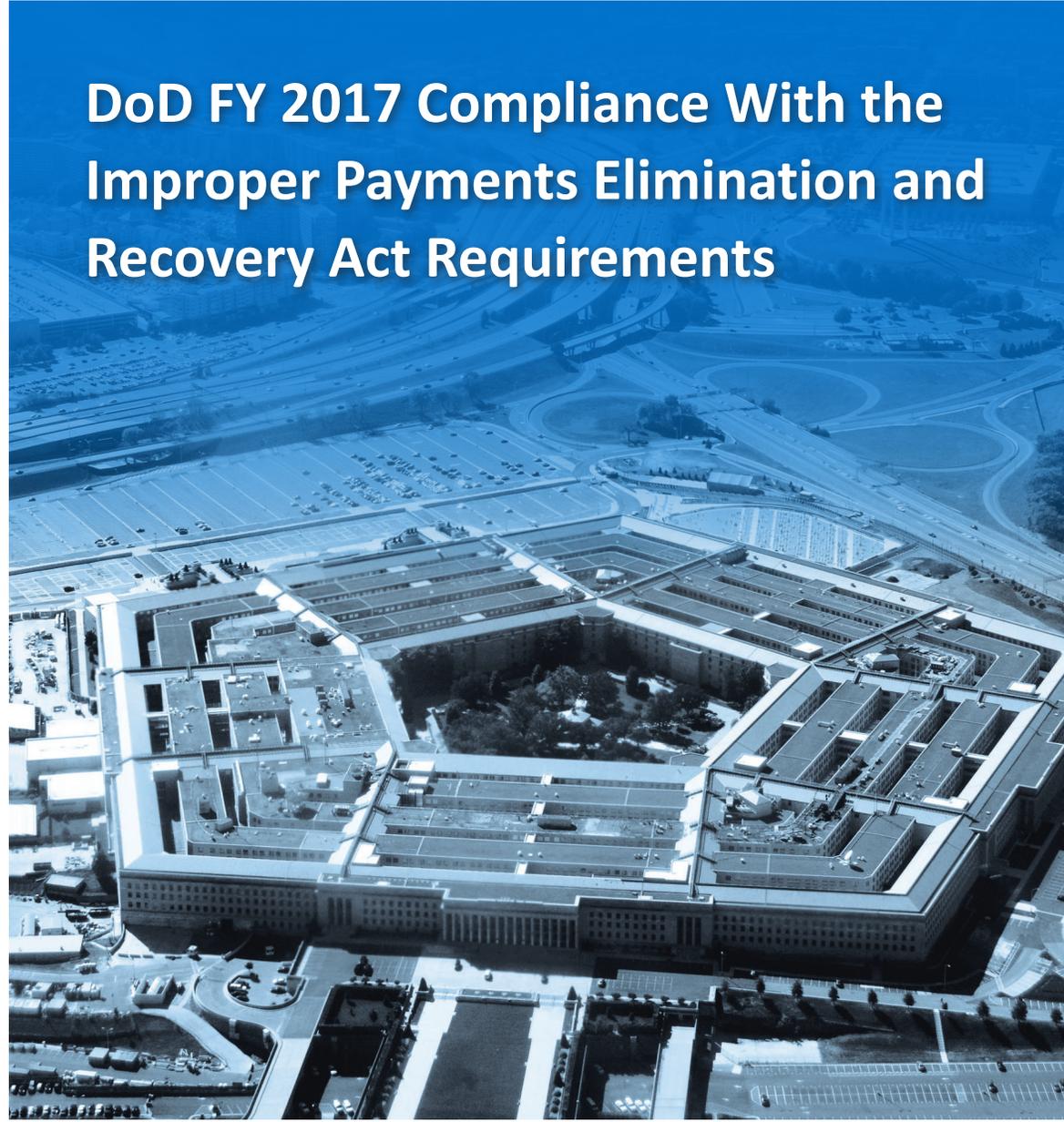




# INSPECTOR GENERAL

*U.S. Department of Defense*

MAY 9, 2018



## DoD FY 2017 Compliance With the Improper Payments Elimination and Recovery Act Requirements

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

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# Results in Brief

## *DoD FY 2017 Compliance With the Improper Payments Elimination and Recovery Act Requirements*

May 9, 2018

### Objective

We determined whether the DoD complied with the requirements of the “Improper Payments Elimination and Recovery Act of 2010” (IPERA), July 22, 2010, in its reporting of FY 2017 improper payments.

### Background

IPERA requires all agencies to review their programs and activities and identify programs that may be susceptible to significant improper payments, report the amount and causes of improper payments that occurred, and report on corrective actions planned to reduce the improper payments.<sup>1</sup> IPERA also requires agency Offices of Inspector General, including the DoD Office of Inspector General (DoD OIG), to annually review and determine the agency’s compliance with IPERA. The DoD must meet all six of the following requirements to be compliant with IPERA:

- publish an annual financial statement for the most recent fiscal year and post that report and any accompanying materials required under Office of Management and Budget (OMB) guidance on the agency website;
- conduct a program-specific risk assessment for each program or activity (if required);

<sup>1</sup> IPERA states that “agency” means a department, agency, or instrumentality in the executive branch of the U.S. Government, as defined in section 102, title 31, United States Code.

### Background (cont’d)

- publish improper payment estimates for all programs and activities (if required);
- publish programmatic corrective action plans for programs that report improper payment estimates;
- publish and meet improper payments reduction targets; and
- report an improper payment rate of less than 10 percent for each program and activity for which an estimate is published.

The Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (USD[C]/CFO), published the Payment Integrity section of the FY 2017 Agency Financial Report (AFR) on November 15, 2017, which reported improper payments for nine programs. These nine programs were Military Health Benefits, Military Pay, Civilian Pay, Military Retirement, DoD Travel Pay, Defense Finance and Accounting Service (DFAS) Commercial Pay, Commercial Bill Pay Office Naples, U.S. Army Corps of Engineers (USACE) Travel Pay, and USACE Commercial Pay.

### Finding

We determined that the DoD complied with two of the six IPERA requirements by conducting program-specific risk assessments, as required, and reporting an improper payment rate of less than 10 percent for each program.

However, the DoD did not fully comply with four of the six IPERA requirements. Specifically, the DoD did not:

- publish all required information in the Payment Integrity section of the FY 2017 AFR because the USD(C)/CFO discussed the IPERA program at only a summary level and misinterpreted the payment recapture program reporting requirements;
- publish statistically valid improper payment estimates for four programs—DoD Travel Pay, DFAS Commercial Pay, USACE Commercial Pay, and Military Health



# Results in Brief

## *DoD FY 2017 Compliance With the Improper Payments Elimination and Recovery Act Requirements*

### **Finding (cont'd)**

- Benefits—or include all OMB-required reporting information in the AFR because some Components did not complete their tests of payments and the USD(C)/CFO did not obtain and report all required program data;
- publish all required elements for the program corrective actions in the AFR because the USD(C)/CFO did not confirm that Components submitted all required information; and
  - meet its annual reduction targets for the Military Retirement, DoD Travel Pay, USACE Travel Pay, and USACE Commercial Pay programs because the DoD changed its sampling methodologies.

We also determined that the USD(C)/CFO did not implement strong internal controls at the DoD level to improve reporting and instead relied on controls at the Component level. As a result, the DoD did not comply with IPERA reporting requirements. Additionally, when the AFR is missing key improper payment information, DoD leadership and Congress may not be able to determine if DoD has the resources it needs to reduce its improper payments. Improper payments represent Government errors and potentially waste or fraud that resulted in the under- or over-payment of public funds. DoD officials are accountable for implementing the appropriate internal controls to reduce improper payments and promote accountability within the DoD for taxpayer dollars.

### **Recommendations**

We recommend that the USD(C)/CFO:

- develop a data call template based on IPERA and OMB requirements for Component narrative submissions;
- coordinate with reporting Components to ensure that improper payment testing is completed on time and improper payments estimates are based on 12 months of data, as required by OMB guidance;

### **Recommendations (cont'd)**

- develop milestones for expanding oversight responsibilities of the senior accountable officer to all DoD programs with significant improper payments;
- implement procedures to ensure the USD(C)/CFO receives all required information from the Components for the AFR; and
- take remediation actions required by IPERA for those programs that did not comply with IPERA.

We also recommend that the Director, Financial Services, Army Financial Management Command, develop, implement, and submit statistically valid sampling plans for the Army's Travel Pay and Commercial Pay programs.

### **Management Comments and Our Response**

The Deputy Chief Financial Officer and the Deputy to the Commanding General, Army Financial Management Command, either agreed with the recommendations or agreed to take actions that addressed the intent of all of the recommendations. Therefore, the recommendations are resolved but will remain open.

Please see the Recommendations Table on the next page for the status of the recommendations.

## Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Under Secretary of Defense (Comptroller), Chief Financial Officer, DoD	None	1.a.1, 1.a.2, 1.b, 1.c, 1.d, 1.e, 1.f	None
Director, Army Financial Services, U.S. Army Financial Management Command	None	2.a, 2.b	None

Note: The following categories are used to describe agency management’s comments to individual recommendations.

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – OIG verified that the agreed upon corrective actions were implemented.





**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500**

May 9, 2018

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF  
FINANCIAL OFFICER, DOD  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: DoD FY 2017 Compliance With the Improper Payments Elimination  
and Recovery Act Requirements (Report No. DODIG-2018-115)

We are providing this report for your information and use. We conducted this audit in accordance with generally accepted government auditing standards.

We considered management comments on a draft of this report when preparing the final report. Comments from the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD and the U.S. Army Financial Management Command conformed to the requirements of DoD Instruction 7650.03; therefore, we do not require additional comments.

We appreciate the cooperation and assistance received during the audit. If you have any questions or would like to meet to discuss the audit, please contact me at (703) 601-5945 (DSN 329-5945). We appreciate the cooperation and assistance received during the audit.

*Lorin T. Venable*

Lorin T. Venable, CPA  
Assistant Inspector General  
Financial Management and Reporting

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## Acronyms and Abbreviations

# Introduction

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## Objective

We determined whether the DoD complied with Public Law No. 107-300, “Improper Payments Information Act of 2002,” November 26, 2002, as amended by Public Law No. 111-204, “Improper Payments Elimination and Recovery Act of 2010,” (IPERA), July 22, 2010, in its reporting of FY 2017 improper payments. IPERA requires agency Offices of Inspector General, including the DoD Office of Inspector General (DoD OIG), to complete this audit each fiscal year. See Appendix A for the audit scope and methodology and Appendix B for prior audit coverage related to the audit objective.

