125037), in which we estimated that casual and partial payments totaling about \$3.5 million during the first 6 months of calendar year 1968 were not offset against pay in subsequent payroll periods.

As a result of our report, FCUSA reinstated a program for verifying collections at the time the regular monthly pay vouchers are filed in the individual military pay jackets. During the first 5 months after restoring the control review, FCUSA identified errors and prepared adjustment documents to recover casual and partial payments at a rate of almost \$1 million a month. FCUSA, however, did not maintain control over such payments during February 1968 through October 1969. Many of the errors which we found occurred during this period.

In April 1971 we issued a report to the Congress entitled "Serious Problems in Accounting for Military Leave, Department of the Army" (B-125037), in which we estimated that errors in accounting for leave could result in erroneous payments to servicemen amounting to almost \$26 million a year. The review covered leave accounting during selected months in fiscal year 1970.

In that review we examined records at 12 installations that were not readily available at FCUSA. The use of these additional records, such as morning reports, personnel

registers, and permanent-change-of-station travel vouchers, resulted in the large number of errors found.

In June 1971 we were advised that the Army was taking action in line with our recommendations for increased coverage of pay and allowance areas, particularly military leave.

CENTRALIZED AUDITS OF
DISBURSING OFFICERS ACCOUNTS

The objectives of our centralized audit at FCUSA are to identify those installations experiencing excessive error rates and to report on the condition of the accounts to the installation commanders. In addition to reviewing military pay, we reviewed other disbursements, such as military and civilian travel, reserve pay, dependent travel, and household goods shipments.

Since 1967 we have issued 325 reports to individual installation commanders, with copies to the next command and to the Comptroller of the Army, dealing with deficiencies in these accounts. We estimated that errors amounted to about \$25 million a year. We believe that our estimate is conservative because, when auditing disbursing officers accounts centrally, we have access to only those records on file at FCUSA.

When an audit showed a significant number of errors for one or more types of documents, we requested the installation commander to advise us of the causes of the erroneous payments. Their replies stated that most erroneous payments were due to:

1. Inadequate staffing.
2. Lack of trained personnel.
3. High turnover of personnel.
4. Inadequate training.
5. Misinterpretation of regulations.
6. Inadequate Quality Assurance Program.

It is apparent from these replies that many of the same problems we reported in 1963 and 1968 still exist.

ARMY RESPONSIBILITIES

The Comptroller General, in a letter to heads of Federal departments and agencies (August 1, 1969, B-161457), reemphasized their responsibilities for proper accounting and internal control, including internal audit, for functions of their accountable officers. Department and agency procedures and controls, the Comptroller General pointed out, should include adequate administrative procedures for systematically examining disbursement and collection transactions to verify their legality, propriety, and correctness at the point in time when any needed preventive or corrective action can be taken most effectively.

DEVELOPMENT OF JOINT UNIFORM MILITARY PAY SYSTEM

Since 1966 the Department of Defense has been engaged in developing the Joint Uniform Military Pay System (JUMPS). The proposed system has the following goals: (1) service, (2) uniformity, (3) centralized and computerized pay account maintenance, (4) optimum support of the planning, programming, and budgeting systems, and (5) reduction of erroneous or illegal payments.

Under the JUMPS concept input from the installations will be sent to a centralized computer center for maintenance of individual military pay accounts, for preparation of regular pay vouchers, and for issuance of checks. The specifications for JUMPS require that leave accounting be integrated into the military payroll system. The Army's version of JUMPS is tentatively scheduled to be operable Army-wide by January 1972 and fully implemented by January 1973.

CHAPTER 2

OVERPAYMENTS AND UNDERPAYMENTS OF

MILITARY PAY AT SEPARATION

The Army is separating thousands of servicemen each month who are in an overpaid or underpaid status at the time of separation. The errors, mostly overpayments, are amounting to tens of millions of dollars annually and result principally from poor Army military pay administration throughout the servicemen's period of active duty.

During fiscal year 1970 the Army separated more than 750,000 members from active duty. We selected random samples of the pay accounts of (1) servicemen who had separated from the Army after completing 1 year or more of military service and (2) servicemen who reenlisted for another term of service. We selected the pay accounts from vouchers assembled by FCUSA and considered 1 month's separations (November 1969) for processing purposes. The vouchers assembled for the November 1969 processing period were the most recently filed in the individual pay accounts at the time we selected our sample. These vouchers, for simplification, are referred to as November 1969 separations in this report.

