



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

CIVIL DIVISION

APR 7 1971



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Dear Admiral Scheiderer:

We have completed an examination of 100 pay records closed during the period January 1 to June 30, 1970. These records were statistically selected from among the records of active duty members as of June 30, 1970. Our examination disclosed that 33 errors were made in 30 of the 100 pay records examined. A summary of the results of our examination is shown in Attachment I.

During the course of our examination we reported our findings in detail to the Coast Guard Payments and Claims Division so that corrective action could be initiated promptly. Although we have recorded all errors noted in our examination, regardless of dollar amount, we have established \$10.00 as the minimum amount to report to the Payments and Claims Division for corrective action.

Preliminary data has shown a high incidence of errors in withholding of Federal income taxes. Although the amounts do not appear overly significant, the number of errors indicate weaknesses in internal control and a lack of understanding in interpreting and implementing regulations. The errors included cases where (1) no amounts or incorrect amounts were withheld from retroactive pay increases, (2) sea duty pay was not included as income for withholding tax computation purposes, and (3) no amounts were withheld on taxable income.

We also examined the pay records of those members among the 100 in the sample who received reenlistment and variable reenlistment bonuses prior to January 1, 1970. This review disclosed two members who were paid bonuses for greater amounts than they were entitled. These cases and the corrective action taken by your staff are discussed in Attachment II.

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We plan to advise you periodically on the progress of our continuing review. We appreciate the courtesy and cooperation which is being given to our staff during our examination. We are providing a copy of this letter with attachments to the Inspector General.

Sincerely yours,

Richard W. Kelley

Richard W. Kelley
Assistant Director

Rear Admiral Edward D. Scheiderer
Comptroller, United States Coast Guard

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SUMMARY OF ERRORS

SAMPLE OF 100 MILITARY PAY RECORDS

<u>Type of Error</u>	<u>Number</u>	<u>Overpayment</u>	<u>Underpayment</u>
Federal income tax incorrectly withheld	21	\$235.60	\$29.20
FICA tax computed incorrectly	1	1.17	
Basic allowance for quarters incorrectly recorded	1		45.00
Sea duty incorrectly recorded	3	.30	8.80
Foreign duty incorrectly computed	1	.54	
Incorrect number of days entitled to leave rations	1	4.17	
Incorrect determination of entitlement of basic and standard maintenance clothing monetary allowances	3	55.90	10.80
Computed rations incorrectly computed	1		1.14
Overwithheld allotment	<u>1</u>	<u> </u>	<u>1.00</u>
TOTAL	<u>33</u>	<u>\$297.68</u>	<u>\$95.94</u>

INFORMATION ON OVERPAYMENTS
OF REENLISTMENT AND VARIABLE REENLISTMENT BONUSES

Case 1

A member was paid a reenlistment bonus by the Air Force in 1956. He subsequently enlisted in the Coast Guard and after completing his initial enlistment, reenlisted in October 1966 and was awarded a reenlistment bonus and a variable reenlistment bonus.

The amount of the reenlistment bonus paid the member was incorrect because the Coast Guard did not consider the prior reenlistment bonus paid by the Air Force in the bonus computation as required by 37 USC 308(a). Also, the member was not entitled to the variable reenlistment bonus since he did not meet the requirements of 37 USC 308(g). At the time of our review, the member was overpaid \$4,175.75 and had not been paid \$666.67 representing the remaining installment of the variable reenlistment bonus.

We reported this matter to the Payments and Claims Division. A pay adjustment was authorized against the member's pay. We were advised informally that the member has since filed for remission of indebtedness with the Coast Guard.

Case 2

An enlisted member entered Officer Candidate School (OCS) in September 1966 and was awarded a reenlistment and variable reenlistment bonus. He was paid \$305.40 for the first installment of the variable bonus in October 1966. This member had been selected to attend OCS prior to the date of his reenlistment. Inasmuch as the purpose of the variable reenlistment bonus is to provide the services with the continued use of enlisted men who possess certain critical skills, we believe that the bonus payment was improper.

A Comptroller General's decision dated February 8, 1968, (47 Comp. Gen. 414), states that the variable reenlistment bonus is not authorized to enlisted members who are selected for college training under the Navy Enlisted Scientific Education Program or other similar programs and who reenlist for the purpose of meeting the obligated service requirements for such training. The decision states further that in view of an apparent misunderstanding by the military departments of the proper application of a previous Comptroller General's decision regarding the subject, we would not question bonus payments otherwise correct that were made incident to such reenlistments. However, the decision required that further payments, including yearly installments for such reenlistments already entered into, were to be promptly discontinued.

Inasmuch as the substance of our finding appears quite similar to the situation discussed in 47 Comp. Gen. 414, we reported this matter to the Payments and Claims Division but did not request that collection action be initiated. However, the Payments and Claims Division agreed to review the pay records of all members who attended OCS subsequent to February 1968 in order to determine whether any variable reenlistment bonuses were improperly awarded.