## Background

On July 22, 2010, the President signed IPERA, which amended the “Improper Payments Information Act of 2002.” The Office of Management and Budget (OMB) provides guidance for agencies to implement IPERA requirements.<sup>2</sup> This guidance defines an “improper payment” as any payment that should not have been made and overpayments or underpayments made to eligible recipients under contractual, administrative, or other legal requirements. Improper payments also include payments made to ineligible recipients, duplicate payments, payments for goods and services not received, and payments for ineligible goods or services. A payment for an ineligible good or service is a payment for a good or service that is rejected under provisions of a contract, grant, lease, agreement, or other funding mechanism. Additionally, improper payments include payments for which an agency’s review is unable to determine whether the payments were proper as a result of missing or insufficient documentation.

## ***IPERA Compliance Requirements***

IPERA requires all agencies to review their programs and activities and identify programs that may be susceptible to significant improper payments, to report annually in their financial statements the estimated amount and causes of improper payments that occurred, and to report on corrective actions taken to reduce improper payments.<sup>3</sup> To ensure agencies complete these actions, IPERA requires each agency’s Inspector General to evaluate the agency’s compliance with IPERA requirements each fiscal year. The DoD OIG determines the DoD’s compliance with these requirements. The DoD must meet all six of the following requirements to be compliant with IPERA:

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<sup>2</sup> OMB Circular No. A-123, appendix C, “Requirements for Effective Estimation and Remediation of Improper Payments,” October 20, 2014.

<sup>3</sup> IPERA states that “agency” means a department, agency, or instrumentality in the executive branch of the U.S. Government as defined in section 102, title 31, United States Code.

- publish an annual financial statement for the most recent fiscal year and post that report and any accompanying materials required under OMB guidance on the agency website;
- conduct a program-specific risk assessment for each program or activity (if required);
- publish improper payment estimates for all programs and activities identified as susceptible to significant improper payments (if required);
- publish programmatic corrective action plans for programs that report improper payment estimates;
- publish and meet improper payments reduction targets; and
- report an improper payment rate of less than 10 percent for each program and activity for which an estimate is published.<sup>4</sup>

### ***Office of Management and Budget Requirements***

OMB Circular No. A-123, appendix C, consolidates and streamlines reporting requirements of IPERA for agencies and OIGs. This guidance also requires each agency's OIG to submit a report within 180 days of the Agency Financial Report (AFR) issuance. This guidance encourages the agency's OIG to evaluate, as part of its review of these improper payment elements, the accuracy and completeness of agency reporting, and to evaluate the agency's ability to reduce and recapture improper payments.<sup>5</sup> Additionally, the OIG, as part of its report, may include any recommendations for actions to improve the agency's performance in reducing improper payments. OMB Circular No. A-123 also provides guidance to agencies to strengthen the statistical validity of improper payment estimates and provides an internal control framework that will ensure payments are made in the right amount, to the right entity, and for the right purpose.

OMB Circular No. A-136, "Financial Reporting Requirements," August 15, 2017, establishes reporting guidance for agencies required to submit financial statements. The circular defines the form and content for a Federal AFR, which includes IPERA-related reporting requirements.<sup>6</sup>

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<sup>4</sup> IPERA required agencies to conduct improper payment risk assessments for all programs starting in FY 2011.

For programs deemed to be low risk, agencies must perform risk assessments every 3 years thereafter. However, OMB Circular No. A-123, appendix C, states that programs that are determined to be susceptible to significant improper payments and that are already reporting an estimate—or in the process of establishing an estimate—do not have to perform additional risk assessments.

Publishing improper payment estimates is required for agencies determined to be susceptible to significant improper payments. IPERA defines "significant improper payments" as annual improper payments in a program that may have exceeded either (1) both \$10 million of all program payments made during the fiscal year and 1.5 percent of program outlays or (2) \$100 million.

<sup>5</sup> Recapture efforts are an agency's actions to identify and recover overpayments.

<sup>6</sup> IPERA reporting requirements are outlined in OMB Circular No. A-136, sections II.5.5.I through II.5.5.VII.

## ***DoD Financial Management Regulation***

The DoD Financial Management Regulation (DoD FMR) requires DoD agencies to measure and estimate the amount of improper payments for reporting purposes; consolidates departmental reporting requirements; and provides guidance for implementation of plans to identify, estimate, reduce, and eliminate future improper payments.<sup>7</sup> The DoD FMR identifies the programs that the DoD should report on in the AFR. Also, the DoD FMR states that the Office of the Under Secretary of Defense (Comptroller), Accounting and Finance Policy Directorate (OUSDC)/A&FP, is responsible to oversee the DoD's improper payment reporting; review the Components' plans to ensure completeness; review and consolidate Components' information for inclusion in the AFR; review AFR submissions from the Components to ensure reporting requirements are met; and prepare all DoD improper payment reports for the AFR and for submission to OMB.

DoD FMR, volume 10, establishes DoD policies and requirements for implementing payment recapture audits, based on IPERA; Public Law 112-248, "Improper Payments Elimination and Recovery Improvement Act of 2012," January 10, 2013; and OMB Circular No. A-123 requirements.<sup>8</sup> A payment recapture audit is a review and analysis of a Component's or program's records and documentation supporting its payments. IPERA requires that agencies establish a payment recapture audit program to identify and recover overpayments for each program or activity that spends \$1 million or more annually, unless it determines that a formal recapture audit program would not be cost-effective. If a formal audit program is not cost-effective, then the agency must submit a quantitative justification to the OUSDC/A&FP for approval. The agency must also establish annual recapture targets for its programs.

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<sup>7</sup> DoD Regulation 7000.14-R, "DoD Financial Management Regulation," volume 4, chapter 14.

<sup>8</sup> Public Law No. 112-248 amended Public Law No. 107-300 and Public Law No. 111-204.

## DoD Agency Financial Report

The Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (USD[C]/CFO), published the Payment Integrity section of the FY 2017 AFR on November 15, 2017. The DoD reported improper payments for nine programs in FY 2017. Table 1 shows the outlays, estimated improper payment amounts, and rates for each of the nine programs.

Table 1. DoD FY 2017 Estimated Improper Payments Reporting

Program	FY 2017 Outlays (millions)	Improper Payment Rate (percent)	Estimated Improper Payments Total (millions)
Military Health Benefits	\$ 23,883.30	0.63	\$ 150.17
Military Pay	96,777.27	0.19	182.51
Civilian Pay	61,811.17	0.11	68.10
Military Retirement	60,353.93	0.21	127.58
DoD Travel Pay	5,279.78	4.99	263.34
DFAS Commercial Pay	259,165.16	0	0.86
USACE Commercial Pay	8,945.05	1.82	163.20
USACE Travel Pay	196.03	0.81	1.58
Navy Commercial Bill Pay Office Naples	570.10	0	0.01

Source: The DoD FY 2017 AFR.

IPERA states that a program or activity is considered to have significant improper payments when its estimated improper payments in the prior fiscal year exceeded the threshold of (1) both \$10 million of all program payments and 1.5 percent of the program's outlays, or (2) \$100 million.<sup>9</sup> The DoD determined that five of its programs had significant improper payments in FY 2017: Military Health Benefits, Military Pay, Military Retirement, DoD Travel Pay, and USACE Commercial Pay.

<sup>9</sup> The DoD FMR defines outlays as the amount of checks issued or other payments made, including advances, net of refunds and reimbursements.

## Review of Internal Controls

DoD Instruction 5010.40 requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls.<sup>10</sup>

The DoD did not comply with four of the six IPERA requirements when it reported its FY 2017 improper payments. Although the USD(C)/CFO and its reporting Components have made some improvements in IPERA reporting, the USD(C)/CFO did not implement sufficient internal controls to detect and correct the errors that prevent the DoD from becoming fully compliant with IPERA. Instead, the USD(C)/CFO relied on the Components' internal controls. We will provide a copy of the report to the senior officials responsible for internal controls.

The DoD self-identified internal control weaknesses related to financial reporting in its FY 2017 Statement of Assurance. Specifically, the DoD provided no assurance as to the effectiveness of the DoD's internal controls over financial reporting. We are not making a recommendation to correct these internal control weaknesses because the DoD has efforts underway to address the internal control deficiencies.

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<sup>10</sup> DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

## Finding

### The DoD Did Not Comply With All IPERA Requirements

The DoD reported its improper payments in the DoD FY 2017 AFR but did not comply with IPERA. The DoD complied with two of the six IPERA requirements by conducting program-specific risk assessments, as required, and reporting an improper payment rate of less than 10 percent for each of the nine programs that included an improper payment estimate in the FY 2017 AFR.

However, the DoD did not fully comply with four of the six IPERA requirements. Specifically, the DoD did not:

- publish all required information in the Payment Integrity section of the FY 2017 AFR on the agency website because the USD(C)/CFO discussed the DoD IPERA program at only a summary level and misinterpreted the reporting requirements for the improper payment recapture audit program;
- publish statistically valid improper payment estimates for four programs—DoD Travel Pay, DFAS Commercial Pay, USACE Commercial Pay, and Military Health Benefits—or include all OMB-required reporting information in the AFR because some Components did not complete their tests of payments, the Army did not submit its sampling plan and estimates to the USD(C)/CFO, and the USD(C)/CFO did not request and report all required estimates from the programs;
- publish all required elements for program corrective actions descriptions in the AFR because the USD(C)/CFO did not confirm that all reporting Components provided narratives that clearly linked corrective actions to their root causes, described the results of action taken, and provided completion dates; and
- meet its annual reduction targets because the DoD changed its sampling methodologies for four programs—Military Retirement, DoD Travel Pay, USACE Travel Pay, and USACE Commercial Pay—causing an increase in the improper payment rates.

Furthermore, the DoD did not comply with all IPERA reporting requirements in FY 2017 because the USD(C)/CFO relied on internal controls at the Component level and needs to strengthen its controls at the DoD level to improve reporting. As a result, the DoD did not comply with IPERA in FY 2017. This is the sixth consecutive fiscal year that the DoD has not complied with IPERA requirements. In addition, when the DoD AFR is missing key improper payment information, DoD leadership and Congress may not be able to accurately determine whether the DoD has the necessary resources and the appropriate measures in place to reduce its improper payments.

### **DoD Complied With Two of Six IPERA Requirements**

The DoD complied with two of the six IPERA requirements. Specifically, the DoD conducted program-specific assessments for the nine programs, as required, and reported improper payment rates of less than 10 percent for each program that included an improper payment estimate in the FY 2017 AFR. Table 2 shows each program's compliance or noncompliance with the IPERA reporting requirements.

