



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20540

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DEFENSE DIVISION

APR 12 1971

B-125037



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Dear Mr. Secretary:

The General Accounting Office, for many years, has made audits of Air Force disbursing officers' accounts at the Air Force Accounting and Finance Center. In 1967--in addition to the existing practice of issuing notices of exception and certificates of settlement related to the disbursing officers' accountability--we began to issue letter reports to each base commander, with a copy to the Comptroller of the Air Force, advising of the results of the audit. The reports identify and describe erroneous payments, show error rates by types of documents, and give the error rate of the median Air Force station so that a commander may judge how his station stands relative to others as to the accuracy of payments.

This is a summary report of recent findings, the types of payments where significant errors occur, the probable causes of error, and the efforts made at base level to preclude their recurrence. Excluded from this summary are the accounts of disbursing stations involved solely in procurement functions--such as Defense Contract Administration Services Regions or Air Force Plant Representative Offices--civilian payrolls, payments under cost-reimbursable contracts, and payments for bills of lading or transportation requests.

QUALITY OF DISBURSEMENTS

We schedule the accounts for audit to correspond with the 9-month period covered by military pay records. Since the pay records are not made available to us for at least 3 months after they are closed, some payments are 1 year old when our audit begins.

Our latest audits covered about two-thirds of all Air Force stations for the disbursing period of April through December 1968 and the remaining stations for a period January through September 1969.

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A summary of estimated errors (overpayments and underpayments) follows, and details are in an enclosure.

<u>Disbursing period</u>	<u>Estimated errors</u>	
	<u>Number</u>	<u>Amount</u>
April through December 1968	42,000	\$1,500,000
January through September 1969	<u>22,000</u>	<u>1,160,000</u>
All stations (9-month period)	<u>64,000</u>	<u>\$2,660,000</u>

Most of the errors involve only a few types of payments as shown by the following classifications.

<u>Type of payment</u>	<u>Estimated errors for a 9-month period</u>	
	<u>Number</u>	<u>Amount</u>
Settlement for unused leave	10,400	\$1,805,000
Basic allowance for subsistence	9,100	92,000
Per diem allowances	21,300	202,000
Travel payments based on distances	7,100	120,000
Temporary lodging allowance (note a)	700	15,000
All others	<u>15,400</u>	<u>426,000</u>
Total	<u>64,000</u>	<u>\$2,660,000</u>

^aEstimate is for only about 40 percent of the Air Force stations.

Our audits in recent years have shown an improvement in the accuracy of Air Force payments. A comparison covering the types of documents on which most errors occur shows a declining error rate over a 2½-year period, as follows:

<u>Type of document</u>	<u>Error rate</u>		
	<u>Apr 1967-Mar 1968</u>	<u>Apr-Dec 1968</u>	<u>Jan-Sep 1969</u>
In-service military pay records (note a)	6.4	3.3	2.2
Out-of-service military pay records (note b)	15.0	10.4	8.3
Travel vouchers	2.5	2.3	1.7

^aMilitary pay records closed at the end of regularly established cycles for members continuing in the service.

^bMilitary pay records closed when members are separated from the service.

The above represents Air Force-wide error rates which vary significantly by station. Error rates by station tend to be constantly changing (up or down). For example, in comparing the audits of the January through September 1969 accounts with prior audits, we found that for:

- in-service military pay records, 2 stations had increased error rates, 18 had lower error rates, and 3 stayed about the same;
- out-of-service military pay records, 11 stations had increased error rates, 11 had lower error rates, and 1 stayed about the same; and
- travel vouchers, 11 stations had increased error rates, 36 had lower error rates, and 7 stayed about the same.

At the close of our audit of accounts through December 1968 we estimated that the Air Force was making errors totaling about \$3.8 million a year as opposed to about \$5.3 million a year when we completed the audit through fiscal year 1965, even though Air Force obligations for military pay, allowances, and permanent change of station travel increased from about \$4.45 billion for fiscal year 1965 to about \$5.9 billion for fiscal year 1969 (amounts for temporary duty travel are included in various appropriations and are not readily available).

The estimated errors and error rates, described above, were established from sample audits made centrally at the Air Force Accounting and Finance Center. Such audits do not identify all of the errors or problems that might exist in the disbursing system and, for this reason, our future plans provide expanded coverage at base-level and other input sources, particularly when the Joint Uniform Military Pay System is implemented.

NEED TO IMPROVE ACCURACY OF
CERTAIN TYPES OF PAYMENTS

Although there has been a bettering trend, the Air Force needs to improve the accuracy of certain types of payments which are discussed below.

Payments for unused leave

The most significant errors, moneywise, are in payments for unused leave. About 90 percent of these were due to failures to post, or incorrect postings, to leave accounts. This causes erroneous leave balances which result in incorrect payments at the time members complete a term of service or when they leave the service.

NOT AVAILABLE

Over half of the erroneous leave charges are related to change of station travel of members authorized leave while traveling to newly assigned stations.

Basic allowance for subsistence

Many errors, although usually small in amount, are made in payments of basic allowance for subsistence. These errors make up about 29 percent of all military pay record errors. About half of the errors are due to failure to make or incorrectly making adjustments for months having other than 30 days. The adjustments are necessary because the computer treats the daily rate for enlisted members as a 30-day monthly rate.

Duplicate payments in this category make up the next most frequent type of error.

Per diem allowances

Errors in payments of per diem allowances account for the largest category of errors on travel vouchers. Most result from improperly applying deductions for meals and quarters furnished by the Government, use of wrong rates, mathematical mistakes, and payments for periods of nonentitlement.