About 37 percent of the pay accounts in both samples contained one or more errors, as follows:

<u>Type of separation</u>	<u>Uni-verse</u>	<u>Sample</u>	<u>Total accounts with errors</u>	<u>Percent of accounts in error</u>
Final separations	43,812	257	96	37.4
Reenlistments	6,905	196	73	37.2

By projecting the errors found in our samples to all November 1969 separations (see app. II), we estimate that members who separated from the service were overpaid about \$2 million and were underpaid about \$100,000 that month. Further details on the types of errors found in our sample review are listed in appendix I.

The significant types of errors are discussed below.

ERRONEOUS LEAVE SETTLEMENTS

On the basis of our samples, the pay accounts for the November 1969 separations are estimated to contain about 15,700 leave errors valued at about \$548,000. We identified the following types of leave errors.

1. Leave computed incorrectly on travel vouchers and leave not recorded or incorrectly recorded on leave records.
2. Ordinary leave not recorded or incorrectly recorded on leave records.
3. Computation errors on leave records.
4. Erroneous leave settlements.

Use of travel vouchers in the audit of leave

We arranged the fiscal year 1969 travel vouchers of members in our sample in payee order for association with their pay accounts. We estimate that about 8,600 leave errors amounting to about \$233,000 could have been identified through using the fiscal year 1969 travel vouchers in auditing all November 1969 separations.

In view of the error identification potential using travel vouchers applicable to the members' entire periods of service, we believe that these travel vouchers, if properly used, could be an effective management tool in identifying and correcting the underlying causes of leave errors made by field installations. Also, once arranged in payee order, travel vouchers could be used in auditing such other entitlements as travel performed through use of Government transportation requests or in identifying duplicate payments for the same travel.

In the past FCUSA arranged all military travel vouchers in payee order for association with the pay accounts in its audit of the delay-en-route portion of leave settlements. FCUSA discontinued this examination technique in December

1968 on the basis that (1) it was not justifiable from a cost benefit standpoint and (2) in-depth administrative examination of accrued leave payments could be accomplished by obtaining travel vouchers directly from the disbursing officers' retained accounts when there was otherwise reason to believe that an error had occurred. FCUSA had been using 13 employees at an estimated cost of \$70,000 a year to arrange the vouchers in payee order.

At the close of our review, we discussed this matter with FCUSA officials and recommended that they reconsider arranging the vouchers in payee order. In August 1971 we were informed by FCUSA that the vouchers would be arranged in payee order starting with the July 1971 vouchers.

UNLIQUIDATED ADVANCE, CASUAL, AND PARTIAL PAYMENTS

We estimate that Army members separated in November 1969 received about 5,300 advance, casual, or partial payments (interim payments between regularly scheduled paydays), totaling about \$750,000, which subsequently were not entered for collection in the members' accounts.

In the earlier report on this problem (see p. 4), we concluded that many of these payments had not been liquidated because financial records had not been adequately protected from unauthorized access and payment vouchers had been lost or removed. It was not feasible to determine the causes of the errors found during the current review because our sample included pay records from members stationed throughout the world.

UNSATISFIED INDEBTEDNESS ON FINAL
SEPARATION NOT COLLECTED BY FCUSA

We estimate that local disbursing officers identified about 2,000 servicemen who separated in November 1969 and who were in debt to the Government. These debts, which amounted to about \$265,000 arose for such reasons as (1) prior overpayments, (2) failure to deduct allotments, or (3) excess leave taken. Many of these debts were not identified until a short time prior to separation from the Army.

Army regulations provide that, when an enlisted member has insufficient accrued entitlements on final separation to satisfy an indebtedness, such indebtedness be noted on the final pay voucher mailed to FCUSA. Prior to our review FCUSA established accounts receivable for only those indebtedness cases which it identified during its sample audits (see p. 17) of final pay vouchers. The sample audits included only about 5.5 percent of all final pay vouchers. The remainder was filed without action.

