

GAO Highlights

Highlights of [GAO-16-68](#), a report to congressional requesters

Why GAO Did This Study

As part of DOD's efforts to achieve auditability of its financial statements, the Air Force in July 2014 asserted audit readiness for its Schedule of Budgetary Activity, of which military payroll is a significant part. In fiscal year 2014, the Air Force obligated over \$23 billion for direct compensation of active duty servicemembers.

GAO was asked to examine Air Force military payroll systems and processes. This report evaluates whether for the period October 1, 2013, through July 31, 2014, the Air Force (1) had in place systems and processes designed to provide a complete universe of active duty military pay transactions and (2) could provide adequate documentation to support individual military payroll transactions. GAO examined the Air Force's reconciliations of its payroll system to personnel, accounting, reporting, and disbursement information. GAO selected random statistical samples from various categories of military pay to determine if the Air Force could provide key documents supporting those transactions.

What GAO Recommends

GAO recommends that the Air Force improve its ability to maintain and readily provide, for management and audit purposes, documentation to support certain types of active duty pay by (1) identifying the causes of the deficiencies responsible for delayed, missing, and incomplete documentation and (2) implementing controls to help assure that documentation is readily available. The Air Force agreed with the report and its recommendations.

View [GAO-16-68](#). For more information, contact William J. Cordrey at (404) 679-1873 or cordreyw@gao.gov.

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DOD FINANCIAL MANAGEMENT

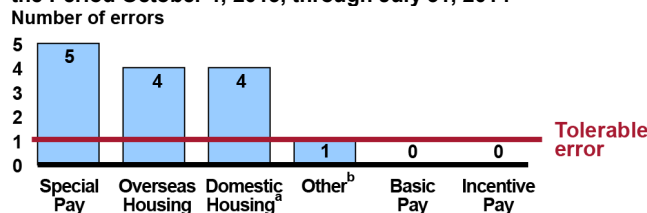
Improved Documentation Needed to Support the Air Force's Military Payroll and Meet Audit Readiness Goals

What GAO Found

Based on GAO's testing of the first 10 months of fiscal year 2014, the Air Force and its service provider, the Defense Finance and Accounting Service, had in place systems and processes designed to provide a complete universe of Air Force active duty military payroll transactions. In addition to reconciling payroll information with accounting, financial reporting, and disbursement information, the Air Force reconciles its payroll system with its personnel system each month to help reasonably assure that actual servicemembers are being paid and are paid correctly. GAO found that the reconciliations were documented and supported the Air Force's ability to provide a population of active duty military payroll transactions for the period tested.

GAO's testing of randomly selected active duty payroll transactions, for the period tested, found that the Air Force could not always provide or readily provide supporting documentation for some categories of pay. While the Air Force provided adequate support for three categories of military payroll—including basic pay, the largest category by dollar amount—it could not always provide or readily provide support for domestic and overseas housing transactions or special pay benefits. The Air Force stated that it could not determine the cause for the missing documentation, nor did it identify to us the cause of delays in retrieving and providing the supporting documentation.

Results of GAO's Tests of the Air Force's Active Duty Payroll Transaction Documentation for the Period October 1, 2013, through July 31, 2014



For each of the six pay categories shown above, GAO tested a random sample of 45 transactions with a tolerable error of 1 per sample. This would allow GAO to be 90 percent confident that the error rate of the population would not exceed 10 percent.

^aThe sample of 45 transactions was limited to July 2014, the final month of our 10-month sample period.

^bIncludes allowances for cost of living, family separation, and uniforms and clothing.

Source: GAO sampling test results. | GAO-16-68

Documentation supporting payroll transactions is one of many key financial controls that helps to provide reasonable assurance that servicemembers are appropriately paid. Department of Defense (DOD) regulations and guidance as well as *Standards for Internal Control in the Federal Government* require that audited entities document transactions and events and that this documentation be readily available for examination for management and audit purposes. Without continued focus on ensuring that documentation is readily available to support military payroll, both the Air Force and DOD are at risk that military personnel may not be paid appropriately and that financial statement auditability goals may not be achieved.