

## **DFAS FY 2014 Risk Assessment for Improper Payment Reporting**

### **Background**

The Improper Payment Elimination and Recovery Improvement Act of 2012 (IPERIA) requires agencies to follow steps to determine whether the risk of improper payments is significant and provide valid annual estimates of improper payments for its programs. Beginning in FY14, "significant improper payments" are defined as gross annual improper payments in the program exceeding both 1.5 percent of program outlays and \$10,000,000 of all program or activity payments made during the fiscal year reported or \$100,000,000, regardless of the improper payment percentage of total program outlays. (For fiscal years prior to FY14, the cut off was 2.5 percent.) For all programs and activities susceptible to significant improper payments, agencies shall determine an annual estimated amount of improper payments made in those programs and activities.

Prior Government Accountability Office (GAO) audit reports raised questions about the Department's risk assessment in association with improper payments identification. The risk considerations presented herein resolve the audit recommendation to conduct a risk assessment in compliance with IPERIA to identify programs susceptible to significant improper payments.

### **DoD Programs**

Beginning in FY 2006, OMB determined that all DoD payments are susceptible to the risk of improper payments based on the large volume of transactions and high dollar amounts of annual disbursements. Since that time, the Department has reported on the following programs:

- (1) Military Retirement
- (2) Military Pay
- (3) Civilian Pay
- (4) DoD Travel Pay
- (5) DFAS Commercial Pay
- (6) Military Health Benefits
- (7) USACE Travel Pay
- (8) USACE Commercial Pay

DFAS conducts the review for Military Retirement, Military Pay, and Civilian Pay programs, DFAS Commercial Pay, and the majority of the DoD Travel Pay.

### **Methodology**

DFAS employs a systematic method of reviewing its programs to identify those susceptible to significant improper payments. This systematic method includes a variety of criteria:

- new program to the agency
- complexity of the program or activity reviewed
- annual volume of payments made

- payment eligibility decisions made external to the agency
- major changes in program funding, authorities, practices, or procedures
- level, experience, and quality of training for personnel certifying payments
- significant deficiencies in the audit reports of the agency
- results from prior improper payment work
  - quantitative evaluation based on a statistical sample
  - prepayment controls and analysis
  - self-reported improper payments

Monitoring methods include reviews of monthly random samples of payments from the general populations as well as special reviews and population data extracts of potential areas susceptible to improper payments. The DFAS post-pay examination team stays current on any pay system or process change that may impact the accuracy of pay and will initiate, as illustrated below, reviews to assess the occurrence of improper payments.

The risk identification and assessment determines the systems and/or types of payments that are more susceptible to improper payments. Focusing the improper payment review and sampling methodology on the high risk areas will help identify root causes, establish related corrective actions, and reduce improper payments. The risk is defined as “high”, or “significant” if the improper payments and rate exceed (1) both 1.5 percent of program outlays and \$10M or (2) \$100M regardless of percent; “medium” if improper payments and rate exceed either 1.5 percent of program outlays or \$10M; and “low” if improper payments and rate are both less than 1.5 percent of program outlays and \$10M.

### **Program: Military Retirement**

The FY13 Military Retirement improper payments were estimated at \$19.9M (0.04%), and thus, the risk of improper payments is not determined “significant” per IPERIA. The program is potentially susceptible to improper payments based on the high volume of payments made.

The Military Retirement post-pay review to identify improper payments is conducted at the DFAS site using the Annuitant Pay System (APS) and Retired and Casualty Pay System (RCPS). The post-pay review is conducted on accounts computed by DFAS and processed through APS and RCPS. The following Retired and Annuitant pay entitlements are subject to review:

- Random reviews of military retiree pay accounts
- Random reviews of annuitant pay accounts
- Periodic reviews of high risk areas (i.e., Combat Related Special Compensation, Concurrent Retirement and Disability Pay, new accounts, etc.)
- Population data extracts of confirmed deceased retirees and annuitants.

