

## **DoD Quarter 3, 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 was increased from \$5,000 to \$25,000 and 50 percent higher than the payment should have been. The entity threshold was 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 3 (Q3), Fiscal Year (FY) 2015, Civilian Pay's overall improper payment rate was 0.10 percent. This represents \$13.5 million in over and under payments out of \$13.0 billion in civilian pay disbursements.

No high dollar overpayments were identified in the quarterly random sample. However, when the Q3 in-service collections were subjected to a simple random sample after adjusting for the \$8,333 threshold criteria, 180 records were chosen from the 216 records identified. The review determined 29 debts (16 percent) met the threshold criteria totaling \$650,300. Of this amount, 24 percent (\$156,346) 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 generated by human resources and transmitted to the civilian payroll system cause the recomputation of pay and allowances and creates 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.

To correct the root causes of payment errors, DoD via DFAS, works with DoD to identify results and the reasons for errors in improper payments to civilian employees. DFAS shares best business practices with components to prevent improper payments.

#### DFAS Military Pay

For Q3, DFAS Military Pay's overall improper payment was 0.24 percent. This represents \$63.2 million in over and under payments out of \$26.7 billion paid.

The Q3, FY 2015, random review of Military Pay did not produce any high dollar overpayments. However, when the Q3 in-service collections were sorted based on threshold criteria and subjected to a simple random sample, 135 Active and 75 Reserve debts were chosen for review. The review found 23 Active Duty (17 percent) and 13 Reserve/Guard (17 percent) debts meeting

the high dollar threshold with \$529,358 in total overpayments for Active Duty and \$499,118 in total overpayments for Reserve/Guard. DFAS collected \$61,348 (11.6 percent) for Active Duty Pay and \$138,967 (27.8 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 Q3, FY 2015, Military Retired and Annuitant Pay's overall improper payment was 0.06 percent. This represents \$8.4 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 Q3, FY 2015, random review for the Defense Travel System (DTS) identified seven DTS high dollar overpayment for a total of \$408,486 with no recovered amounts in Q3; 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 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 the improper payment, as well as the corrective action instructions. The WinLATS 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 Q3, FY 2015, 60 high dollar overpayments to entities were identified totaling \$73.2 million out of \$68.9 billion in commercial payments at DFAS. No collections were recorded during Q3. DFAS conducted a root cause analysis of the four largest overpayments during the quarter:

- U.S. Army Corps of Engineers Albuquerque District (CESPA) -\$65,016,698.21 overpayment was the result of system program flaws. The Defense Logistics Agency Energy retroactive system in Enterprise Business System incorrectly picked up the transaction and erroneously blocked a credit from disbursing with a new invoice/debit resulting in a duplicate payment to the vendor. Once the defects were identified, the program was paused and the flaws corrected.
- American National Red Cross -\$1,075,796.99 overpayment in Computerized Accounts Payable System-Windows was a reconciliation error based on erroneous pay instructions. The erroneous pay instructions were the result of a timing issue involving multiple modifications changing pay offices within a short time period.

AT&T Mobility National Accounts, LLC -\$956,645.47 overpayment in the Mechanization of Contract Administration Services (MOCAS) is the result of material lines on invoices being submitted for more than obligated. DFAS continually reaches out to vendors, process partners, and contractors to ensure proper billing methods are practiced in order to prevent improper payments. The MOCAS entitlement team will use this as an example for training purposes.

Wartsila Defense, Inc.-\$955,820.27 duplicate in ONEPAY was an entitlement error. The duplicate invoice paid was resubmitted per Navy Activity's instructions. The original invoice was submitted without a receiving report. Both invoices were paid. This example will be used as training material by the appropriate pay offices to avoid future errors.

### 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 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 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 eligible for payment. To help address contractor billing errors, DFAS conducts monthly, bi-annual and annual analysis of both improper payments and BAM prevented data to identify contractor trends.

### Defense Health Agency

For Q3, FY 2015, three reportable entities disbursed high dollar overpayments. The total was \$364,512.44 with \$79,294.32 in recoupments to date.

### Prevention and Corrective Action

The Defense Health Agency (DHA) conducts quarterly and semi-annual retrospective contractor compliance reviews using 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 stratum 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. No high dollar improper payments for Q3, FY 2015.

Department of the Navy Enterprise Resource Planning (ERP) No high dollar improper payments for Q3, FY 2015.