The Federal Claims Collection Act, Public Law 89-508, imposes a statutory duty on each agency head to attempt collection of all claims of the United States arising out of activities of his agency. This duty is required to be exercised in accordance with regulations promulgated jointly by the Attorney General and the Comptroller General, which are embodied in the Code of the Federal Regulations (4 CFR 101-105.7).

Among other things, these regulations require the head of each agency to:

"take aggressive action, on a timely basis with effective follow-up, to collect all claims of the United States *** arising out of the activities *** of his agency."

We brought this matter to the attention of FCUSA officials, and we were advised in July 1971 that FCUSA's out-of-service collection procedures were being revised to implement collection action in all final separation indebtedness cases in which the amount due the United States is over \$20.

DUPLICATE PAYMENTS

We estimate that there were about 950 duplicate payments valued at about \$195,000 made to servicemen separated during November 1969. Generally the second payments were made by different disbursing officers, although there were instances where both the initial and duplicate payment were made by the same disbursing officer.

UNLIQUIDATED INDEBTEDNESS ESTABLISHED BY PAY ADJUSTMENT DOCUMENTS

We estimated that about 1,470 pay adjustments valued at about \$200,000 had not been entered on the accounts of servicemen separated during November 1969. These discrepancies occurred during the members' service and were recorded on:

1. Pay adjustment authorizations issued by FCUSA, finance and accounting officers, or transportation officers for the purposes of adjusting members' pay accounts.
2. Pay and allowance inquiries issued to notify finance and accounting officers of apparent discrepancies in members' payment and allotment accounts identified during FCUSA audits.

Since pay adjustment documents were issued by finance and transportation officers throughout the world, as well as at FCUSA, it was not feasible to identify and locate all adjustment documents issued during the members' periods of active service. Therefore we limited our review to those documents filed in the military pay jackets at FCUSA.

We found that:

1. Documents were apparently received by the permanent station too late to make the collections prior to the members' transfer to other stations or return to the United States for separation from the service.
2. Collections were not made although documents had been properly mailed to the permanent stations and the members had remained at those stations for 2 or

more months after the adjustment documents were issued.

3. Members had been separated before the adjustment documents were issued.

CHAPTER 3

NEEDED IMPROVEMENT IN THE ARMY QUALITY ASSURANCE PROGRAM

In 1964 the Army started the Military Pay Administration Quality Assurance Program to reduce the number of errors in military pay. All commands down to installation or comparable level were required to initiate a comprehensive and aggressive Quality Assurance Program. Each commander was required to give the Quality Assurance Program high priority and to emphasize the need for accuracy in maintaining records and in preparing military payrolls. In 1965 the Army established the following functional responsibilities for quality assurance sections at installations.

1. Performing a comprehensive audit of financial data records onsite by using a sampling method.
2. Performing a comprehensive audit of all financial data records of personnel processing into an installation.
3. Performing a comprehensive audit of all financial data records to include the leave record, prior to the preparation of separation and reenlistment bonus vouchers and final separation vouchers.
4. Reviewing the annual audit of military leave records made by finance office personnel.
5. Participating in and/or conducting specialized audits.
6. Maintaining liaison and assisting the operating pay and allowance sections in resolving matters of a technical nature that pertain to their scope of operation.
7. Processing monthly personnel rosters and reviewing financial data records in conjunction with reenlistment bonus payments.

In 1969 the Army delegated the responsibility for administering the program Army-wide to the commanding general, FCUSA. Also, in 1969, the U.S. Continental Army Command issued implementing instructions requiring that, as a minimum, installations and activities should adopt a system within the finance and accounting office to record errors as detected; to identify errors by type, cause, and responsible individuals; and to review these records at least monthly with a view toward taking appropriate corrective or improvement action.

Beginning in 1970 the Department of the Army, and particularly the Comptroller of the Army, increased the emphasis on pay and allowance matters and provided additional direction to field units.

We made a limited review of the Quality Assurance Program in connection with our review of separations and found indications that the program was not being fully implemented by field installations and that the program should be expanded at FCUSA. Also we believe that the program has not adequately influenced installation commanders to improve pay administration.