Over half of the errors made during April through December 1968 were due to improper deductions for quarters. Several base commanders advised us that late receipt of Change 187 to the Joint Travel Regulations, or nonreceipt of advance notice of the change, caused accounting and finance officers to compute deductions for quarters under superseded regulations. The problem was further aggravated because the intent of Change 187 was not clearly stated, thus causing misinterpretation and resultant erroneous payments.

Travel payments based on distances

Error in payments based on distances is the second largest group of travel payment errors. Error rates have declined, however, in the past few years. We believe the improvement is attributable to publications of new editions of the Official Table of Distances by the uniformed services.

Temporary lodging allowances

We audited 5,389 vouchers in the January through September 1969 accounts for payments of temporary lodging allowance and found 580 erroneous payments, a rate of 10.8 errors per 100 vouchers.

Most of the errors were due to inaccurate computations or payments for days when members were not entitled to the allowance. We believe that many of the base accounting and finance office personnel have not completely understood the complex regulations for this allowance.

CAUSES OF ERRONEOUS PAYMENTS AND
CORRECTIVE ACTIONS TO PRECLUDE RECURRENCE

When an audit shows a relatively high error rate for one or more types of documents, we invite the base commander to advise us of the causes of the erroneous payments and the measures taken to preclude recurrence. Their replies state that most erroneous payments are due to:

1. Understaffing or lack of qualified and experienced personnel
2. Human and clerical errors
3. Inadequate procedures and controls
4. Misinterpretation of regulations or inadequate knowledge of entitlements
5. Late receipt of changes to Joint Travel Regulations

To preclude recurrence of errors, many commanders (1) initiated better training programs, (2) strengthened local procedures and controls, (3) improved the manning posture, and (4) established stronger internal audit programs.

The cause of error most frequently reported by commanders is understaffing or lack of qualified and experienced personnel. In our report to the Congress titled, "Follow-Up Review of Causes of Erroneous Payments of Military Pay and Allowances" (B-125037, April 2, 1968), we showed that the main cause of error was the use of inexperienced and untrained clerks and supervisors to staff disbursing and personnel offices. It is apparent that this continues to be a troublesome problem.

We conclude that the quality of the disbursing functions at most Air Force stations is generally satisfactory in terms of legality, propriety, and correctness. We believe, however, additional attention should be given to the skills and continuity of assignment of persons performing these tasks.

AIR FORCE RESPONSIBILITIES

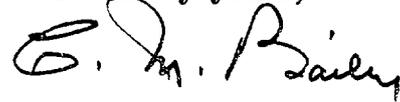
The Comptroller General, in a letter to heads of Federal departments and agencies dated August 1, 1969 (B-161457), reemphasized their responsibilities for proper accounting and internal control, including internal

audit, for functions of their accountable officers. Department and agency procedures and controls, the Comptroller General pointed out, should include adequate administrative procedures for systematically examining disbursement and collection transactions to verify their legality, propriety, and correctness at the point in time when any needed preventive or corrective action can be most effectively taken.

* * * * *

We would appreciate your comments on what additional attention is being given to the skills and continuity of assignment of persons performing disbursing functions and the actions taken and under consideration, particularly by the Comptroller of the Air Force, to more fully discharge the responsibilities reemphasized in the letter cited above.

Sincerely yours,



Director, Defense Division

Enclosure

The Honorable
The Secretary of the Air Force

ALL INFORMATION AVAILABLE

SUMMARY OF ERRORS

BEST DOCUMENT AVAILABLE

107 AIR FORCE DISBURSING STATIONS FOR THE 9-MONTH PERIOD, APRIL THROUGH DECEMBER 1968 (note a)

<u>Type of document</u>	<u>Number of stations</u>	<u>Universe</u>	<u>Sample audited</u>	<u>Number of errors</u>	<u>Error amount</u>	<u>Error rate</u>	<u>Total estimated</u>	
							<u>Number of errors</u>	<u>Amount of errors</u>
In-service military pay records	36	409,026	7,868	259	10,201	3.3	11,508	419,103
Out-of-service military pay records	36	66,370	3,617	377	47,714	10.4	5,710	787,756
Travel vouchers	107	1,376,611	21,926	497	4,803	2.3	22,924	261,787
Commercial vouchers	107	830,704	17,584	13	68	0.07	589	2,846
Military pay vouchers	106	<u>164,645</u>	<u>16,143</u>	<u>143</u>	<u>2,784</u>	0.09	<u>1,223</u>	<u>27,231</u>
Totals		2,847,356	67,138	1,289	\$ 65,570		42,000 ^d	\$1,500,000 ^d

62 AIR FORCE DISBURSING STATIONS FOR THE 9-MONTH PERIOD, JANUARY THROUGH SEPTEMBER 1969 (note b)

In-service military pay records	25	325,208	5,291	117	\$ 8,317	2.2	6,603	\$ 320,012
Out-of-service military pay records	24	59,727	2,117	176	23,566	8.3	5,092	709,540
Travel vouchers	61	874,762	11,331	188	3,391	1.7	9,618	118,366
Temporary lodging allowance vouchers (note c)	46	<u>7,024</u>	<u>5,409</u>	<u>580</u>	<u>13,432</u>	10.7	<u>691</u>	<u>15,449</u>
Totals		1,266,721	24,148	1,061	\$ 48,706		22,000 ^d	\$1,160,000 ^d
Grand totals		<u>4,114,077</u>	<u>91,286</u>	<u>2,350</u>	<u>\$114,276</u>		<u>64,000^d</u>	<u>\$2,660,000^d</u>

^aThe 107 stations represent about two-thirds of the Air Force stations.

^bThe 62 stations are those not audited for the period April through December 1968.

^cOnly temporary lodging allowance payments in the military pay vouchers were audited.

^dTotals rounded out.