The risk identification and assessment determines the systems and/or types of payments that are more susceptible to improper payments. Focusing the improper payment review and sampling methodology on the high risk areas will help identify root causes, establish related corrective actions, and reduce improper payments. The risk is defined as “high”, or “significant” if the

improper payments and rate exceed (1) both 1.5 percent of program outlays and \$10M or (2) \$100M regardless of percent; “medium” if improper payments and rate exceed either 1.5 percent of program outlays or \$10M; and “low” if improper payments and rate are both less than 1.5 percent of program outlays and \$10M.

## 1. Risk Identification

### a. Improper payment risks

- Pay wrong amount
- Lack or insufficient documentation to support payment
- Deficient prepayment checks
- System deficiencies
- Legislative changes have placed challenges on DFAS-CL, R & A Pay efforts to maintain and update an aging patchwork of systems to keep up with the regulatory requirements or to provide for automation initiatives.
- Career Status Bonus Program - Timely and accurate information from services
- Data Availability/Integrity from Interface Partners - Timely and accurate receipt of data from service branches and Department of Veterans Affairs (DVA) (or other interface partners) to process Retired and Annuity Pay
- Data entered from interface partners is not reviewed/verified
- DVA Retro awards - Timely and accurate processing (high visibility)
- Continued payment (to include fraud) to deceased accounts beyond date of death, and recovery of erroneously issued funds.
- Separation of duties

### b. Risk identification sources

- Quality Product Assurance (QPA) pre-pay analysis
- ESS, Retired and Annuity post-pay review and analysis
- Internal and external audit findings
- System generated reports

## 2. Risk Assessment

### a. Prepay Review

- Quality Product Assurance (QPA) pre-pay review to flag possible improper payments. The following account types and actions are pre-reviewed:
  - Credits/debits > \$2,500 not systematically calculated
  - Manually established new accounts.
  - High visibility accounts processed or referred by Special Interest and External Communications Offices including Hotline cases, Board Correction of Military Records, Ombudsman and Congressional cases

- All debts processed by Concurrent Retirement Disability/Combat Related Special Compensation Payment (CCP) Operations department.
    - Payments made via RAVC (“R” Automated Voucher Check) (manual payment).
    - All out of service debts.
    - All annuity payments/debts manually calculated, regardless of amount.
    - All cases previously failed/returned by QPA for rework
  - Internal controls built into Retired and Annuity pay systems to prevent improper payments and identify potential fraud
  - Certifying Officer Legislation (internal and external)
  - Data match with other pay systems (active duty, reserve, VA database, civil service annuity, i.e....) to ensure dual erroneous payment does not occur
  - Monthly and semi-annual DMDC death match file bump against Retired and Annuity Pay databases, to identify and terminate payments to deceased retirees/annuitants
- b. Self-identified improper payments and/or process/system deficiencies
- DMDC death match initiates account suspension to stop further overpayment and triggers reclamation action. R&A Pay initiates overpayment letter and debt is collected from available pay following due process. Where there are no funds available for collection, out-of-service debt is established and forwarded to Defense Debt Management System for recover action.
  - DVA Memorandum Of Understanding (MOU) with R&A pay for reclamation action on late reported awards.
  - Self-Identified Deficiency Report (SIDR) is created for deficiencies and tracked through corrective action.
- c. Post-pay Review
- Random and targeted post pay reviews are performed by operational areas and externally by Enterprise Solutions and Standards (ESS).
  - Enterprise Risk Management Program post pay review conducted by operational and system managers for each assessable unit
  - System generated reports that target and help identify high risk population. Reports are reviewed for inconsistency/anomalies and potential fraud.
  - Fraud Hotline

| Program                             | Outlays (\$B) | IP Total (\$M) | IP (%) | IP exceed \$100M? | IP exceed 1.5% of Program Outlays and \$10M? | Risk Assessment (Low/ Medium/ High) |
|-------------------------------------|---------------|----------------|--------|-------------------|--|-------------------------------------|
| <b>Total R&amp;A w/Decedent Pay</b> | \$ 56.6       | \$ 19.9        | 0.04%  | No                | No   | Medium                              |
| Retired Pay                         | \$ 53.0       | \$ 1.1         | 0.00%  | No                | No   | Low                                 |
| Annuitant Pay                       | \$ 3.6        | \$ 18.8        | 0.52%  | No                | No   | Medium                              |

**Program: Military Pay**

The FY13 Military Pay improper payments were estimated at \$286.6M (0.29%), and thus, the risk of improper payments is determined “significant” per IPERIA, due to the monetary threshold. The program is also susceptible to improper payments based on the high volume of payments made.