QUALITY ASSURANCE REVIEWS
BY FIELD INSTALLATIONS

During October through November 1970, we visited three major field installations to determine the extent that they reviewed pay accounts prior to separation and at other times during active military service. We discussed the Quality Assurance Program with finance officials and reviewed the procedures established at each installation to carry out the program. Although we did not make a comprehensive audit of pay records at the installations, we found generally that:

1. All three installations had reviewed pay accounts of members transferred in.
2. All three installations had made quality assurance reviews of the pay accounts of members being separated from the service.
3. Only one of the installations had made the required onsite periodic reviews.
4. Only one of the installations had made a comprehensive review of pay accounts at reenlistment.
5. Only one of the installations had analyzed error data generated by the quality assurance section to identify the pay units or individual clerks responsible for the errors.
6. One installation had not made the required reconciliation¹ of personnel and financial records 90 days

¹Army regulations require that unit personnel officers reconcile personnel and financial records of each individual scheduled for separation, other than for cause, 90 days prior to the date of separation. The stated purposes of this review are (1) to provide for a reconciliation between all documents contained in the individual's military personnel records jacket having a bearing on the individual's pay and all documents contained in the military financial data records; (2) to ensure that copies of all documents having a bearing on pay which pertain to the individual are present; and (3) to ensure that all postings have been made and that copy 5 of the last military pay voucher shows an accurate and legible recording of all changes in pay status up to the date of commencement of transfer processing.

prior to separation. The other two had made only a limited reconciliation.

Although Army regulations specifically provide that commanders give the Quality Assurance Program high priority and emphasize the need for accuracy in maintaining pay records, field quality assurance is falling far short of what is needed to detect and correct errors in pay accounts. If the functional responsibilities of field quality assurance staffs, outlined in 1965, were followed, all pay accounts would receive at least one comprehensive audit in the field and most would be audited two or more times during a normal term of service. Such reviews should identify and correct most errors and should reduce significantly the number of erroneous pay accounts at separation.

QUALITY ASSURANCE PROGRAM AT FCUSA

The FCUSA program consists primarily of sample audits of monthly pay vouchers, sample audits of pay accounts after final separation, and a limited audit of all pay accounts of members separated to reenlist. The FCUSA reports quarterly the statistical data generated by the audits of monthly pay vouchers to the Continental Army Command and to other major Army commands. Prior to December 1970, FCUSA did not include in these quarterly reports data generated from the audits of pay accounts of separated servicemen and of vouchers of servicemen separated to reenlist.

The reports generated by the FCUSA Quality Assurance Program are statistical in nature however, and the reported errors cannot be traced to specific pay units within the applicable installation finance office. The reports, therefore, are of little use in identifying individual pay clerks or pay units that are in need of closer supervision and training.

On a random basis, we examined the pay records of 146 servicemen who had been separated from the service and the records of 184 servicemen who had separated to reenlist. FCUSA had audited these records previously under its Quality Assurance Program during July 1970. During that month FCUSA audited the records of 2,991 men who separated from the service and the records of 3,846 men who reenlisted. The 2,991 final separation pay accounts represented about 6.6 percent of the total servicemen separated during that month. The records of all men who reenlist are normally audited by FCUSA; however, the scope of the audit is limited to reenlistment bonus data and, for members separated outside the continental United States, the scope includes an audit of cash settlements for leave and travel allowances. There was no indication that FCUSA's audit included the use of related travel vouchers for any of the pay accounts audited during the month.

We found undetected errors in the pay records of 57 of the 146 men who separated from the service, a case error rate of 39 percent. The significant errors were referred to FCUSA for an explanation of why the errors were not identified in its audit. FCUSA concluded that two thirds of the errors

were due to examiner oversight and that the remainder pertained to pay items outside the scope of the audit.

We found that, of the 184 pay records of men who reenlisted, 56 contained errors not discovered by FCUSA, a case error rate of 30 percent. After reviewing the errors, FCUSA concluded that only a few were due to examiner oversight. About 97 percent of the errors pertained to pay areas outside the scope of the audit. As previously noted, the audit scope for reenlistments is generally limited to bonus data.

CHAPTER 4

CONCLUSIONS AND RECOMMENDATIONS

This review, though limited in scope, points up the serious effects of continued poor administration of military pay. Errors, mostly overpayments, are running into the tens of millions of dollars annually. Many of these problem areas have been discussed previously in our reports.

