Retired and Annuitant Pay Postpay Review
Fiscal Year 2013 Sampling Plan

Background

The Defense Finance & Accounting Service (DFAS), Enterprise Solutions & Standards (ESS), Postpay Review & Analysis (PR&A) directorate serves as the DFAS office of primary responsibility for agency reporting and compliance with the Improper Payments Elimination and Recovery Act of 2010, IPERA, (Pub. L. 111-204).

The PR&A Retired and Annuitant (R&A) team in Cleveland perform monthly postpay reviews of statistical random samples of Military Retirement pay accounts. Separate reviews are conducted for the retired and annuitant pay accounts and are selected from the Retired and Casualty Pay System (RCPS) and the Annuitant Pay System (APS).

The purpose of the sampling plan is to provide population estimates and applicable confidence intervals, within specified sampling probability (95%) and precision levels (+/-2.5%), of the percentage of retired and annuitant pay accounts in error. In addition, the sampling plan serves as a means to collect data on sampled accounts regarding the accuracy of pay and dollar value of overpayments and underpayments as a percentage of pay to satisfy improper payment reporting requirements per the IPERA. Root causes of errors by type and category (processing or reporting) are recorded and used for preparing reports and balanced scorecard metrics for applicable retired and annuitant pay activities and the Office of the Under Secretary of Defense (Comptroller).

The deceased retiree and deceased annuitant populations are not sampled. Monthly population extracts of the entire deceased population are used to report total improper payments. Special reviews are also conducted for new accounts and special payrolls (i.e., Combat Related Special Compensation (CRSC), Concurrent Receipt of Disability Payment (CRDP), and Daily Payroll (CCP)) on a quarterly basis or as requested.

The PR&A Desktop and Standard Operating Procedures (SOP) contain guidelines for the performance of the postpay reviews. Additional guidelines for random reviews in support of the improper payments reporting can be found in OMB guidance to the IPERA.

Population and Sample Frame

The population of Military Retirement is divided into two pay categories: Retried Pay and Annuitant Pay. The R&A accounts maintained represent pay accounts with activity in the last 12 months. The following table represents the total annual and average monthly accounts maintained for FY12.

DoD Military Retirement Pay		
Payroll Category	Average Monthly Accounts Maintained	Annual Accounts Maintained
Retired Pay	2,054,661	24,655,932
Annuitant Pay	352,975	4,235,698
Total DoD	2,407,636	28,891,630

Sample Design

The sample design is a simple random sample (attribute) with the purpose of estimating the percentage of retired and annuitant pay accounts in error. The sample also provides sample statistics on the dollar value of improper over and under payments and root cause of error for use in annual IPERA reporting.

The sampling unit is defined as a pay account in the Retired Pay file from the RCPS and Survivor Pay file from the APS.

Sample Size Calculation

The sample size is calculated for 95% confidence and +/-2.5% precision. Per guidance contained in the OMB Circular A-123, Appendix C, the required sample size for each population is based on a higher projected error rate than actual results from prior fiscal years. The FY13 sample size is calculated based on the conservative rate of 25% although the actual FY12 and historical error rates were less than eight percent. The selection of the higher rate is due to the risk of the large dollar amount of annual outlays expended by the Department for Military Retirement pay.

The Retired and Annuitant accounts maintained for FY12 are used to calculate the annual sample sizes for FY13. Although the sample size is calculated for an annual plan, the PR&A team conduct the postpay reviews on a monthly basis. The simple random sample size for each component is approximately 1,152 (100 per month per payroll) to satisfy annual estimates for IPERA reporting.

DoD Military Retirement Pay		
Payroll Category	*Monthly Review*	*Annual Sample Size*
Retired Pay	100	1,152
Annuitant Pay	100	1,152
Total DoD	**200**	**2,304**

The sample size for the additional new account and special payroll reviews are calculated for quarterly reporting but are reviewed on a monthly basis. The sample size for each review is 150 pay accounts per quarter (50 per month).