The Military Pay post-pay review to identify improper payments is conducted at the DFAS site using the Defense Joint Military Pay System (DJMS) and the Marine Corps Total Force System (MCTFS). The post-pay review is conducted on accounts computed by DFAS and processed through DJMS and MCTFS. The following Military Pay entitlements are subject to review:

- Monthly random reviews at the service component level (Active Duty, Reserve and National Guard for Army, Air Force, Navy, and Marine Corps)
- Population extracts of in-service collection actions by type and service component
- Population extracts of out of service debts by service component

The risk identification and assessment determines the systems and/or types of payments that are more susceptible to improper payments. Focusing the improper payment review and sampling methodology on the high risk areas will help identify root causes, establish related corrective actions, and reduce improper payments. The risk is defined as “high”, or “significant” if the improper payments and rate exceed (1) both 1.5 percent of program outlays and \$10M or (2) \$100M regardless of percent; “medium” if improper payments and rate exceed either 1.5 percent of program outlays or \$10M; and “low” if improper payments and rate are both less than 1.5 percent of program outlays and \$10M.

1. Risk Identification

- a. Improper payment risks
  - Pay the incorrect amount
  - Pay an ineligible person
  - Pay the incorrect entitlement
  - Lack of supporting documentation
  - Lack of timeliness in processing
  - Legislative changes

- Fraud

b. Risk identification source

- Internal and external audit findings
  - Military Pay SSAE 16: Received an unqualified opinion.
- Monthly random post pay reviews at DFAS-IN
- System generated reports
- Prepay reviews
- Out of Service Debts
- Collections
- Manager's Internal Control Program
- Service Internal Payroll Procedures and Guidelines
- DoDIG Fraud, Waste, and Abuse Hotline

2. Risk Assessment

a. Prepay Review

- Certifying Officers Legislation (COL)
- Manager's Internal Control Program
  - iControl database retains risks, internal controls, and tests performed for the military program.
- Pre-payment Reviews
  - Each military service completes pre-payday validations of randomly selected accounts
    - For example, the Marine Corps reviews 2,100 – 2,400 prepay reviews each month to ensure pay was processed and calculated correctly.
    - For example, the random sample of 73 selected Air Force active duty projected LESs are reviewed for accuracy and to ensure the paying tables are correct.
- System generated reports, including mismatch reports
- Payroll systems training

b. Self-identified improper payments

- Out of Service Debts
- Collections

c. Post Pay Review

- DFAS-IN conducts postpay reviews for the military paying systems.
- Top reasons for improper payments are entitlement errors and system related errors.

| Program              | Outlays (\$B) | IP Total (\$M) | IP (%) | IP exceed \$100M? | IP exceed 1.5% of Program Outlays and \$10M? | Risk Assessment (Low/ Medium/ High) |
|----------------------|---------------|----------------|--------|-------------------|--|-------------------------------------|
| <b>Military Pay</b>  | \$ 98.7       | \$ 286.6       | 0.29%  | Yes               | No   | High                                |
| Air Force            | \$ 21.7       | \$ 64.3        | 0.30%  | No                | No   | Medium                              |
| Air Force Reserve    | \$ 1.4        | \$ 4.0         | 0.29%  | No                | No   | Low                                 |
| Air Force Guard      | \$ 1.6        | \$ 6.3         | 0.40%  | No                | No   | Low                                 |
| Army                 | \$ 33.3       | \$ 104.5       | 0.31%  | Yes               | No   | High                                |
| Army Reserve         | \$ 2.9        | \$ 14.6        | 0.50%  | No                | No   | Medium                              |
| Army National Guard  | \$ 5.0        | \$ 20.9        | 0.42%  | No                | No   | Medium                              |
| Marine Corps Active  | \$ 10.2       | \$ 14.2        | 0.14%  | No                | No   | Medium                              |
| Marine Corps Reserve | \$ 0.2        | \$ 2.1         | 0.85%  | No                | No   | Low                                 |
| Navy                 | \$ 21.6       | \$ 58.5        | 0.27%  | No                | No   | Medium                              |
| Navy Reserve         | \$ 0.7        | \$ 0.7         | 0.09%  | No                | No   | Low                                 |

### **Program: Civilian Pay**

The FY13 Civilian Pay improper payments were estimated at \$96.4M (0.17%), and thus, the risk of improper payments is not determined “significant” per IPERIA. The program is also potentially susceptible to improper payments based on the high volume of payments made.

