

DoD Quarter 4, 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. A high dollar overpayment is any overpayment that is in excess of 50 percent of the correct amount of the intended payment where: the total payment to an individual exceeds \$25,000 as a single payment or in cumulative payments for the quarter; or the payment to an entity exceeds \$100,000 as a single payment or in cumulative payments for the quarter.

HIGH DOLLAR IMPROPER OVERPAYMENTS TO INDIVIDUALS

Defense Finance and Accounting Service (DFAS) Civilian Pay

For Quarter 4 (Q4), Fiscal Year (FY) 2015, Civilian Pay's overall improper payment rate was 0.10 percent. This represents \$15.7 million in over and under payments out of \$15.3 billion in civilian pay disbursements.

No high dollar overpayments were identified in the quarterly random sample. However, when the Q4 in-service collections were subjected to a simple random sample after adjusting for the \$8,333 threshold criteria, 180 records were chosen from the 273 records identified. The review determined 21 debts met the threshold criteria totaling \$ 830 thousand. Of this amount, (\$136 thousand) 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 Components to identify reasons for errors creating improper payments to civilian employees. DFAS shares best business practices with components to prevent improper payments.

DFAS Military Pay

For Q4, DFAS Military Pay's overall improper payment was 0.24 percent. This represents \$63.8 million in over and under payments out of \$27.1 billion paid.

The Q4, FY 2015, random sample review of Military Pay did not produce any high dollar overpayments. However, when the Q4 in-service collections were sorted based on threshold criteria and subjected to a simple random sample, 135 Active and 102 Reserve debts were chosen for review. The review found 2 Active Duty and 11 Reserve/Guard debts meeting the high dollar threshold with \$53 thousand in total overpayments for Active Duty and \$430

thousand in total overpayments for Reserve/Guard. DFAS collected \$147.00 for Active Duty Pay and \$154 thousand 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 Q4, FY 2015, Military Retired and Annuitant Pay's overall improper payment was 0.07 percent. This represents \$9.9 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 prior to payment. 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 Q4, FY 2015, random review for the Defense Travel System (DTS) identified three DTS high dollar overpayment for a total of \$205 thousand with no recovered amounts in Q4; 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 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 Q4, FY 2015, 59 high dollar overpayments to entities were identified totaling \$10.8 million out of \$72.1 billion in commercial payments at DFAS. No collections were recorded during Q4. DFAS conducted a root cause analysis of the three largest overpayments during the quarter:

- Valero Marketing and Supply Company- \$6,316,433.24 overpayment was the result of system program flaws. The Defense Logistics Agency Energy retroactive pricing system in Enterprise Business System (EBS) incorrectly picked up the transaction resulting in a duplicate payment to the vendor. Once the defects were identified, the program was paused and the flaws corrected.
- Westmark Group- \$439,365.28 overpayment was the result of human error. A disbursement was made prior to reversal and correction of a duplicate invoice in the General Fund Enterprise Business System (GFEBS). This example will be used as training material by the appropriate paying offices to avoid future errors.
- NP Precision Inc. - \$381,998.50 overpayment was the result of unliquidated progress payments. Contract has been terminated due to default.

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 System for Award Management (SAM) Exclusion 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 Q4, FY 2015, two reportable entities disbursed high dollar overpayments. The total was \$259,470.71 with \$259,470.71 in recoupments to date.

Prevention and Corrective Action

The Defense Health Agency (DHA) conducts quarterly and semi-annual retrospective contractor compliance reviews using 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. No high dollar improper payments for Q4, FY 2015.

Department of the Navy Enterprise Resource Planning (ERP). No high dollar improper payments for Q4, FY 2015.