Sample Selection

The Defense Manpower Data Center (DMDC) West, Monterey, CA, selects the monthly sample of pay accounts for random review via the Random Number Generator (RNG) from the monthly payroll files with a status or pay amount change. Each month, the PR&A provides the DMDC-West with random seed numbers to use with the RNG to ensure randomness of selection and minimize repetition of sampled accounts from one month to the next. DMDC-West provides a random sample of 200 pay accounts to the PR&A R&A team, who then use EZ Quant to select the appropriate number of accounts to review.

Treatment of Missing Records

The sampled R&A pay accounts originate from the population of accounts with activity in the last 12 months. Therefore, it is unlikely that a sampled pay account would not be available for review.

The impact of missing records (no data) influences the precision of the sample statistic as an estimator of the population proportion of records in error, dollar value of over and under payments and settlement dollar value of the overall sample. As such, bias can become a factor in the sample statistic as a population estimator. There are a number of methods available to address missing records, but PR&A will determine the appropriate approach to address the missing records based on the circumstances surrounding number and type of missing records.

Completing the Target Sample

It is imperative that examiners complete the target monthly sample as assigned, even if this means allotting additional, yet reasonable, time for completion of the monthly sample. For reporting purposes, any given component monthly sample not complete by the given report cut-off date will be carried forward to the next audit month's report.

Accounts with Errors

The review consists of a validation and verification of accuracy of pay. That is, did the retiree or annuitant receive the correct pay based on information resident in the RCPS or the APS?

The R&A Pay Operations, Quality Assurance office is promptly notified by encrypted e-mail of any account where a monetary, systemic or procedural error is found. The notification includes the name, SSN, monetary amount, and description of the reason for error. Monetary errors are errors where the technician or system has miscalculated the amount due for that pay date. Accounts are also reviewed for retro-active funds that may be due or overpayments incurred and not calculated accurately or debts not established when required. Procedural errors are errors where the amount paid may be accurate but procedures were not followed as outlined in operating procedures. System errors are errors where systematic updates or input occurred to the account, but the systematic update did not result in accurate update of status, pay, and/or accurately issue retro-active payments or establish debts when applicable. When systemic errors are found, additional review is generally performed by ESS as a follow up to determine if the error is occurring in the overall population.

The R&A, Quality Assurance team responds to PR&A R&A within seven (7) business days for any errors detected and reported in the postpay reviews. The response will either (a) agree with the finding and provide anticipated corrective action or (b) disagree with the finding and provide supporting rationale. The R&A, Quality Assurance team also forwards copies of follow-up requests when response is not received or corrective action is not completed within seven (7) working days. ESS continues to follow up on accounts that have not been updated within 30 days from report of finding, until corrective action is completed.

Summary Reports

Periodic reports are prepared for various activity managers, R&A Quality Assurance, and interested senior officials on results of the random reviews (number and percentage of records in error, dollar value of over and under payments, reasons for errors, recommended corrective action, etc.), improper payment rate (overpayment dollars + underpayment dollars/settlement dollar amount), reasons for errors with applicable sample statistics and appropriate population estimates.

Statistics in support of the IPERA are collected and analyzed on a monthly basis, to include interim population estimates, and reported via an OSD metric. Statistics from these reviews are also used for internal DFAS Balance Scorecard, productivity reports, and periodic updates to OSD and OMB. Annual reports in support of the IPERA requirements are provided to OSD for use in the Department's annual Agency Financial Report (AFR) and IPERA Survey. The annual AFR improper payment appendix consists of the annual population gross pay, the estimated dollar value of overpayments, the estimated dollar value of underpayments, the total estimated improper payments (sum of

over and underpayment total estimated dollars), and the improper payment percentage (total estimated improper payments to total gross pay). The report also includes the root causes of improper payments identified, actions planned or taken to correct the causes, completion date of the actions, amount of improper payments recovered, internal controls and infrastructure in place to reduce improper payments, and steps the agency took to ensure management accountability.

References for Statistical Sampling Methodology

Levy, Paul S and Lemeshow, Stanley, *Sampling of Populations Methods and Applications* (3rd Ed.), New York: John Wiley & Sons, 1999.

Cochran, William G, *Sampling Techniques* (3rd Ed.), New York: John Wiley & Sons, 1977.