The Civilian Pay post-pay review to identify improper payments is conducted at the DFAS site using the Defense Civilian Pay System (DCPS). The post-pay review is conducted on accounts computed by DFAS and processed through DCPS. The following Civilian Pay entitlement systems are subject to review:

- Monthly random reviews at the service component level (Army, Air Force, Navy/Marine Corps, Defense Agencies and Overseas)
- Population extracts of in-service collection actions by type and service component

The risk identification and assessment determines the systems and/or types of payments that are more susceptible to improper payments. Focusing the improper payment review and sampling methodology on the high risk areas will help identify root causes, establish related corrective actions, and reduce improper payments. The risk is defined as “high”, or “significant” if the improper payments and rate exceed (1) both 1.5 percent of program outlays and \$10M or (2) \$100M regardless of percent; “medium” if improper payments and rate exceed either 1.5 percent

of program outlays or \$10M; and “low” if improper payments and rate are both less than 1.5 percent of program outlays and \$10M.

1. Risk Identification

- a. Improper payment risks
  - Pay the incorrect amount
  - Pay an ineligible person
  - Pay the incorrect entitlement
  - Lack of supporting documentation
  - Lack of timeliness in processing
  - Lack of training
  - Fraud
  
- b. Risk identification source
  - Certifying Officers Legislation (COL)
  - Manager’s Internal Control Program
    - iControl database retains risks, internal controls, and tests performed for the civilian program
    - FISCAM
  - Prepay Audits
  - Internal and external audit findings
    - SSAE 16: Received an unqualified opinion.
  - System generated reports
  - Prepay reviews
  - Manager’s Internal Control Program
  - Internal Payroll Procedures and Guidelines
  - DoDIG Fraud, Waste, and Abuse Hotline

2. Risk Assessment

- a. Prepay Review
  - Pre-payment Reviews
  - Payroll systems training
  
- b. Self-identified improper payments
  - Collections
  
- c. Post Pay Review
  - Monthly random post pay reviews at DFAS-IN

| Program      | Outlays (\$B) | IP Total (\$M) | IP (%) | IP exceed \$100M? | IP exceed 1.5% of Program Outlays and \$10M? | Risk Assessment (Low/ Medium/ High) |
|--------------|---------------|----------------|--------|-------------------|--|-------------------------------------|
| Civilian Pay | \$ 57.0       | \$ 96.4        | 0.17%  | No                | No   | Medium                              |
| Air Force    | \$ 11.9       | \$ 14.1        | 0.12%  | No                | No   | Medium                              |



|           |         |         |       |    |     |        |
|-----------|---------|---------|-------|----|-----|--------|
| Army      | \$ 19.4 | \$ 31.6 | 0.16% | No | No  | Medium |
| DoD Other | \$ 9.9  | \$ 10.5 | 0.11% | No | No  | Medium |
| Navy      | \$ 13.7 | \$ 9.9  | 0.07% | No | No  | Low    |
| Overseas  | \$ 2.0  | \$ 30.4 | 1.52% | No | Yes | High   |

**Program: DoD Travel Pay**

The FY13 Travel Pay improper payments were estimated at \$465.1M (7.99%), and thus, the risk of improper payments is determined “significant” per IPERIA, due to the monetary threshold and IP percentage. The program is also susceptible to improper payments based on the high volume of payments made.