Table 2. IPERA Compliance by Requirement and Program

PROGRAM NAME	AFR PUBLISHED IN ACCORDANCE WITH OMB GUIDANCE <sup>1</sup>	CONDUCTED RISK ASSESSMENT <sup>2</sup>	PUBLISHED IMPROPER PAYMENT ESTIMATE	PUBLISHED CORRECTIVE ACTION PLAN <sup>3</sup>	PUBLISHED AND MEETS REDUCTION TARGETS	IMPROPER PAYMENT RATE UNDER 10 PERCENT
Military Health Benefits*	X	n/a	X	X	✓	✓
Military Pay*	X	n/a	✓	X	✓	✓
Civilian Pay	X	n/a	✓	n/a	✓	✓
Military Retirement*	X	n/a	✓	X	X	✓
DoD Travel Pay*	X	n/a	X	X	X	✓
DFAS Commercial Pay	X	n/a	X	n/a	✓	✓
Navy, Commercial Bill Pay Office Naples <sup>4</sup>	X	n/a	✓	n/a	✓	✓
USACE Travel Pay	X	n/a	✓	n/a	X	✓
USACE Commercial Pay*	X	n/a	X	X	X	✓
<b>Overall Compliance</b>	<b>X</b>	✓	<b>X</b>	<b>X</b>	<b>X</b>	✓

## Legend:

n/a = Not Applicable X = Not Compliant ✓ = Compliant

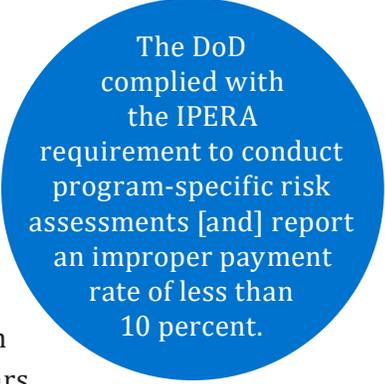
\*Programs determined to be susceptible to significant improper payments.

<sup>1</sup> IPERA requires an agency to publish an AFR according to OMB guidelines, which has additional reporting requirements for those programs determined to have significant improper payments.<sup>2</sup> OMB only requires risk assessments for those programs not reporting estimates, and each of these nine DoD programs did report estimates for FY 2017.<sup>3</sup> OMB Circular No. A-136 requires an agency to publish a description of corrective action plans for only those programs determined to have significant improper payments.<sup>4</sup> FY 2016 was the first year the Commercial Bill Pay Office (CBPO) Naples reported improper payments.

Source: The DoD OIG.

## ***The DoD Conducted Required Risk Assessments***

The DoD complied with the IPERA requirement to conduct program-specific risk assessments. IPERA requires the head of the agency to periodically review all programs and activities and identify all programs and activities that may be susceptible to significant improper payments in accordance with OMB guidance. OMB Circular No. A-123 requires agencies to perform a risk assessment for every program and activity that is not already reporting an improper payment estimate at least once every 3 years.



The DoD complied with the IPERA requirement to conduct program-specific risk assessments [and] report an improper payment rate of less than 10 percent.

In the FY 2017 AFR, the DoD reported an estimate for the nine programs susceptible to improper payments. Therefore, those nine programs did not have to perform a risk assessment and report the results in FY 2017.

In addition, the Navy identified the vendor payment function at its CBPO Singapore as a new program for IPERA reporting in FY 2016, making it subject to a risk assessment. As required by IPERA and OMB guidance, the Navy conducted a risk assessment and determined that the program had a low risk of improper payments. Specifically, the Navy performed a qualitative assessment that evaluated the program against nine risk factors identified by IPERA and OMB guidance. The Navy also performed a quantitative analysis of the results of post-payment vendor payment reviews conducted during FY 2017 in order to estimate the volume of improper payments, as specified in OMB guidance. Although the Navy concluded that there was a low risk of improper payments for the CBPO Singapore program, the DoD will incorporate this program within the DFAS Commercial Pay program in the FY 2018 report.

## ***The DoD Reported Improper Payment Rates of Less Than 10 Percent***

The DoD complied with the IPERA requirement to report an improper payment rate of less than 10 percent for each program for which it obtained an improper payment estimate and reported in the AFR. As shown in Table 1, the DoD reported that none of the nine programs that estimated improper payments had improper payment rates of 10 percent or more. For example, eight of the nine programs had improper payment rates at 1.82 percent or lower, with two of the eight programs reporting zero percent. The DoD Travel Pay program had the highest reported improper payment rate at 4.99 percent.

## The DoD Did Not Comply With Four of Six IPERA Requirements

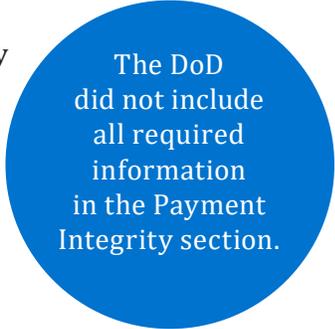
The DoD did not comply with four of the six IPERA requirements. Specifically, the DoD did not publish all required elements in the AFR, publish statistically valid improper payment estimates for four programs, include all required elements in corrective action plan descriptions, and meet reduction targets for four programs.

### ***The DoD Did Not Publish All Required Elements in the AFR***

Although the DoD met the IPERA requirement to post the AFR to the agency website by November 15, 2017, it did not include all required information in the Payment Integrity section. Therefore, the DoD did not comply with the IPERA requirement to publish its financial statement and post the report and any accompanying materials required under OMB guidance on the agency website. OMB Circular No. A-136 identifies what information must be included in the following segments of the Payment Integrity section of the AFR:

- Payment Reporting;
- Recapture of Improper Payments Reporting;
- Agency Improvement of Payment Accuracy with the Do Not Pay Initiative (optional);
- Barriers;
- Accountability;
- Agency Information Systems and Other Infrastructure; and
- Sampling and Estimation.

While the DoD AFR Payment Integrity section did include each of the required segments, the USD(C)/CFO did not include all the information required by OMB Circular No. A-136 in the Recapture of Improper Payments Reporting, Accountability, and Agency Information Systems and Other Infrastructure segments.



The DoD did not include all required information in the Payment Integrity section.

### *Recapture Of Improper Payments Reporting*

The Recapture of Improper Payments Reporting segment of the AFR did not include all of the information required by OMB Circular No. A-136. Agencies must describe the actions the agency took, or that it plans to take, to recover improper payments and to prevent future improper payments for all programs that expend \$1 million or more annually. Agencies must also report a summary of the results of their payment recapture audit programs. As described in the DoD FMR and OMB Circular No. A-123, a payment recapture audit is a review of an agency's records to identify overpayments. It is not an audit in the traditional sense covered by government auditing standards, and it can be performed internally by agency personnel or by a contractor. The payment recapture audit is a control activity designed to identify and recapture overpayments and is a management function and responsibility.

In November 2011, the USD(C)/Deputy Chief Financial Officer (DCFO) reported to OMB that the DoD's internal payment recapture audit program consists of internal improper payment identification and recovery activities within DFAS and USACE, as well as post-payment review contracts that the Defense Health Agency (DHA) issued to third parties. The DCFO provided OMB with payment recapture plans for the Military Pay, Civilian Pay, Military Retirement, DFAS Commercial Pay, USACE Travel, USACE Commercial Pay, and Military Health Benefits programs. However, in Table 7 of the FY 2017 AFR, the USD(C)/CFO reported only the DoD Travel Pay program's recovered overpayments as amounts recaptured through payment recapture audits. The overpayments recovered by the other eight programs were categorized as overpayments recaptured outside of payment recapture audits, which was contrary to how the DCFO defined the DoD's payment recapture audit program to OMB in 2011.

The AFR also did not include the methods Navy personnel used to recover improper payments for the CBPO Naples program. For eight of the nine DoD programs, the AFR did not report overpayment amounts outstanding and determined to be uncollectable, provide a justification for the uncollectable amounts, report the disposition of funds recaptured (Table 8 in the AFR), or provide an aging schedule of outstanding overpayment amounts (Table 9 in the AFR), as required by OMB guidance.<sup>11</sup> Also, the AFR did not include a discussion of conditions that resulted in improper payments; how those conditions are being resolved; and a summary of whether the DoD determined that conducting a payment recapture audit was not cost-effective for any program and a justification for that determination.

<sup>11</sup> The eight programs were Military Health Benefits, Military Pay, Civilian Pay, Military Retirement, DFAS Commercial Pay, CBPO Naples, USACE Travel Pay, and USACE Commercial Pay.

### *Accountability*

The Accountability segment of the AFR did not include all of the information required by OMB Circular No. A-136. Specifically, OMB guidance requires that, for all programs that have improper payments exceeding the threshold for significant improper payments, agencies must hold managers accountable for reducing and recapturing improper payments through annual performance appraisal criteria. Managers should be held accountable for meeting improper payment reduction targets, and for establishing and maintaining internal controls that effectively prevent improper payments from being made and that detect and recapture improper payments that are made.

The AFR Accountability section stated that the USD(C)/CFO is the DoD accountable officer responsible for ensuring the accuracy of disbursements and that Department accountable officers are held financially responsible for improper or incorrect payments. However, the Accountability section did not discuss any action that the DoD took or plans to take to ensure that managers, accountable officers, and program officials are held accountable through annual performance appraisal criteria for reducing and recapturing improper payments for the Military Health Benefits, Military Pay, Military Retirement, and USACE Commercial Pay programs. Although the AFR discussed USD(C)/CFO actions taken in FY 2017 to implement a DoD Travel Pay program remediation plan with a designated senior accountable official (SAO), the AFR did not identify whether the accountable official is held accountable through annual performance appraisal criteria.

### *Agency Information Systems and Other Infrastructure*

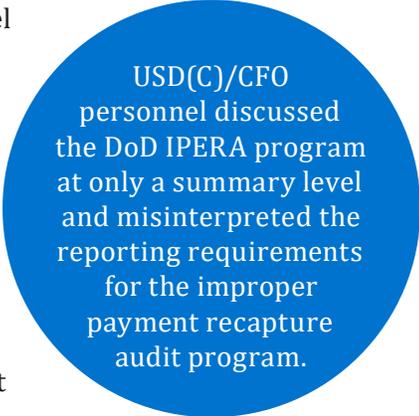
The Agency Information Systems and Other Infrastructure segment of the AFR did not discuss all of the required information for the five programs that the USD(C)/CFO reported as having significant improper payments in FY 2017. IPERA and OMB guidance requires an agency to describe whether each program that has met the threshold for significant improper payments has the internal controls, human capital, and information systems and other infrastructure it needs to reduce improper payments to the targeted level it established.<sup>12</sup> However, the USD(C)/CFO did not provide any of the required information related to the reduction of improper payments for two of the five programs with significant improper payments (Military Retirement and USACE Commercial Pay). In addition, the AFR discussion of the Military Pay program only included future-year system changes planned, without describing whether it had the internal controls, human capital, and information systems and other infrastructure it needed. Finally, the Military Health Benefits and DoD Travel Pay programs discussion did not state whether the DoD had the internal controls and human capital needed to reduce improper payments.

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<sup>12</sup> Public Law 111-204, section 2(d), and OMB Circular No. A-136, section II.5.5, subsection VI.

