

Why GAO Did This Study

In March 2012, GAO reported on challenges that DOD and the Army face in achieving audit readiness with respect to the over \$45 billion in reported fiscal year 2010 Army active duty military payroll disbursements. In performing that work, GAO identified indications of possible weaknesses in selected processes, systems, and controls relied on to reasonably assure the validity and accuracy of reported Army active duty military payroll that were beyond the scope of that audit. GAO subsequently completed work on those issues and is presenting the results in this report. GAO (1) assessed the design of key controls for payroll accuracy and (2) determined the extent to which the Army and DFAS-IN have monitoring controls to identify and address any systemic weaknesses. GAO compared selected Army and DFAS-IN processes, systems, and controls for assuring payroll accuracy to applicable internal control standards and to applicable provisions of law, regulations, and policies and procedures. GAO also interviewed officials and examined related data and information.

What GAO Recommends

GAO made five recommendations to strengthen Army and DFAS monitoring and reporting controls over Army active duty military payroll accuracy. DOD partially concurred with all five recommendations, stating that it concurs fully with the goal of improving military pay but additional testing is needed to identify any cost-effective corrective actions. GAO continues to believe that its recommendations for corrective action are appropriate, as discussed more fully in the report.

View [GAO-13-28](#). For more information, contact Asif Khan at (202) 512-9869 or khana@gao.gov.

DOD FINANCIAL MANAGEMENT

Actions Needed to Address Deficiencies in Controls over Army Active Duty Military Payroll

What GAO Found

GAO identified deficiencies in the design of key control procedures relied on by the Army and the Defense Finance and Accounting Service-Indianapolis (DFAS-IN) to detect errors in payroll disbursements to active duty Army military personnel. Specifically, GAO found that the Army's procedures for reviewing Unit Commander Finance Reports (UCFR) do not (1) provide for monitoring of required UCFR reviews to better assure detection of payroll errors, (2) require reporting on completed UCFR reviews in all cases, and (3) clearly establish time frames for completing and reporting on UCFR reviews. GAO's analysis of DFAS data on military pay debts and Army investigations of potential fraud completed over the past 2 years identified numerous instances of the effect of errors or irregularities in Army active duty payroll disbursements that went undetected for lengthy periods of time, including some that were not detected for up to 2 years or until the soldier left the Army. For example:

- A soldier who separated from the Army in 2009 continued to receive active duty pay totaling about \$185,000 until 2011.
- A soldier who was absent without leave from January 2010 to September 2011 received military pay of \$33,268 to which she was not entitled.
- A soldier under investigation for possible fraud allegedly received over \$34,000 in paratrooper and language proficiency pay but did not have a documented record of jumps performed or up-to-date proficiency certifications.

GAO's analysis determined that the Army could reduce its risk of lengthy delays in detecting and correcting pay errors with more stringent UCFR monitoring and reporting requirements.

GAO also found that DFAS and the Army have procedures and metrics in place that focus on the timeliness of manual processing and payroll adjustments for error corrections. However, they do not have procedures and metrics to enable them to gather data on active duty pay errors that were related to causes other than timeliness, such as over- and underpayments, data entry errors, and unauthorized payments. Further, the design of existing Defense Joint Military Pay System-Active Component and DFAS-IN Case Management System procedures for transaction processing and error correction did not provide for monitoring to capture data on all types of pay errors and their causes that would be useful in identifying the extent to which there are any additional systemic payroll control weaknesses. For example, an Army National Guard colonel deployed on active duty to Afghanistan reported that he experienced financial hardship when his military pay was stopped for 1-1/2 months. The absence of data on the extent and causes of all types of Army active duty military payroll errors impairs the Army's ability to identify and address any adverse trends that may indicate the existence of other systemic control weaknesses. Overall, the control deficiencies that GAO identified increase the risk that the nearly \$47 billion in reported fiscal year 2011 Army active duty military payroll includes Army servicemembers who received pay to which they were not entitled and others who did not receive the full pay they were due. Further, to the extent that errors in Army active duty pay are not identified and addressed in a timely manner, they can have a negative effect on soldier welfare and, ultimately, could erode soldiers' focus on their Army mission.