The Travel Pay post-pay review to identify improper payments is conducted at the DFAS site using the Defense Travel System (DTS) and the Integrated Automated Travel System for Windows (WinIATS). The post-pay review is conducted on paid travel vouchers computed by DFAS and processed through DTS and WinIATS. The following Travel Pay entitlement systems are subject to review:

- Monthly random reviews of DTS settlement vouchers at the service component level
- Monthly random review of WinIATS manually computed temporary duty and permanent change of station vouchers at the service level
- Data mining programs to detect duplicate travel payments
- Special audits requests

The risk identification and assessment determines the systems and/or types of payments that are more susceptible to improper payments. Focusing the improper payment review and sampling methodology on the high risk areas will help identify root causes, establish related corrective actions, and reduce improper payments. The risk is defined as “high”, or "significant” if the improper payments and rate exceed (1) both 1.5 percent of program outlays and \$10M or (2) \$100M regardless of percent; “medium” if improper payments and rate exceed either 1.5 percent of program outlays or \$10M; and “low” if improper payments and rate are both less than 1.5 percent of program outlays and \$10M.

1. Risk Identification
  - a. Improper payment risks
  - b. Risk identification source
2. Risk Assessment
  - a. Prepay Review

b. Self-identified improper payments

| Program  | Outlays (\$B) | IP Total (\$M) | IP (%) | IP exceed \$100M? | IP exceed 1.5% of Program Outlays and \$10M? | Risk Assessment (Low/ Medium/ High) |
|--|---------------|----------------|--------|-------------------|--|-------------------------------------|
| <b>Travel Pay</b>  | \$ 5.8        | \$ 465.1       | 7.99%  | Yes               | Yes  | <b>High</b>                         |
| Defense Travel System                                    | \$ 5.3        | \$ 443.2       | 8.40%  | Yes               | Yes  | High                                |
| Integrated Automated Travel System for Windows (WinIATS) | \$ 0.5        | \$ 21.9        | 4.05%  | No                | Yes  | High                                |

**Program: DFAS Commercial Pay**

The FY13 Commercial Pay improper payments were estimated at \$100.1M (0.02%), and thus, the risk of improper payments is determined “significant” per IPERIA, due to the monetary threshold. The program is also susceptible to improper payments based on the high volume of payments made.

The Commercial Pay post-pay review to identify improper payments is conducted at the DFAS site and entitlement system level. The post-pay review is conducted on invoices computed by DFAS and processed through the entitlement systems. The following contract and vendor pay entitlement systems are subject to review:

Contract Entitlement System:

- Mechanization of Contract Administration Services (MOCAS)

Enterprise Resource Planning Entitlement Systems:

- Defense Agencies Initiative (DAI)
- Defense Enterprise Accounting and Management System (DEAMS)
- Enterprise Business System (EBS)
- General Funds Enterprise Business System (GFEBS)
- Navy Enterprise Resource Planning (NERP)

Legacy Vendor Pay Entitlement Systems:

- Automated Voucher Examination Disbursing System (AVEDS)
- Computerized Accounts Payable System for Windows (CAPS-W)
- Financial Accounting and Budget System (FABS)
- Fuels Automated System (FAS)
- Fuels Redesign Subsystem 1 (FUELS-SRD-1)
- Integrated Accounts Payable System (IAPS)
- One Pay (ONEPAY)
- Standard Automated Voucher Examination System (SAVES)

- Transportation Financial Management System (TFMS)

The risk identification and assessment determines the systems and/or types of payments that are more susceptible to improper payments. Focusing the improper payment review and sampling methodology on the high risk areas will help identify root causes, establish related corrective actions, and reduce improper payments. The risk is defined as “high”, or “significant” if the improper payments and rate exceed (1) both 2.5 percent of program outlays and \$10M or (2) \$100M regardless of percent; “medium” if improper payments and rate exceed either 2.5 percent of program outlays or \$10M; and “low” if improper payments and rate are both less than 2.5 percent of program outlays and \$10M.