### *Payment Integrity Section Information Presented at Summary Level*

The AFR did not comply with IPERA and OMB Circular No. A-136 guidance because USD(C)/CFO personnel discussed the DoD IPERA program at only a summary level, and they misinterpreted the reporting requirements for the improper payment recapture audit program.



USD(C)/CFO personnel discussed the DoD IPERA program at only a summary level and misinterpreted the reporting requirements for the improper payment recapture audit program.

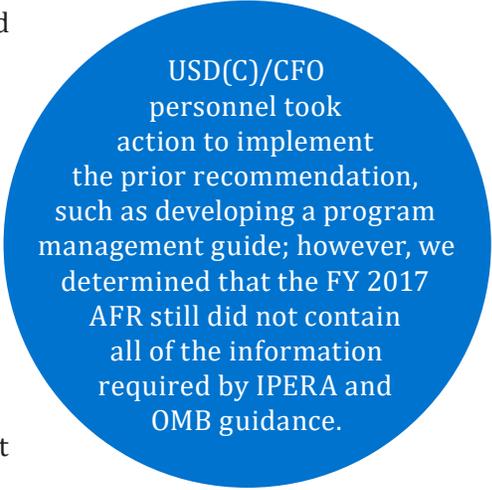
USD(C)/CFO personnel stated that they focused on presenting the status of each program at a high, summary level within the AFR, rather than discussing each program in detail in each segment of the AFR as required by OMB Circular No. A-136.

However, by choosing to discuss the Components' efforts to comply with IPERA at a high, summary level, the USD(C)/CFO did not fully present the steps Components took to reduce improper payments. For example, the USD(C)/CFO did not report that DFAS published a series of travel information guides for the Components to help them reduce the most common Travel Pay improper payment errors.

USD(C)/CFO personnel stated that, although they understood what constitutes a payment recapture audit as defined by OMB Circular No. A-123, they believed that OMB Circular No. A-136 uses a narrower definition of payment recapture audits for AFR reporting. They also believed that a payment recapture audit must be performed by auditors in accordance with generally accepted auditing standards issued by the Government Accountability Office, even though the guidance states that it is not a traditional audit covered by auditing standards. Because they misinterpreted the AFR reporting requirements, USD(C)/CFO personnel concluded that only the overpayments recovered by Components from improper payments identified through the Defense Travel Management Office's Travel Policy Compliance Program qualified to be reported in the AFR as "overpayments recaptured through payment recapture audits." USD(C)/CFO personnel also stated that they believed those amounts recovered by the other programs had to be reported as "overpayments recaptured outside of payment recapture audits."

As a result, the Payment Integrity Section of the AFR did not contain all of the improper payment reporting information required by IPERA and OMB guidance in the Recapture of Improper Payments Reporting, Accountability, and Agency Information Systems and Other Infrastructure segments. In 2016, the DoD OIG recommended that the USD(C)/CFO coordinate with the reporting Components to ensure that future AFRs contain all required information. The USD(C)/CFO agreed and estimated that coordination with the Components

would be implemented by January 30, 2017. (See Appendix C for the status of DoD IPERA audit recommendations.) USD(C)/CFO personnel took action to implement the prior recommendation, such as developing a program management guide that included steps USD(C)/CFO personnel must take in coordination with the Components to publish required information in the AFR. However, we determined that the FY 2017 AFR still did not contain all of the information required by IPERA and OMB guidance. Therefore, the USD(C)/CFO should use IPERA and OMB reporting guidance to develop a data call template that identifies all the required information that Components must include in their IPERA reporting narratives for the Recapture of Improper Payments Reporting, Accountability, and Agency Information Systems and Other Infrastructure segments of the AFR Payment Integrity section.



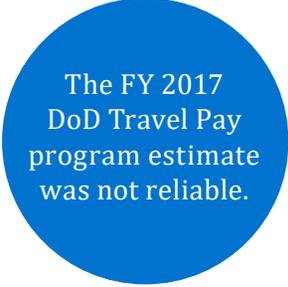
USD(C)/CFO personnel took action to implement the prior recommendation, such as developing a program management guide; however, we determined that the FY 2017 AFR still did not contain all of the information required by IPERA and OMB guidance.

### ***The DoD Did Not Publish Statistically Valid Improper Payment Estimates***

The DoD did not comply with IPERA requirements to publish statistically valid improper payment estimates for the DoD Travel Pay, DFAS Commercial Pay, USACE Commercial Pay, and Military Health Benefits programs and ensure that all required payments were included in their estimates. In addition, the DoD did not publish all the required estimated improper payments information in the AFR as required by OMB Circular No. A-136. As a result, the DoD published unreliable estimates of improper payments for FY 2017 and the Payment Reporting section of the AFR was not complete. IPERA requires agencies to produce a statistically valid estimate—or an estimate that is calculated using a methodology approved by OMB—of the improper payments made by each program. Those estimates must be included in the accompanying materials to financial statements. OMB guidance requires all programs susceptible to significant improper payments to design and implement appropriate statistical sampling and estimation plans to produce statistically valid improper payment estimates.

### *DoD Travel Pay Program*

The FY 2017 DoD Travel Pay program estimate was not reliable because it did not include estimates from all reporting Components, and some Components did not use statistically valid sampling plans to test and estimate the amount of improper payments. Specifically, Navy and Marine Corps personnel were not able to complete their tests of travel payments, as required by OMB Circular No. A-123.



The FY 2017  
DoD Travel Pay  
program estimate  
was not reliable.

The Navy stated that, due to insufficient personnel resources, it did not complete its test of Windows Integrated Automated Travel System (WinIATS) payments in time for the FY 2017 AFR report. As a result, a Navy improper payments estimate was not available for the FY 2017 AFR. USD(C)/CFO personnel stated that they plan to include the missing Navy 2017 data in the FY 2018 AFR.

The Marine Corps completed only 8 months of testing in time for the FY 2017 AFR report and did not follow an approved statistically valid sampling plan when it conducted its testing and calculated its estimate of improper payments. Marine Corps personnel stated that they will report the remaining 4 months of testing results in the FY 2018 AFR.

Although the USD(C)/CFO disclosed in the AFR each instance where DoD Travel Pay data was missing, the estimates it provided were incomplete and unreliable. Therefore, the USD(C)/CFO should coordinate with the reporting Components to implement procedures that ensure all improper payments testing is completed on time and estimates are based on 12 months of data, as required by OMB guidance.

Furthermore, the DoD did not use statistically valid sampling plans in FY 2017 for testing and estimating improper payments from the Air Force Reserve Travel System, the Marine Corps WinIATS, and the Army overseas WinIATS. However, the Air Force did develop a statistically valid plan for FY 2018. Although Marine Corps personnel did not complete and implement their sampling plan during FY 2017, they did have it in place at the end of the fiscal year. Therefore, we will not make a recommendation for the Air Force and Marine Corps regarding their sampling plans. According to the Director, Financial Services, Army Financial Management Command (USAFMCOM), Army personnel did not prepare a written plan because they tested 100 percent of the travel transactions and did not think a written plan was necessary. However, the Army tested travel transactions at only selected overseas locations, rather than the complete universe of overseas WinIATS transactions. Without a written plan that defines how the Army identified its universe of travel transactions to test at every overseas paying office, the

USD(C)/CFO cannot have assurance that all travel transactions were subject to possible testing and ensure that the DoD Travel Pay program accurately estimated improper payments. Therefore, the Director, Financial Services, USAFMCOM, should develop, implement, and submit to the USD(C)/CFO a statistically valid travel sampling plan that identifies the complete universe of WinIATS payments and how each overseas paying office will test for improper payments, in accordance with OMB guidance.

### *DFAS Commercial Pay Program*

The DFAS Commercial Pay program did not include improper payment estimates for FY 2017 vendor payments made by the Army paying office in Belgium. Although this program is titled “DFAS Commercial Pay,” the program comprises commercial payments made by Components across the DoD, excluding USACE payments that are reported separately. According to the Director, Financial Services, USAFMCOM, the Army is responsible for conducting its own IPERA testing of vendor payments at overseas paying offices and reporting the resulting improper payments estimates to the USD(C)/CFO. However, the Army did not have an approved sampling plan in place for its commercial payments in FY 2017, and it did not submit all of the results of the IPERA testing performed at its Europe paying offices to the USD(C)/CFO. The Director, Financial Services, USAFMCOM, stated that Army personnel were not aware that they had not included the results of improper payment testing conducted at one of its Europe paying offices when they submitted their FY 2017 estimate. The Director, Financial Services, USAFMCOM, should develop, implement, and submit to the USD(C)/CFO a statistically valid sampling plan that identifies the complete universe of commercial payments and how each overseas paying office will test for improper payments, in accordance with OMB guidance.



Army did not have an approved sampling plan and it did not submit all of the results of the IPERA testing performed at its Europe paying offices.

### *USACE Commercial Pay Program*

USACE personnel did not complete their testing of Commercial Pay program outlays for the AFR improper payments estimate. Based on a DoD OIG audit of USACE processes for estimating FY 2016 improper payments, USACE personnel modified their sampling methodology during FY 2017 and submitted the new plan to the USD(C)/CFO for review and approval. However, to fully implement the new sampling plan, USACE personnel determined that they needed to select new universes and samples of payments to test for improper payments. Because USACE personnel implemented the new sampling methodology late in the

fiscal year, they were only able to finish testing 6 months of commercial payments for the AFR estimates report. The USD(C)/CFO disclosed in the FY 2017 AFR that USACE Commercial Pay will report the remaining 6 months of outlays and improper payments in the FY 2018 AFR. Although USACE personnel implemented a statistically valid sampling plan for FY 2017, the USACE Commercial Pay estimates reported in the AFR did not use 12 months of data for the annual estimated amount of improper payments, as required by OMB guidance. As a result, the FY 2017 USACE Commercial Pay estimates are not reliable because USACE personnel did not test the complete universe of commercial payments. However, because USACE updated its commercial pay sampling plan, we will not make a recommendation for further action.

### *Military Health Benefits Program*

DHA personnel did not include low-dollar claims paid by the TRICARE pharmacy purchased care contractor in the universe of payments they tested for the Military Health Benefits program.<sup>13</sup> Although the DHA had a statistically valid sampling plan, the TRICARE pharmacy contractor opted out of participating in DHA's low-dollar claims review, which was allowed under the contract terms. As a result, the Military Health Benefits program AFR estimates are not reliable because DHA personnel did not test the complete universe of payments, as required by OMB guidance. The DoD OIG identified the same issue in the FY 2016 AFR.<sup>14</sup> DHA personnel stated that they have implemented procedures to evaluate the low-dollar pharmacy claims during their quarterly compliance reviews, starting with the first quarter of FY 2018. Therefore, we will not make a recommendation for further action.