The Army has indicated its awareness of these problems by initiating the Quality Assurance Program to upgrade the quality of pay administration and is participating in development of the new centralized and computerized pay system. We noted, however, that the scope of the Quality Assurance Program at FCUSA was limited and that, during recent years, some of FCUSA's examination techniques actually had been curtailed or discontinued although little or no improvement had been noted in the quality of pay administration by field installations. We believe that the Quality Assurance Program at FCUSA is too limited in scope and that the audit reports generated under the program are of little value in identifying specific pay clerks or pay units in need of closer supervision and training.

Numerous Army members separated each month are indebted to the United States at the time of separation. These debts are identified by the field installation at the time of separation and are noted on the member's final pay voucher which is forwarded to FCUSA. FCUSA was taking action to identify these debts and to make collections in only about 5.5 percent of the cases through its sampling techniques. After we brought this matter to the attention of FCUSA officials, procedures were changed to provide for collection of all indebtedness cases over \$20.

We found only partial compliance with the procedures established for the Quality Assurance Program and for reconciliation of pay accounts with personnel files at the three field installations visited. We concluded that additional command emphasis would be required to establish satisfactory pay administration practices throughout the Army.

We feel that the proper design and implementation of JUMPS may help to reduce errors to the extent that a computerized system is mathematically more accurate than a manual system. It must be recognized, however, that even computerized systems are dependent upon the accuracy and the timeliness of data input to that system. Many of the present-day problems with input data in leave accounting and other areas could continue to exist under JUMPS. The current problems, therefore, are so significant as to require remedial action until such time as the Army can demonstrate the effectiveness of its new computerized pay system.

We are therefore recommending that the Secretary of the Army:

1. Reemphasize the local commander's responsibility to
 - (1) see that each serviceman is paid correctly and
 - (2) enforce regulations requiring reconciliation of personnel and finance records by personnel officers 90 days prior to separation.
2. Evaluate the commander's performance in these areas in the same manner as his performance is evaluated in other areas of mission responsibility.
3. Provide trained qualified personnel, enhance career opportunities for pay and personnel specialists, and establish greater personnel stabilization in duty assignments to support commanders' efforts to upgrade and sustain the quality of pay administration.
4. Require FCUSA to expand and improve the Quality Assurance Program by (1) increasing surveillance of field quality assurance activities, (2) expanding the audits of accounts of final separations and of separations to reenlist, and (3) expanding and upgrading the reporting on the results of audits.

CHAPTER 5

SCOPE OF REVIEW

Our review was made during 1970 and 1971 at FCUSA; Fort Knox, Kentucky; Fort Benning, Georgia; and Fort Jackson, South Carolina. At FCUSA we examined 453 pay accounts of members who separated or reenlisted during FCUSA's processing month of November 1969. November 1969 was the last processing month completed at the time we selected the sample. Also we selected and reviewed 330 similar accounts previously audited by FCUSA under its Quality Assurance Program.

At the three field installations, we interviewed responsible officials and examined pertinent instructions, regulations, reports, and other documentation relative to reviews made under the field Quality Assurance Program.