## 1. Risk Identification

- a. Improper payment risks
  - Pay wrong amount
  - Pay wrong vendor
  - Pay for wrong good, service or entitlement
  - Duplicate payment
  - Lack or insufficient documentation to support payment
  - Pay ineligible entity
  - Deficient prepayment checks
  - System rejected payment
  - Conversion from legacy to ERP system
- b. Risk identification sources
  - Business Activity Monitoring (BAM) pre-pay analysis
  - Contractor Debt System (CDS)
  - Internal and external audit findings
  - Monthly post-pay random reviews at the DFAS site/system level
  - Do Not Pay (DNP) analysis

## 2. Risk Assessment

- a. Prepay Review
  - BAM tool conducts a prepay review of the five largest entitlement systems (MOCAS, CAPS, EBS, IAPS, and ONEPAY) employing integrity checks and outlier logic to flag possible improper payments that are researched and stopped if determined a true positive. These systems are deemed low risk due to this preventative measure.
  - Internal controls built in MOCAS allow the system to prevent improper (or some improper) payments, and payments over \$500K receive a manual review before payment.
  - Certifying Officer Legislation (internal and external)
  - Pre-validation ensures the obligation is present in the accounting system

- DNP initiative sends a prepayment file to bump against Treasury specified DNP databases, including the Excluded Parties List and Death Master File, to identify possible ineligible vendors that should not receive payment. Nearly 99% of paid invoices are included in the process. Based on results of the review, risk of improper payments due to paying ineligible vendors is low.

b. Self-identified improper payments

- CDS initiates demand letters to collect outstanding debts and tracks all improper payments (both over and under), regardless of source, to identify root causes and implement corrective action plans.
- Top reasons for improper payments (by amount and occurrence) are vendor examiner error, recoupment against wrong CLIN, duplicate payment, vendor billing error, and paid wrong vendor.

| SYSTEM     | Improper Payments in CDS (\$M) | Total Paid (\$B) | % Self Identified to Paid | Self Identified Risk Assessment |
|------------|--------------------------------|------------------|---------------------------|---------------------------------|
| AVEDES/FAS | \$ 0.57                        | \$ 11.2          | 0.01%                     | Low                             |
| CAPSW      | \$ 8.97                        | \$ 20.4          | 0.04%                     | Low                             |
| DAI        | \$ 0.30                        | \$ 0.8           | 0.04%                     | Low                             |
| DEAMS      | \$ -                           | \$ 1.8           | 0.00%                     | Low                             |
| EBS        | \$ 0.39                        | \$ 14.2          | 0.00%                     | Low                             |
| FABS       | \$ 0.09                        | \$ 0.6           | 0.02%                     | Low                             |
| GFEBs      | \$ 4.96                        | \$ 11.9          | 0.04%                     | Low                             |
| IAPS       | \$ 4.63                        | \$ 12.8          | 0.04%                     | Low                             |
| MOCAS      | \$ 202.98                      | \$ 118.9         | 0.17%                     | High                            |
| NERP       | \$ 0.00                        | \$ 0.1           | 0.00%                     | Low                             |
| ONEPAY     | \$ 4.46                        | \$ 21.1          | 0.02%                     | Low                             |
| SAVES      | \$ -                           | \$ 3.9           | 0.00%                     | Low                             |
| TFMS       | \$ -                           | \$ 1.0           | 0.00%                     | Low                             |

\*\*CDS data for gross over and under improper payment amounts for FYTD13 (through May 2013).

c. Post-pay Review

- Beginning for FY14, the DFAS sites conduct post pay reviews for the entitlement systems they certify or compute payment.
- Top reasons for improper payments are missing documentation, entitlement errors, and system related errors.

| SYSTEM      | Estimated Improper Payments (\$M) | Total Paid (\$B) | % Improper Payments | Postpay Risk Assessment |
|-------------|-----------------------------------|------------------|---------------------|-------------------------|
| AVEDS       | \$ -                              | \$ 3.5           | 0.00%               | Low                     |
| CAPSW       | \$ 0.3                            | \$ 55.0          | 0.00%               | Low                     |
| DAI         | \$ 39.5                           | \$ 0.7           | 5.41%               | High                    |
| DEAMS       | \$ -                              | \$ 4.0           | 0.00%               | Low                     |
| EBS         | \$ 0.3                            | \$ 17.3          | 0.00%               | Low                     |
| FABS        | \$ 0.0                            | \$ 0.4           | 0.00%               | Low                     |
| FAS         | \$ -                              | \$ 12.3          | 0.00%               | Low                     |
| Fuels SRD-1 | \$ -                              | \$ 0.2           | 0.00%               | Low                     |
| GFEBs       | \$ 47.0                           | \$ 15.3          | 0.31%               | Medium                  |
| IAPS        | \$ 0.1                            | \$ 56.7          | 0.00%               | Low                     |
| MOCAS       | \$ 9.1                            | \$ 220.2         | 0.00%               | Low                     |
| NERP        | \$ -                              | \$ 0.5           | 0.00%               | Low                     |
| ONEPAY      | \$ 3.7                            | \$ 19.3          | 0.02%               | Low                     |
| SAVES       | \$ -                              | \$ 0.1           | 0.00%               | Low                     |
| TFMS        | \$ -                              | \$ 3.2           | 0.00%               | Low                     |