### *Improper Payment Estimates Information Missing from the FY 2017 AFR*

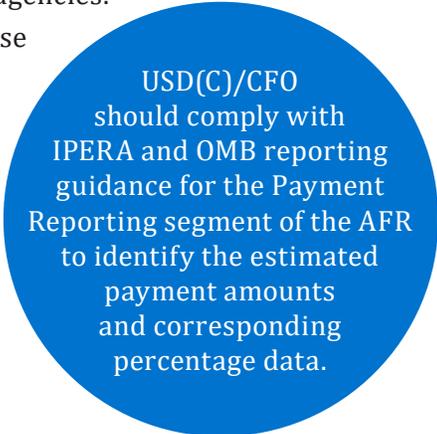
The DoD did not include all the payment estimate information that OMB Circular A-136 requires agencies to include in their AFRs. For each program, the Payment Reporting segment of the AFR must identify the estimated amounts of:

- payments that were properly paid, payments that were improperly paid, and the corresponding percent for each; and
- improper payments that resulted in an overpayment, improper payments that resulted in an underpayment, and the corresponding percent for each.

<sup>13</sup> TRICARE is the health care program for uniformed service members and their families around the world, a component of the Defense Health Agency, Military Health System.

<sup>14</sup> Report No. DODIG-2017-078, "The DoD Did Not Comply With the Improper Payment Elimination and Recovery Act in FY 2016," May 8, 2017.

According to USD(C)/CFO personnel, they did not request the required estimated amounts and percentages from the reporting Components for the FY 2017 AFR. Instead, the USD(C)/CFO requested only that the Components submit the total improper payment amounts and percentages and the total amount of overpayments and underpayments by program, without the additional percentages and the amount of properly paid payments information required by OMB guidance. The USD(C)/CFO personnel stated that they relied on the IPERA reporting spreadsheet template that OMB provided to the agencies. Also, USD(C)/CFO personnel stated that they chose to report only the improper payment amounts and percentages, excluding the properly paid amounts, because the reader could compute the differences in each category. Therefore, the USD(C)/CFO should comply with IPERA and OMB reporting guidance for the Payment Reporting segment of the AFR to identify the estimated payment amounts and corresponding percentage data.



USD(C)/CFO should comply with IPERA and OMB reporting guidance for the Payment Reporting segment of the AFR to identify the estimated payment amounts and corresponding percentage data.

### ***The DoD Excluded Required Completion Dates From Published Corrective Actions***

The USD(C)/CFO and IPERA reporting Components did not comply with all IPERA requirements for publishing corrective actions in the Payment Integrity section of the FY 2017 AFR. IPERA requires programs reporting improper payment estimates to identify the cause of the improper payments, corrective actions the agency is taking to reduce improper payments, and planned or actual completion dates for those corrective actions.<sup>15</sup> Furthermore, OMB Circular No. A-136 requires that agencies categorize root causes for overpayments and underpayments by amount and by program activity into seven specific categories for all programs. The DoD met the requirements for reporting the underpayment and overpayment root causes by program into the seven categories. However, OMB Circular No. A-136 has additional reporting requirements that the DoD did not fully meet. For programs that report significant improper payments, OMB requires the agency to:

- describe the corrective action plans for reducing the estimated improper payment rate and amount;
- link each corrective action clearly to the root causes it addresses;
- describe the results of actions taken to address the root causes; and
- provide the planned or actual completion date for corrective actions taken to address each root cause.

<sup>15</sup> Public Law 111-204, section 2(c).

The USD(C)/CFO did not include all of the additional OMB reporting requirements for the five programs reporting significant improper payments in the Payment Integrity section of the FY 2017 AFR.<sup>16</sup> Although the USD(C)/CFO published corrective actions for the five programs, it did not clearly link the corrective actions to the root causes, describe the results of actions taken to address the root causes, and provide the planned or actual completion dates for the corrective actions. For example, for the Military Health Benefits program, the USD(C)/CFO listed “medical necessity” as a root cause, but did not clearly link this root cause to a corrective action. Additionally, DoD Travel Pay program corrective actions did not address Army improper payments and did not describe the results of implementing specific corrective actions taken to address specific root causes. The Military Retirement program also did not provide all the information required to meet the OMB reporting requirements. For example, DFAS personnel did not provide the USD(C)/CFO with planned or actual completion dates for corrective actions taken to address root causes identified for the improper payments.

The USD(C)/CFO published the causes of improper payments for all programs with improper payment estimates and corrective action plans in the AFR for each of the programs that reported significant improper payments. However, the USD(C)/CFO did not include the planned or actual completion dates for the corrective action plans. Although USD(C)/CFO personnel provided AFR reporting guidance to the Components, they did not confirm that the Components actually submitted all the requested information. Following the issuance of the FY 2016 AFR, the DoD OIG recommended that the USD(C)/CFO review corrective action plans and coordinate with DoD reporting Components to establish planned or actual completion dates for corrective actions.<sup>17</sup> This recommendation was not implemented in the FY 2017 AFR; therefore, the DoD did not comply with this reporting requirement in the Payment Integrity section of the FY 2017 AFR.

Furthermore, when providing guidance to Component personnel responsible for submitting AFR narratives summarizing their FY 2017 IPERA reporting results, USD(C)/CFO personnel did not outline all the required program information required for the corrective actions segment. The USD(C)/CFO should use IPERA and OMB reporting requirements to develop and implement a data call template that identifies the corrective actions information that reporting Components must include in their IPERA reporting narratives for the AFR. The narratives must identify root causes, planned corrective actions linked to the root causes, results of actions taken, and planned or actual completion dates for the corrective actions.

<sup>16</sup> The five programs reporting significant improper payments are Military Health Benefits, Military Pay, Military Retirement, DoD Travel Pay, and USACE Commercial Pay.

<sup>17</sup> Report No. DoDIG-2017-078, “The DoD Did Not Comply With the Improper Payment Elimination and Recovery Act in FY 2016,” May 8, 2017.

### **The DoD Did Not Achieve Improper Payment Reduction Targets**

The DoD did not comply with the requirement to achieve its improper payment reduction targets for four programs. IPERA and OMB guidance states that an agency has complied with this requirement if it published and meets annual reduction targets for each program assessed to be at risk and measured for improper payments.<sup>18</sup> While the DoD did publish reduction targets for all nine of the programs reported in FY 2017's AFR, it did not meet the targets for Military Retirement, DoD Travel Pay, USACE Travel Pay, and USACE Commercial Pay. This is the sixth consecutive year that the DoD Travel Pay program has not met this requirement and the second consecutive year that the USACE Travel Pay program has not met the requirement. Table 3 shows the target improper payment rate each program established in FY 2016 for FY 2017, and the actual improper payment rate reported in the FY 2017 AFR.

While the DoD did publish reduction targets, it did not meet the targets for Military Retirement, DoD Travel Pay, USACE Travel Pay, and USACE Commercial Pay.

*Table 3. Target and Actual Improper Payment Rates for Noncompliant Programs*

Program	Target Improper Payment Rate Reported in FY 2016 for FY 2017 (Percent)	Actual Improper Payment Rate Reported in FY 2017 (Percent)	Difference (Percent)
Military Retirement	0.04	0.21	0.17
DoD Travel Pay	4.46	4.99	0.53
USACE Travel Pay	0.17	0.81	0.64
USACE Commercial Pay	0	1.82	1.82

Source: The DoD OIG.

The DoD did not meet the requirement to achieve its reduction target for these four programs because some Components stated that changes they made to their sampling methodology in FY 2017 caused their improper payment rates to increase, and the DoD has not yet fully implemented all the corrective actions that will address the causes of the improper payments.

<sup>18</sup> OMB Circular No. A-123, appendix C, states that a reduction target is a plan, set by the agency, to reduce improper payments to a target level within a defined period of time. Part II.A.3 states that a program meets a reduction target if the improper payment rate for that program in the current fiscal year falls within plus or minus 0.10 percentage points of the reduction target set in the previous year's AFR.

### *Military Retirement*

DFAS personnel stated that they did not meet the reduction target for Military Retirement primarily because they refined, and ultimately improved, their estimate calculation methods, which resulted in a higher improper payment estimate in FY 2017 than they planned for in FY 2016. DFAS personnel stated that they did not know the program would not meet the reduction target until the end of the fiscal year, after they calculated the improper payment estimate. As a result of not meeting their reduction target for FY 2017, DFAS personnel developed a corrective action plan with milestones to address how they would meet their planned reduction target in FY 2018. DFAS provided its corrective action plan to the USD(C)/CFO in January 2018.

### *DoD Travel Pay*

USD(C)/CFO personnel stated that the DoD Travel Pay program has reported the same reduction target since 2013, and they did not know how the reduction target was determined. DFAS personnel, in coordination with OMB, adjusted the DoD Travel Pay program reduction target for FY 2018 by averaging the previous years' rates, which resulted in a higher reduction target. In addition to adjusting future reduction targets, DoD Travel Pay program managers made several significant improvements in the program to reduce improper payments. In October 2016, the USD(C)/CFO appointed the DCFO as the overall DoD SAO for improper payments and directed the Components to designate their own SAOs for reducing improper payments. In addition, the USD(C)/CFO required all Components to develop and implement a travel remediation plan that includes measures to reduce travel pay improper payments. Although the DoD Travel Pay Program made many improvements to increase accountability in FY 2017, it did not meet its reduction target.

Although the DoD Travel Pay Program made many improvements to increase accountability in FY 2017, it did not meet its reduction target.

### *USACE Travel Pay*

USACE personnel stated that they did not meet the USACE Travel Pay program reduction target because they implemented a revised sampling plan in FY 2017 that used a stratified random sampling methodology instead of a simple random sample for testing. The new sampling plan tested a larger percentage of

high-dollar transactions than it did in previous years. USACE personnel stated that, as a result of testing more high-dollar transactions, the projected estimate of improper payments was higher than it would have been under the previous plan. USACE personnel stated that they believe the FY 2017 estimate was more accurate than the previous sampling plan produced.

### *USACE Commercial Pay*

USACE personnel explained that they did not meet the USACE Commercial Pay program reduction target for FY 2017 because the prior year's estimate did not include administrative errors that it should have included. The administrative errors were added to USACE's improper payment estimates in FY 2017, resulting in a higher estimate than the reduction target they set in FY 2016.

### *USD(C)/CFO Oversight*

As of March 2018, the USD(C)/CFO has not required Components to develop remediation plans for four of the five programs that reported significant improper payments. However, in February 2018, the Director, Accounting and Finance Policy, USD(C)/CFO, issued an internal management tool, the Program Management Guide for the DoD Improper Payments Program. The guide identifies program areas, actions required for the DoD to comply with IPERA, and responsibilities within the USD(C)/CFO and the Components for each area or action. The guide states that the USD(C)/CFO must develop a charter to expand the oversight responsibilities of the SAOs for Travel Improper Payments to include the other major program areas. We recommend that the USD(C)/CFO develop milestones for implementing the requirement to develop a charter expanding SAO responsibilities to all DoD programs reporting significant improper payments, as outlined in its Program Management Guide.

