

DoD Quarter 2, FY 2015 High Dollar Overpayments Report

The Office of Management and Budget (OMB) issued revised guidance for improper payments reporting on October 20, 2014, as OMB Circular A-123, Appendix C. The primary changes for this report are the new thresholds for individual and entity overpayments. The individual threshold has been increased from \$5,000 to \$25,000 and 50 percent higher than the payment should have been. The entity threshold has been increased from \$25,000 to \$100,000 and 50 percent higher than the payment should have been.

HIGH DOLLAR IMPROPER OVERPAYMENTS TO INDIVIDUALS

Defense Finance and Accounting Service (DFAS) Civilian Pay

For Quarter 2 (Q2), Fiscal Year (FY) 2015, Civilian Pay's overall improper payment rate was 0.9 percent. This represents \$13.6 million in over and under payments out of \$15.2 billion in civilian pay disbursements.

No high dollar overpayments were identified in the quarterly random sample. However, when the Q2 in-service collections were subjected to a simple random sample after adjusting for \$8,333 threshold criteria, 177 records were chosen from the 188 records identified. The review determined 24 debts (14 percent) met the threshold criteria totaling \$561,000. Of this amount, 16 percent (\$87,000) was recovered as of the end of the quarter. Collection actions continue through ongoing payroll deductions and installment plans.

Prevention and Corrective Action

These civilian collections are often the result of initial inaccurate personnel actions generated by the human resource offices. Subsequent corrective personnel actions are generated by human resources and transmitted to the civilian payroll system that cause the recomputation of pay and allowances and create a debt action to offset the initial improper overpayment. These initial improper payments are discovered through various sources, such as agency reviews, bi-weekly exception reports, and employee or supervisor notification.

In order to rectify the root causes of payment errors, the Department, primarily through DFAS, continues to work with DoD components to advise them of these results, associated reasons for errors, and best business practices to prevent improper payments.

DFAS Military Pay

For Q2, DFAS Military Pay's overall improper payment was 0.24 percent. This represents \$62.2 million in over and under payments out of \$26.3 billion paid.

The Q2, FY 2015, random review of Military Pay did not produce any high dollar overpayments. However, when the Q2 in-service collections were sorted based on threshold criteria and then subjected to a simple random sample, 135 Active and 100 Reserve debts were chosen for review. The review found 16 Active Duty (12 percent) and 29 Reserve/Guard (29 percent) debts meeting

the high dollar threshold with \$512,000 in total overpayments for Active Duty and \$946,000 in total overpayments for Reserve/Guard. DFAS collected \$159,000 (31 percent) for Active Duty Pay and \$461,000 (49 percent) for Reserve/Guard. Collection actions continue through ongoing payroll deductions and installment plans.

Prevention and Corrective Action

Most in-service collections are attributed to untimely or inaccurate input to the pay systems by the service components. In order to rectify the causes of payment errors, the Department, primarily through DFAS, continues to work with the Military Services to advise them of these results and associated reasons for errors that result in improper payments to service members. DFAS also collaborates with each of the Military Services on best business practices to prevent improper payments.

Military Retired and Annuitant Pay

For Q2, FY 2015, Military Retired and Annuitant Pay's overall improper payment was 0.02 percent. This represents \$2.6 million in over and under payments out of \$14.9 billion paid. No military retired and annuitant pay debts met the high dollar threshold.

Prevention and Corrective Action

The Department's control process to prevent, identify, and reduce overpayments to deceased retirees and annuitants include a series of periodic eligibility notifications, early detection data mining efforts, and partnerships with other Federal and state entities. The Department takes a proactive approach, routinely comparing retired and annuity payroll master file databases to Social Security Administration "deceased" records and periodically comparing records with the Office of Personnel Management deceased files. The file comparisons are also conducted with the Department of Veterans Affairs' cemetery database and with individual states with sizable retiree and annuitant populations (e.g., Texas, California, and Florida). Retirees identified as deceased in these comparisons must validate their continued eligibility, or the accounts are suspended.

DoD Travel Pay

The Q2, FY 2015, random review for the Defense Travel System (DTS) identified one DTS high dollar overpayment for a total of \$27,000 with no recovered amounts in Q2; for the Integrated Automated Travel System for Windows (WinIATS), no temporary or permanent change of station claims met the high dollar threshold.