\*\*Results from FY12 postpay review for estimated gross over and under improper payment amounts.

### 3. Sampling Methodology

- a. Based on DoDIG and GAO audit recommendations, the FY14 sampling methodology will incorporate refinements to the sample design to provide more accurate and precise improper payment estimates and rates.
- b. The above risk assessment indicates MOCAS, DAI, and GFEBs will be subject to review for improper payments. The CAPS, EBS, IAPS, and ONEPAY systems will also be included based on outlay volume. These seven entitlement systems will cover over 90% of the Commercial Pay program outlays.
- c. When building the sample frame for this refined methodology, we excluded the specified types of transactions for each of the following systems:
  - For EBS we excluded transactions and Lines of Accounting (LOAs) identified as credits, duplicates, and purchase cards. We excluded duplicates because they were two of the same transaction and, by definition, would inflate the total amount disbursed. We excluded LOAs that were credits because, despite being a negative amount, they show up in their database field as a positive number. So when we added the LOA dollar amounts to get a total amount for the invoice, leaving the credit LOAs within at their absolute value would erroneously inflate the total invoice amounts. We excluded the Government Purchase Card (GPC) transactions because the sites currently do not have the ability to review them. We may include them in future iterations as we learn more about assessing their risk and gain the means for the sites to review them.
  - For CAPS we excluded transactions with invoice source codes for: purchase cards, CBAs, Trans Pay, and non-DFAS sites (Belgium, Korea, Italy). We excluded the purchase card transactions because the sites currently do not have the ability to review them. We may include them in

future iterations as we learn more about assessing their risk and gain the means for the sites to review them. We excluded the Trans Pay transactions because the General Services Administration (GSA) has pre and post payment responsibility and DFAS does not review. We excluded the transactions with source codes for non-DFAS sites because DFAS cannot review them.

- For IAPS we excluded purchase card transactions because the sites currently do not have the ability to review them. We may include them in future iterations as we learn more about assessing their risk and gain the means for the sites to review them.
- For DAI we excluded credits and purchase card transaction starting with 1Q FY14. We excluded the credit transactions because the sites normally don't review credits unless they are a subset of a larger transaction. We excluded purchase card transactions because the sites currently do not have the ability to review them. We may include them in future iterations as we learn more about assessing their risk and gain the means for the sites to review them. We incorporated these exclusions in 1Q FY14 based on lessons learned during our 4Q FY13 sample selection and review.
- For ONEPAY we excluded transactions with Source Database (DB) codes: B (Souda Bay), E (Naples), J (Djibouti), M (Bahrain), R (Rota), U (London), and T (Indy – Trans Pay). We excluded all of these but the Indy-Trans Pay because they are all non-DFAS sites and therefore not subject to our review procedures. We excluded the Trans Pay transactions because the General Services Administration (GSA) has pre and post payment responsibility and DFAS does not review.
- For GFEBS we excluded purchase card, CBA, and Transportation Pay (Trans Pay) payments, as well as payments not made in: Columbus, Indianapolis, Rome, Japan, or Fort Stewart. We excluded the Trans Pay transactions because the General Services Administration (GSA) has pre and post payment responsibility and DFAS does not review. We excluded payments not made in the above five locations because the sites cannot review them and have to exclude them from their monthly review sample population. So we needed to exclude them from the new methodology as well.