## **The DoD Needs to Improve the Improper Payment Reporting Process**

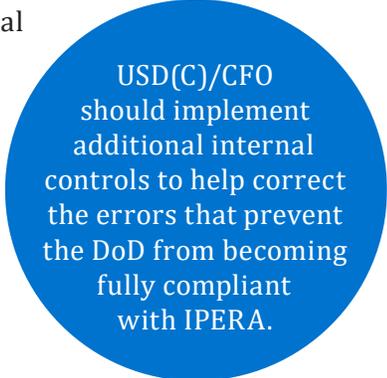
The USD(C)/CFO is responsible for oversight of the DoD IPERA reporting program, but USD(C)/CFO personnel stated that they relied on the internal controls implemented at the Component level to ensure that all programs comply with IPERA requirements. In FY 2017, USD(C)/CFO personnel made efforts to improve their oversight of the IPERA program. For example, USD(C)/CFO personnel stated that they:



USD(C)/CFO personnel made efforts to improve their oversight of the IPERA program.

- developed a Program Management Guide that establishes program areas and actions required for the DoD to comply with IPERA and that identifies responsibilities;
- implemented a revised DoD Travel Pay remediation plan in FY 2017 and designated the Deputy Chief Financial Officer as the senior accountable official for travel improper payments;
- coordinated with the reporting Components to take corrective actions to close some open recommendations from previous audit reports (see Appendix C for the status of DoD IPERA audit recommendations);
- worked with OMB to create more realistic and aggressive reduction targets for DoD programs; and
- increased reviews of the Components' estimates submissions and hired two statisticians to review each program's sampling plan and provide feedback to the Components.

However, the USD(C)/CFO should implement additional internal controls to help correct the errors that prevent the DoD from becoming fully compliant with IPERA. For example, the USD(C)/CFO did not include all information reported by Components in the AFR. Additionally, by relying on the Components' internal controls, the USD(C)/CFO has little assurance of the completeness and accuracy of the information reported by the Components. For example, the USD(C)/CFO was not aware that the Army did not report estimates for all European locations for the DFAS Commercial Pay program. Also, the USD(C)/CFO did not ensure that the Army's Commercial Pay and Travel Pay programs submitted sampling plans as required. The USD(C)/CFO should implement tracking procedures to ensure that it receives all required improper payment reporting information from the Components for the AFR. Also, the USD(C)/CFO should develop a corrective actions table to track the status of improper payments corrective actions and ensure that they are implemented as planned by the DoD programs.



USD(C)/CFO should implement additional internal controls to help correct the errors that prevent the DoD from becoming fully compliant with IPERA.

## The DoD Continues Not to Comply With IPERA

Although the USD(C)/CFO and its reporting Components have made improvements, the DoD still does not comply with all IPERA requirements. The required information missing from the FY 2017 AFR impedes the ability of DoD leadership and Congress to determine whether the DoD has the necessary human capital, internal controls, infrastructure, and accountability measures to reduce improper

payments. Additionally, it is difficult for DoD officials to monitor progress in correcting systemic issues that lead to improper payments without developed corrective action plans that clearly link the root cause to the corrective action taken, and without estimated and actual completion dates for planned corrective actions. Improper payments include government errors and potentially waste or fraud that resulted in the under- or overpayment of public funds. As stated in OMB guidance, the DoD should keep an internal control framework in mind in its analysis of the types and sources of improper payments so that it can implement the appropriate internal controls to reduce improper payments and promote accountability within the DoD for taxpayer dollars.

IPERA specifies the remediation action an agency must take if its Inspector General reports that the agency does not comply with IPERA criteria.<sup>19</sup> The agency head must submit a plan to Congress and OMB describing the actions the agency will take to come into compliance, if the agency is noncompliant in a fiscal year. If the agency is noncompliant for 2 consecutive fiscal years for the same program, OMB reviews the program and determines whether additional funding would help the agency bring the program into compliance. If OMB determines that additional funding is necessary, the agency takes the appropriate action, as specified in IPERA, to obligate, or use, the additional funding or submit a request to Congress for additional reprogramming or transfer authority. However, if an agency is noncompliant for 3 or more consecutive fiscal years for the same program, the agency must submit to Congress within 30 days of the Inspector General's report either a reauthorization proposal for the program or proposed statutory changes necessary to bring the program into compliance.

The USACE Commercial Pay program was not compliant with IPERA for the first time in FY 2017. The DoD has not been compliant for 2 consecutive fiscal years in the Military Health Benefits, DFAS Commercial Pay, Military Pay, Military Retirement, Civilian Pay, CBPO Naples, and USACE Travel Pay programs. The DoD Travel Pay program has not been compliant for more than 3 fiscal years.

As a result of the DoD's noncompliance with IPERA, the USD(C)/CFO should take the remediation actions required by Public Law 111-204 (IPERA), section 3(c), for the DoD Travel Pay, Military Health Benefits, DFAS Commercial Pay, Military Pay, Military Retirement, Civilian Pay, CBPO Naples, USACE Commercial Pay, and USACE Travel Pay programs.

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<sup>19</sup> Public Law 111-204, section 3(c).

## Recommendations, Management Comments, and Our Response

### *Management Comments on the DoD's Compliance With IPERA Reporting Requirements*

The DCFO stated that the DoD met the intent of IPERA by publishing the Payment Integrity section of the FY 2017 AFR on November 15, 2017. The DCFO also stated that the AFR reported improper payments for all programs, provided root causes and corrective actions, disclosed recaptured overpayments, and reported improper payment rates below the threshold of 10 percent. In addition, the DCFO said that his office has worked to correct previously identified deficiencies, closing 26 audit recommendations related to improper payments.

### *Our Response*

Publishing the Payment Integrity section of the FY 2017 AFR by the required due date does not address the full intent of IPERA. The intent of IPERA is for agencies to identify and reduce improper payments and to report how they are complying with legal requirements. To conclude that the DoD complied with IPERA and OMB Circular No. A-123, the DoD must comply with all six requirements specified in the law, including publishing the improper payments information required by OMB Circular No. A-136. We identified in the report the specific areas where the DoD did not comply with the AFR form and content reporting requirements that OMB states agency management must comply with in all cases.

### **Recommendation 1**

**We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD:**

- a. **Use Public Law 111-204, "Improper Payments Elimination and Recovery Act of 2010," and Office of Management and Budget Circular No. A-136 requirements to develop a data call template that identifies the information that reporting Components must include in their reporting narratives for the Payment Integrity Section of the Agency Financial Report. The template should include requirements for reporting:**
  1. **All required information for the Recapture of Improper Payments Reporting, Accountability, and Agency Information Systems and Other Infrastructure segments.**
  2. **Corrective actions information, including root causes, planned corrective actions linked to the root causes, results of actions taken, and planned or actual completion dates.**

*Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD Comments*

The DCFO, responding for the USD(C)/CFO, agreed with the recommendation, stating that the USD(C)/CFO will use Public Law 111-204 and OMB Circular No. A-136 to develop a data call template to improve the overall completeness of the information required in the Payment Integrity Section of the AFR. The DCFO also stated that the USD(C)/CFO acknowledges that further information is required in each of the Payment Integrity subsections identified in this recommendation. The USD(C)/CFO developed a standard corrective action plan template and guidance to enable the DoD to report all required corrective action information in the AFR as outlined in public law and OMB guidance. The estimated completion date is September 30, 2018.

*Our Response*

Comments from the DCFO addressed the specifics of the recommendation; therefore the recommendation is resolved but will remain open. We acknowledge that the USD(C)/CFO created a standard corrective action plan template. However, we will not close the recommendation until we verify that the USD(C)/CFO has developed and implemented a data call template that identifies all the information Components should provide in their AFR narratives.

- b. Comply with Public Law 111-204, “Improper Payments Elimination and Recovery Act of 2010,” and Office of Management and Budget Circular No. A-136 requirements for the Payment Reporting section of the Agency Financial Report to identify all estimated amounts and corresponding percentages data.**

*Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD Comments*

The DCFO, responding for the USD(C)/CFO, agreed with the recommendation, stating that USD(C)/CFO will ensure all payment estimate information is reported in the AFR by including all payment reporting requirements in the data call template that will be developed for recommendation 1a. The DCFO also stated that the USD(C)/CFO will specifically report in the FY 2018 AFR payments that were properly paid and their corresponding percentages and individual percentages for both overpayments and underpayments. The estimated completion date is September 30, 2018.

### *Our Response*

Comments from the DCFO addressed the specifics of the recommendation; therefore the recommendation is resolved but will remain open. We will close the recommendation once we verify that the USD(C)/CFO has complied with public law and OMB reporting requirements for the Payment Reporting section of the FY 2018 AFR.

- c. Coordinate with reporting Components to implement procedures to ensure that all improper payments testing is completed on time and that estimates are based on 12 months of data, as required by Office of Management and Budget Circular No. A-123.**

### *Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD Comments*

The DCFO, responding for the USD(C)/CFO, agreed with the recommendation, stating that the USD(C)/CFO will coordinate with reporting Components to implement procedures to ensure that all improper payments testing is completed on time and that estimates are based on 12 months of data. The DCFO also stated that the USD(C)/CFO developed and will implement a standard corrective action plan (CAP) template that Components will be required to use to ensure compliance. The estimated completion date is September 30, 2018.

### *Our Response*

Comments from the DCFO addressed the specifics of the recommendation; therefore the recommendation is resolved but will remain open. We will close the recommendation once we obtain documentation verifying that the USD(C)/CFO implemented procedures that ensured the Components completed their 12 months of improper payment testing and submitted the results on time to the USD(C)/CFO for the AFR.

- d. Develop milestones for implementing its Program Management Guide requirement to develop a charter expanding the oversight responsibilities of the DoD Travel Pay program senior accountable official to include all DoD programs reporting significant improper payments.**

### *Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD Comments*

The DCFO, responding for the USD(C)/CFO, disagreed with the recommendation, stating that milestones were not necessary because the charter has been developed and is nearing implementation. The DCFO stated that the Defense Improper Payments Senior Accountable Officials Steering Committee charter expands the oversight responsibilities of the SAOs to include all DoD programs reporting significant improper payments. The charter will be presented to the DoD Travel Pay program SAOs for signature by the end of June 2018.

### *Our Response*

Although the DCFO disagreed with the recommendation, his actions met the intent and his response addressed the specifics of the recommendation. Therefore, the recommendation is resolved but will remain open. The DCFO stated that the USD(C)/CFO has already taken the action described in the Program Management Guide to expand SAO oversight responsibilities to the remaining programs reporting significant improper payments. Also, the DCFO has provided a milestone date of June 2018 for the SAOs to sign the charter. We will close this recommendation when the USD(C)/CFO provides a copy of a signed charter for the remaining programs reporting significant improper payments.