APPENDIXES

APPENDIX I

ANALYSIS OF ERRORS
BY
TYPE, NUMBER, AND AMOUNT

Type of error	Total errors		Overpayments		Underpayments	
	Number	Amount	Number	Amount	Number	Amount
FINAL SEPARATIONS (Errors found in 96 accounts) :						
Delay-en-route leave computed incorrectly on travel vouchers	41	\$ 569	28	\$ 388	13	\$181
Delay-en-route leave not recorded on the military leave record	3	412	3	412	-	-
Delay-en-route leave recorded incorrectly on the military leave record	2	108	-	-	2	108
Ordinary leave not recorded on the military leave record	1	126	1	126	-	-
Ordinary leave recorded incorrectly on the military leave record	3	48	3	48	-	-
Computation error on the military leave record made prior to separation	20	465	16	395	4	70
Erroneous excess leave collections	5	244	3	208	2	36
Miscellaneous leave settlement errors made at the time of separation	8	198	5	158	3	40
Total errors related to leave	83 (61%)	2,170 (27%)	59	1,735	24	435
Unliquidated advance, casual, and partial payments	19	1,657	19	1,657	-	-
Unsatisfied indebtedness on discharge	12	1,552	12	1,552	-	-
Duplicate payments	5	996	5	996	-	-
Unliquidated indebtedness established on DD form 139 and other adjustment documents	8	1,110	8	1,110	-	-
Unearned reenlistment bonus	1	426	1	426	-	-
Erroneous travel payments on discharge	9	92	5	48	4	44
Total errors not related to leave	54 (39%)	5,833 (73%)	50	5,789	4	44
Total	137 (100%)	\$ 8,003 (100%)	109	\$ 7,524	28	\$479
SEPARATIONS TO REENLIST (Errors found in 73 accounts) :						
Ordinary leave not recorded on the military leave record	7	\$ 1,822	7	\$ 1,822	-	\$ -
Erroneous excess leave collections	2	833	1	815	1	18
Delay-en-route leave not recorded on the military leave record	1	235	1	235	-	-
Computation error on the military leave record made prior to separation	6	140	6	140	-	-
Delay-en-route leave recorded incorrectly on the military leave record	1	115	1	115	-	-
Delay-en-route leave computed incorrectly on travel vouchers	14	475	2	32	12	443
Ordinary leave recorded incorrectly on the military leave record	1	18	1	18	-	-
Miscellaneous leave settlement errors made at the time of separation	11	1,406	7	1,297	4	109
Total errors related to leave	43 (33%)	5,044 (25%)	26	4,474	17	570
Unliquidated advance, casual, and partial payments	59	13,379	59	13,379	-	-
Duplicate payments	3	704	3	704	-	-
Unliquidated indebtedness established on DD form 139 and other adjustment documents	3	276	3	276	-	-
Unliquidated article 15 forfeitures	2	274	2	274	-	-
Erroneous travel payment on discharge	19	191	9	79	10	112
Unearned reenlistment bonus	2	35	2	35	-	-
Total errors not related to leave	88 (67%)	14,859 (75%)	78	14,747	10	112
Total	131 (100%)	\$19,903 (100%)	104	\$19,221	27	\$682

BEST DOCUMENT AVAILABLE

APPENDIX II

PROJECTION OF
SAMPLE AUDIT RESULTS

	Sample	Errors found in sample		Average amount per error	Universe	Projected errors for November 1969	
		Number	Amount			Number	Amount
FINAL SEPARATIONS:							
Number of pay accounts	257	-	\$ -	\$ -	43,812	-	\$ -
Total overpayment items	-	109	7,524	69	-	18,582	1,282,158
Total underpayment items	-	28	479	17	-	4,773	81,141
SEPARATIONS TO REENLIST:							
Number of pay accounts	196	-	-	-	6,905	-	-
Total overpayment items	-	104	19,221	185	-	3,664	677,840
Total underpayment items	-	27	682	25	-	951	23,775
TOTAL PROJECTED OVERPAYMENTS						<u>22,246</u>	<u>\$1,959,998</u>
TOTAL PROJECTED UNDERPAYMENTS						<u>5,724</u>	<u>\$ 104,916</u>



DEPARTMENT OF THE ARMY
OFFICE OF THE COMPTROLLER OF THE ARMY
WASHINGTON, D.C. 20310

COMPT-FCIS

8 SEP 1971

Mr. Charles M. Bailey
Director, Defense Division
U. S. General Accounting Office
441 G Street, N. W.
Washington, D. C. 20548

Dear Mr. Bailey:

I would like to bring you up to date on the actions we have taken since our last meeting to provide for more efficient military payment activities within the Army.

In my opinion, the progress we have made in implementing JUMPS-Army is most significant. All objectives scheduled for completion by 31 December 1972 have been met, and payments under this new pay system were made at the end of July to military personnel assigned to Headquarters, Department of the Army. Payments at the end of August were extended to include the Phase I organizations previously paid on a centralized basis and all organizations within the continental United States. The Commanding General of the Finance Center has been providing your representative Mr. Takash with all documentation relating to this progress so that he may be currently informed.