Prevention and Corrective Action

DoD has implemented numerous improvements to prevent travel pay improper payments, such as sharing root cause information with DFAS voucher examiners and training travel pay personnel. DFAS provides quarterly error trend reports to the Defense Travel Management Office (DTMO) for review and DoD Component representatives. The DTMO uses these

statistics and illustrations of input errors in their training sessions for Defense Travel Administrators. Travelers and authorizing officials are notified of improper payment, reason for, and instruction for repayment or processing an amendment for each account reviewed and found to be in error. The WinIATS results are reviewed with DFAS Travel Operations and suggestions for improvements to up-front processing are provided.

HIGH DOLLAR IMPROPER OVERPAYMENTS TO ENTITIES

DFAS

For Q2, FY 2015, 25 high dollar overpayments to entities were identified totaling \$6.5 million out of \$68.4 billion in commercial payments at DFAS. No collections were recorded during Q2. DFAS conducted a root cause analysis of the three largest overpayments during the quarter:

- Global Service and Trade Inc. – three invoices that made up \$798,530 in duplicate payments. These duplicates were a result of a modification not being processed in a timely manner. The invoices were identified as potential duplicates in the DFAS Business Activity Monitoring tool, but were closed as valid payments at the time of the invoice. These examples will be used for training purposes to bring a greater awareness within the manual review and input processes.
- DRS Systems Inc. - \$786,882 overpayment that was a system error. This transaction went through the automatic payment of invoice process in the Mechanization of Contract Administration Services and the system took an erroneous under recoupment that resulted in an overpayment. The DFAS will thoroughly research this transaction and if necessary will work with the system's managers to develop more stringent controls to prevent systemic errors in the future.
- Professional Contract Services Inc. - \$637,614 General Fund Enterprise Business System duplicate that was an entitlement error. This was a manual input error and the scenario is being used as a training tool to bring awareness and mitigate the risk of this happening again.

Prevention and Corrective Action

DFAS uses the Business Activity Monitoring (BAM) tool to help detect improper payments in its major entitlement systems. The BAM tool compares the current invoices received to historical paid files by running various types of integrity check logic. The logic looks for anomalies in payment data to include potential duplicates, overpayments and payments to incorrect payees. Anomalies are flagged as potential improper payments in a workflow environment for manual review prior to disbursement. DFAS analyzes monthly improper payment data to monitor BAM's effectiveness and develop new strategies to enhance detection logic.

DFAS has implemented the Do Not Pay initiative in which potential payments are bumped against a set of databases to include the Excluded Parties List, Death Master, Office of Foreign Asset Accounts, and Systems for Award Management to verify vendors are eligible for payment. To help address contractor billing errors, DFAS conducts monthly, bi-annual and annual analysis of both improper payment and BAM prevented data to identify contractor trends.

Defense Health Agency

For Q2, FY 2015, only one reportable entity disbursed high dollar overpayments. The total was \$177,274.77. No collections were recorded during Q2.

Prevention and Corrective Action

The Defense Health Agency (DHA) conducts quarterly and semi-annual retrospective contractor compliance reviews utilizing a statistically valid sampling methodology to identify overpayments. In addition, DHA conducts semi-annual contractor compliance reviews for the TRICARE Pharmacy Program, and Active Duty Dental Program purchased care contracts. The sampling approach emphasizes strata where the greatest expenditures have occurred in the respective programs.

DHA's compliance review process takes approximately 250 calendar-days to complete. The process involves an initial review of claims by an external claims review contractor, a rebuttal period, and a final review determination.

U.S. Army Corps of Engineers. For Q2, FY 2015, there was only one entity with high dollar overpayment totaling \$273,610.41 with 100 percent recovered.

Prevention and Corrective Action

The U.S. Army Corps of Engineers (USACE) pre-payment examination requirement is an administrative review that takes place just prior to payment. The review is to ensure the voucher contains the necessary substantiation and documentation for lawful and proper payment. The USACE Finance Center utilizes data-mining as part of the post-payment and recovery audit processes. The USACE data mining tool searches the U.S. Army Corps of Engineers Financial Management System (CEFMS) and identifies potential errors such as duplicate, missing, or suspicious invoices, as well as specific types of reoccurring payments. The use of a data mining tool complements the prepayment safeguards already built into CEFMS. Post payment audits are conducted quarterly to identify incorrect payments and procedural weaknesses.

Department of the Navy ERP. No high dollar improper payments for Q2, FY 2015.