- e. **Implement tracking procedures to ensure it receives all required improper payment reporting information from the Components for the Agency Financial Report. Procedures should include implementation of a corrective actions table to track the status of improper payments corrective actions and ensure corrective actions are implemented as planned by each DoD program.**

### *Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD Comments*

The DCFO, responding for the USD(C)/CFO, agreed with the recommendation, stating that the USD(C)/CFO has implemented tracking procedures by developing a standard CAP template and guidance that will enable the DoD to report all required corrective action information in the AFR, as required by public law and OMB guidance. The DCFO also stated that the USD(C)/CFO identified, by Component, the issues necessitating CAPs and will require Components to develop CAPs no later than 60 days after the program is determined to have significant improper payments or the auditors issue a final report. The estimated completion date is September 30, 2018.

### *Our Response*

Comments from the DCFO addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify the USD(C)/CFO has developed and implemented the described procedures to receive all required information for the AFR, including a method, such as a corrective actions table, to track the status of improper payment corrective actions and ensure the actions are implemented.

- f. **Take the remediation actions required by section 3(c) of Public Law 111-204, "Improper Payments Elimination and Recovery Act of 2010," for the DoD Travel Pay, Military Health Benefits, Defense Finance and Accounting Service Commercial Pay, Military Pay, Military Retirement, Civilian Pay, Commercial Bill Pay Office Naples, U.S. Army Corps of Engineers Commercial Pay, and U.S. Army Corps of Engineers Travel Pay programs.**

### *Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD Comments*

The DCFO, responding for the USD(C)/CFO, partially agreed with the recommendation, stating that USD(C)/CFO agrees that the USACE Commercial Pay program was noncompliant for FY 2017. The DCFO stated that the USD(C)/CFO will coordinate with USACE to develop and submit a plan to Congress and OMB describing the actions the DoD will take to bring the USACE Commercial Pay program into compliance with public law. Also, the USD(C)/CFO will work with OMB to determine if additional funding for the Military Health Benefits, DFAS Commercial Pay, Military Pay, Military Retirement, Civilian Pay, Commercial Bill Pay Office Naples, and USACE Travel Pay programs would help bring these programs into compliance with Public Law 111-204. The estimated completion date is November 15, 2018. However, the DCFO stated that the USD(C)/CFO maintains that reauthorization and statutory changes are not necessary to bring the DoD Travel Pay program into compliance with Public Law 111-204. Furthermore, the DCFO stated that USD(C)/CFO's travel remediation efforts have resulted in a positive reduction in travel improper payments and improved quarterly metrics.

### *Our Response*

Although the DCFO partially agreed with the recommendation, his response addressed the specifics of the recommendation; therefore the recommendation is resolved but will remain open. The Deputy agreed to implement the remediation actions called for by IPERA for the USACE Commercial Pay, Military Health Benefits, DFAS Commercial Pay, Military Pay, Military Retirement, Civilian Pay, CBPO Naples, and USACE Travel Pay programs. If the USD(C)/CFO considers it unnecessary to request reauthorization and statutory changes to bring the DoD Travel Pay program into compliance, the USD(C)/CFO could include a statement to that effect in its letter to Congress, and describe the DoD's continued efforts to identify and reduce improper travel payments. We will close this recommendation once we receive documentation verifying that the USD(C)/CFO has completed the appropriate remediation actions with OMB and Congress.

## **Recommendation 2**

**We recommend that the Director, Financial Services, Army Financial Management Command, develop, implement, and submit to the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD:**

- a. **A statistically valid travel sampling plan that identifies the complete universe of Army Windows Integrated Automated Travel System payments and how each Army overseas paying office will test for improper payments, in accordance with Office of Management and Budget guidance.**

*Director, Financial Services, Army Financial Management  
Command Comments*

The Deputy to the Commanding General, USAFMCOM, answering for the Director, Financial Services, agreed with the recommendation, stating that USAFMCOM will coordinate with the four outside the continental United States (OCONUS) reporting entities to include a narrative description of the travel sampling plan identified in the standard OMB reporting templates. The Deputy stated that USAFMCOM will direct its offices to put their sampling methodology in a narrative form and add a description of any exclusions from the universe. The estimated completion date is August 2018.

*Our Response*

Comments from the Deputy addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that the Army has an approved travel sampling plan that identifies the complete universe of travel pay transactions from all Army OCONUS paying offices. The sample plans should include the methodology Army personnel followed to select transactions for improper payment testing, in compliance with OMB guidance.

- b. A statistically valid sampling plan that identifies the complete universe of Army commercial payments and how each Army overseas paying office will test for improper payments, in accordance with Office of Management and Budget guidance.**

*Director, Financial Services, Army Financial Management  
Command Comments*

The Deputy to the Commanding General, USAFMCOM, answering for the Director, Financial Services, agreed with the recommendation, stating that USAFMCOM will coordinate with the four OCONUS reporting entities to include a narrative description of the commercial pay sampling plan identified in the standard OMB reporting templates. The Deputy stated that USAFMCOM will have the reporting entities put their plans in narrative form and add descriptions of any exclusions from the universe. Additionally, if there is less than a 100-percent review, it will be submitted to USD(C)/CFO for assistance and approval of an acceptable statistical sampling plan. The estimated completion date is August 2018.

*Our Response*

Comments from the Deputy addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that the Army has an approved sampling plan that identifies the complete universe of commercial pay transactions from all Army OCONUS paying offices. The sample plan should include the methodology Army personnel followed to select transactions for improper payment testing, in compliance with OMB guidance.

## Appendix A

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### Scope and Methodology

We conducted this performance audit from November 2017 through April 2018 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### *Review of Documentation and Interviews*

To obtain information and source documents on IPERA compliance, as well as to understand their roles for compiling and reporting in the DoD FY 2017 AFR, we interviewed personnel from:

- OMB in Washington, D.C.;
- DFAS Indianapolis in Indianapolis, Indiana;
- DFAS Cleveland in Cleveland, Ohio;
- Defense Travel Management Office in Alexandria, Virginia;
- USD(C)/CFO in Arlington, Virginia;
- Defense Health Agency in Aurora, Colorado;
- USACE Finance Center in Millington, Tennessee;
- U.S. Army Financial Management Command in Indianapolis, Indiana;
- U.S. Air Force Accounting and Finance Office in Indianapolis, Indiana; and
- Assistant Secretary of the Navy (Financial Management and Comptroller) in Washington, D.C.

During our interviews with each office's personnel, we discussed their roles and responsibilities for IPERA reporting, risk assessments, sampling plans, improper payment estimates, reduction targets, corrective action plans, recapture audits, accountability, and agency information systems and other infrastructure. We also examined the documentation they provided that related to our audit objective.

We reviewed the IPERA reporting requirements for FY 2017, based on the following guidance:

- Public Law 107-300, "Improper Payments Information Act of 2002," November 26, 2002
- Public Law 111-204, "Improper Payments Elimination and Recovery Act of 2010," July 22, 2010

- Public Law 112-248, “Improper Payments Elimination and Recovery Improvement Act of 2012,” January 10, 2013
- OMB Circular No. A-123, appendix C, “Requirements for Effective Estimation and Remediation of Improper Payments,” October 20, 2014
- OMB Circular No. A-136, “Financial Management Requirements,” August 15, 2017
- DoD FMR, volume 4, chapter 14, “Improper Payments”
- DoD FMR, volume 10, chapter 22, “Payment Recapture Audits”

We requested and received documentation that DoD programs used to support improper payments reporting, including:

- improper payment reporting as published in the Payment Integrity section of the DoD FY 2017 AFR;
- information relevant to program sampling;
- documentation used to support risk assessments;
- documentation supporting improper payment rates and estimates reported in the Payment Integrity section of the DoD FY 2017 AFR;
- corrective action plans; and
- improper payment reduction targets.

## Use of Computer-Processed Data

We relied on computer-processed data included in the Payment Integrity section of the DoD FY 2017 AFR and supporting documents to perform this audit. Specifically, we relied on the estimates of improper payments and the data used to develop those estimates. However, the FY 2017 DoD Statement of Assurance stated that there were ineffective processes and controls relating to the information within the financial statements. This led us to conclude that the financial data within the DoD FY 2017 AFR may not be reliable. The reliability of the data did not affect our ability to answer the audit objective because the objective was to determine compliance with reporting requirements, not to assess the accuracy or reliability of the reported results. Therefore, we did no further audit work on the systems that processed and produced the data.

## **Use of Technical Assistance**

During the audit, we requested and received technical assistance from the DoD OIG Quantitative Methods Division. Quantitative Methods Division analysts reviewed the sampling plans and results for nine programs that reported improper payment estimates in the DoD FY 2017 AFR to determine whether the sampling methodology and results were statistically valid and appropriate in accordance with OMB guidance. While the Quantitative Methods Division analysts assessed the sampling plans to determine whether their methodologies were statistically valid, we did not assess the accuracy of improper payment testing results or the completeness of payment universes used when calculating the estimated improper payment amounts and rates for the DoD programs.

## Appendix B

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### Prior Coverage

During the last 5 years, the Government Accountability Office (GAO) and the DoD OIG issued 11 reports discussing compliance with improper payment identification and reporting requirements.

Unrestricted GAO reports can be accessed at <http://www.gao.gov>. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/pubs/index.cfm>.

### GAO

Report No. GAO-17-484, “Additional Guidance Could Provide More Consistent Compliance Determinations and Reporting by Inspectors General,” May 2017

For FY 2015, 5 years after the implementation of IPERA, 15 of the 24 Chief Financial Officers Act of 1990 (CFO Act) agency Inspectors General (IGs) determined that their agencies did not comply with IPERA. In addition, the inconsistent IG compliance determinations in the IGs’ FY 2015 IPERA compliance reports may present potentially misleading information. Specifically, certain IGs reported compliance based on the presence or absence of the required analysis or reporting, regardless of whether the IGs identified flaws, whereas certain other IGs reported agencies as noncompliant based on their performance of some degree of evaluative procedures to determine whether the analysis or reporting that the agency produced was substantively adequate.

Report No. GAO-16-554, “CFO Act Agencies Need to Improve Efforts to Address Compliance Issues,” June 2016

For FY 2014, 15 of the 24 CFO Act agency IGs determined that their agencies did not comply with IPERA criteria. Agency noncompliance for FY 2014 was largely due to agencies failing to meet improper payment reduction targets or failing to report improper payment error rates at less than 10 percent for all programs.

Report No. GAO-13-227, “Significant Improvements Needed in Efforts to Address Improper Payment Requirements,” May 2013

The DoD did not adequately implement key provisions of the Improper Payments Information Act of 2002 and IPERA, and OMB requirements for FY 2011. GAO found that the DoD’s improper payment estimates reported in its FY 2011 AFR were neither reliable nor statistically valid because of long-standing and pervasive financial management weaknesses and significant deficiencies in the DoD’s procedures to estimate improper payments.