Prior to placing the accounts of any organization on the JUMPS-Army master file at the Finance Center, all individual Financial Data Record Folders were subjected to a 100% quality audit. Errors detected during these audits were corrected prior to converting the accounts.

In those instances where an indebtedness was identified, appropriate action was initiated to insure that amounts due the government will be collected. These actions provide for collections to be effected in monthly increments (within statutory limits) to liquidate the indebtedness prior to the service member's separation. Whenever these collection actions are inadequate for liquidating the total indebtedness, follow-on collection action will be pursued after the member's separation. Instructions have been issued to the Commanding General of the Finance

APPENDIX III

COMPT-FCIS
Mr. Bailey

Center, together with necessary guidance, to insure that the requirements of the Joint Standards for implementing the Claims Collection Act of 1966 are met.

There is every indication that the number and magnitude of unliquidated indebtedness cases will be significantly reduced under JUMPS-Army and those cases that do persist will be placed under control for specific follow-on collection actions.

With regard to the deficiencies cited by Mr. Sorando that relate to the financial aspects of travel and transportation activities we have taken two series of actions which are considered to be noteworthy. First, we have made a detailed and comprehensive review of all Army regulations pertaining to the travel and transportation of service members and their dependents -- to include those dealing with the movement of trailers or mobile homes. As a result of this review we concluded that our regulations were sufficient, and if they were appropriately implemented the cited deficiencies would be eliminated. Accordingly, a telegraphic message was sent to commanders throughout the world directing their attention to the pertinent regulatory provisions dealing with each cited deficiency and requiring that they report their corrective actions by 1 October 1971. The GAO resident-auditor at the Finance Center was most helpful in reviewing this message before its release to insure that all salient matters were covered.

The second series of actions are still in progress and are scheduled to be completed next month. The final product of these actions will be a new Department of the Army Circular in the Audit Trends 36-1 series. This circular will identify the different types of errors cited in your audit reports as well as those identified by the Army Audit Agency and the Finance Center in their respective examination programs. Each deficiency is discussed in terms of its genesis and required corrective action. The circular deals not only with the correction of travel and transportation errors but also with those stemming from Casual, Advance and Partial Payments and the administration of military leave. Hopefully, by reemphasizing the responsibilities of Commanders in these matters favorable results will be achieved. With the advent of JUMPS-Army, and the introduction of controls dealing with a new Local Payment Receipt Form, the perennial problems associated with Casual, Advance and Partial payments are expected to be eliminated. By January 1972 we also expect that this new pay system will eliminate all allotment overpayments.

COMPT-FCIS
Mr. Bailey

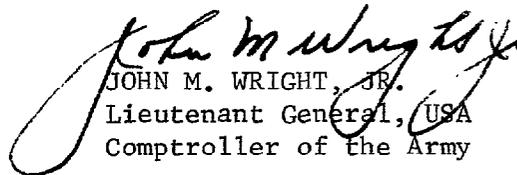
In order to insure payment of cost-charge transportation requests, the Finance Center has been tasked to develop procedures which will place tight controls on all such requests which are issued to service members without adequate funds to proceed to their duty stations. These controls will be oriented to the Finance Center computer so that timely collections can be made. We expect that these procedures will be completed and operational by not later than 31 December 1971.

As a final item, guidance was provided to the Finance Center with instructions to expand and upgrade its examination programs to be compatible with the requirements of JUMPS-Army. The plan for accomplishing these actions, to include placing military travel vouchers in payee order for leave settlement reviews, has been prepared and coordinated with your resident-auditor at the Center. My staff is currently reviewing this effort and early implementation is expected to be approved.

I hope that your time will permit my staff to provide you with a briefing on our progress in implementing JUMPS-Army at an early date. I know you have an intense interest in this subject, and we can schedule a briefing at your convenience. Since we have had a request for this briefing by Mr. Donald L. Scantlebury of the Field Operations Division of your organization perhaps we could set a time that would accommodate both of your schedules. If a joint briefing is acceptable to you, please call General Richards on extension 50303 and he will make necessary arrangements.

In general, I believe that we are making meaningful progress in achieving our mutual objectives and we shall continue to move positively in that direction.

Sincerely,


JOHN M. WRIGHT, JR.
Lieutenant General, USA
Comptroller of the Army