## **DoD OIG**

Report No. DODIG-2018-073, “Completeness and Accuracy of U.S. Army Corps of Engineers Improper Payment Estimates,” February 13, 2018

USACE Finance Center (UFC) personnel did not accurately report the total payments, the improper payment estimate, or the improper payment rate for the Commercial Pay program in the DoD FY 2016 AFR. The audit also determined that UFC personnel did not accurately report the Travel Pay universe, improper payment estimate, and the improper payment rate for the USACE Travel Pay program in the DoD FY 2016 AFR. As a result, UFC personnel made \$2.25 million in improper payments for the 1,293 sample items reviewed by USACE.

Report No. DODIG-2017-078, “The DoD Did Not Comply With the Improper Payment Elimination and Recovery Act in FY 2016,” May 8, 2017

The USD(C)/CFO published the Improper Payment and Payment Recapture Programs section of the DoD FY 2016 AFR but did not comply with IPERA. The DoD complied with one of the six requirements of IPERA by reporting improper payment rates of less than 10 percent. However, the DoD did not comply with five of the six IPERA requirements.

Report No. DODIG-2016-086, “DoD Met Most Requirements of the Improper Payments Elimination and Recovery Act in FY 2015, but Improper Payment Estimates Were Unreliable,” May 3, 2016

The USD(C)/CFO published the DoD FY 2015 AFR showing that the DoD met five of the six requirements of the IPERA; however, the improper payment estimates were not reliable. The DoD did not meet the requirement to achieve the reduction target for one of the eight programs with established targets and, therefore, did not comply with IPERA in FY 2015.

Report No. DODIG-2016-060, “DoD Actions Were Not Adequate to Reduce Improper Travel Payments,” March 10, 2016

DoD Component actions were not adequate to reduce estimated improper payments in the DoD Travel Pay program. As a result, the DoD will continue to be at high risk for making improper payments for travel.

Report No. DODIG-2015-121, "DoD Met Most Requirements of the Improper Payments Elimination and Recovery Act in FY 2014, but Improper Payment Estimates Were Unreliable," May 12, 2015

The USD(C)/CFO published the DoD FY 2014 AFR showing that the DoD met five of the six requirements of the IPERA; however, the improper payment estimates were not reliable. The DoD could not ensure that all required payments were reviewed, which resulted in unreliable estimates and rates. The DoD did not meet the requirement to achieve the reduction target for the DoD Travel Pay program and, as a result, the DoD did not comply with IPERA in FY 2014.

Report No. DODIG-2015-068, "DoD Methodologies to Identify Improper Payments in the Military Health Benefits and Commercial Pay Programs Need Improvement," January 14, 2015

The Defense Health Agency and DFAS developed methodologies that did not fully capture improper payment estimates and did not fully disclose recovered overpayments in the DoD FY 2013 AFR. The inadequate methodologies resulted in unreliable improper payment estimates, and limited the DoD's ability to identify and report improper payments, determine underlying weaknesses that cause the improper payments, and initiate corrective actions to reduce the improper payments.

Report No. DODIG-2014-059, "DoD Efforts to Meet the Requirements of the Improper Payments Elimination and Recovery Act in FY 2013," April 15, 2014

The USD(C)/CFO met five of the six requirements of IPERA. The DoD's inability to ensure that all required payments were reviewed resulted in unreliable estimates and rates. The DoD did not meet the reduction targets for five of its eight programs with established targets.

Report No. DODIG-2013-054, "DoD Efforts to Meet the Requirements of the Improper Payments Elimination and Recovery Act in FY 2012," March 13, 2013

The USD(C)/CFO published the FY 2012 AFR showing that the DoD met five of the six requirements of IPERA. The DoD did not meet the established reduction target for one of its eight programs. The DoD did not fully comply with IPERA in FY 2012.

## Appendix C

### Status of DoD OIG IPERA Audit Recommendations

An unresolved recommendation occurs when management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation. When management agreed to implement the recommendation or has proposed actions that will address the underlying finding, but the actions agreed to have not yet been completed, we consider the recommendation resolved. A recommendation is closed when the DoD OIG verifies that the agreed-upon corrective actions were implemented. Table 4 shows the status of DoD OIG recommendations reported as Resolved and Open or Unresolved from Appendix B of Report No. DODIG-2017-078, published May 8, 2017. Table 4 also reports recommendations published after May 8, 2017.

Table 4. Status of DoD OIG IPERA Audit Recommendations

Report No	Recommendations		Status
DODIG-2014-059	1	The USD(C)/CFO should coordinate with the Military Departments and Defense agencies to address errors in the Military Pay program. Specifically:	
	a	Develop metrics and quality assurance goals, as well as programmatic corrective action plans to reduce errors related to separation debts, including holding those officials financially liable where appropriate.	<b>Closed:</b> As of February 2018, the Military Pay program has met its reduction target for each of the 4 years since the recommendation.
	2	The USD(C)/CFO should coordinate with the Military Departments and Defense agencies to address errors in the Civilian Pay program. Specifically:	
	a	Develop metrics and quality assurance goals, as well as programmatic corrective action plans, for input errors by personnel in the human resources offices, including holding those officials financially liable where appropriate.	<b>Closed:</b> As of February 2018, the Civilian Pay program has met its reduction target for each of the 4 years since the recommendation.

Report No	Recommendations		Status
DODIG-2015-068		We recommend that the Director, Defense Health Agency:	
	1	a Include all DHA health care payments when assessing risk and document the justification for excluding any type of program payments in the risk assessment and the Agency Financial Report (AFR).	<b>Closed:</b> Recommendation 1.a is closed because it was replaced by Recommendation 1.a.1 in Report No. DODIG-2017-078. Although this recommendation was made to DHA and the recommendation in report DODIG-2017-078 was made to USD(C), we closed it because if USD(C) completes the recommendation in DODIG-2017-078, it will close this recommendation as well.
		b Develop a methodology to assess risk for all contracts that is not limited to prior year sampling results but also considers other risk factors, such as the risk of fraud.	<b>Closed:</b> OMB guidance states that only programs not reporting estimates have to conduct risk assessments; therefore, this recommendation does not apply based on current requirements.
		We recommend that the USD(C)/CFO:	
	2	a Review improper payment risk assessments, sampling plans, and input to the DoD Agency Financial Report for the DoD programs not discussed in this report.	<b>Closed:</b> USACE developed a sample plan produced by a statistician dated July 2017.

Report No	Recommendations		Status
DODIG-2015-121	1	The USD(C)/CFO should coordinate with the Director of OMB to review the DoD Travel Pay program and determine reauthorization proposals or proposed statutory changes that are necessary to bring the mandatory program into compliance with Public Law 111-204 to meet payment reduction targets.	<b>Closed (replaces DODIG-2014-059, Recommendation 5):</b> The USD(C)/CFO provided a letter dated March 1, 2017, referencing a policy memorandum dated October 7, 2016, titled "Preventing Travel Pay Improper Payments and Enforcing Recovery."
	2	The Assistant Secretary of the Navy (Financial Management and Comptroller) should evaluate Navy commands for risk of improper payments before exclusion from improper payment testing.	<b>Closed:</b> Navy personnel performed a risk assessment of CBPO Singapore in FY 2017, and CBPO Singapore is in the FY 2018 Commercial Pay sampling plan. CBPO Naples was a part of the DFAS Commercial Pay program estimate and is also in the FY 2018 Commercial Pay sampling plan. Navy personnel also conducted an analysis of the disbursing systems and certifying payment systems that impacted the Navy outlays.
	3	The Director, Defense Health Agency, should subject all payments to improper payment sampling for those contracts identified as at-risk for improper payments.	<b>Closed:</b> In FY 2017, the Defense Health Agency pulled samples of low-dollar claims, such as healthcare claims with Government paid amounts equal to or less than \$99.99 (including TPharm).
DODIG-2016-060		The USD(C)/CFO should:	
	1	b Include in the DoD AFR a summary of DoD Components' root causes and corrective actions for improper payments identified in Recommendation 1.a.	<b>Closed:</b> In the FY 2017 AFR, the USD(C)/CFO included a summary of root causes and corrective actions for travel pay improper payments, summarizing the efforts implemented from the remediation plans for the DoD Travel Pay program.

Report No	Recommendations		Status	
DODIG-2016-086	1	The USD(C)/CFO should:		
		a	Coordinate with the reporting activities to ensure future AFRs contain all required improper payment reporting information.	<b>Closed:</b> (replaced by DODIG-2017-078, Recommendation 1.b).
		b	Determine the source of all disbursed obligations not reviewed for improper payments and whether those disbursements are subject to improper payment reporting requirements.	<b>Resolved:</b> The USD(C)/CFO agreed, stating that it will coordinate with all reporting activities to determine the source of all disbursed obligations not reviewed for improper payments and whether they are subject to improper payment reporting requirements. The USD(C)/CFO did not complete this during the FY 2016 reporting period. We will close this recommendation when we receive supporting documentation that confirms that the USD(C)/CFO has determined the source of all disbursed obligations and determined the requirements for improper payment reporting.
		c	Coordinate with DoD components to develop sample designs that are stratified by an appropriate variable, such as invoice or payment amount, for each DoD payment program that currently uses a simple random sample design.	<b>Closed:</b> (replaced by DODIG-2017-078, Recommendation 1.a.3).

Report No	Recommendations		Status	
DODIG-2017-078	1	The USD(C)/CFO should:		
		a1	Coordinate with DoD IPERA reporting Components to: verify that all payments are assessed for the risk of improper payments or are reporting estimated improper payments.	<b>Resolved:</b> (replaces DODIG-2015-068, Recommendation 1.a) We will close this recommendation when we verify that the USD(C)/CFO has reported all programs by either estimates or completed risk assessment.
		a2	Coordinate with DoD IPERA reporting Components to: Report consistent, accurate, complete, and statistically-valid improper payment estimates in compliance with all IPERA and OMB requirements.	<b>Resolved:</b> We will close this recommendation when we verify that the USD(C)/CFO has reported improper payment estimates that are consistent, accurate, complete, and statistically-valid.
		a3	Coordinate with DoD IPERA reporting Components to: verify that sample designs are stratified by an appropriate variable for each DoD program that currently uses a simple random sample design.	<b>Closed: (replaces DODIG-2016-086, Recommendation 1c)</b> Military Retirement program data was not stratified by an appropriate variable for use in FY 2017, but we have verified that Military Retirement program data have been stratified by an appropriate variable in the FY 2018 sampling plan.
		a4	Coordinate with DoD IPERA reporting Components to: ensure that the reduction targets are accurate, aggressive, and realistic and are developed in coordination with correction action plans to reduce improper payments.	<b>Closed:</b> The USD(C)/CFO coordinated with DFAS and OMB to set aggressive and realistic reduction targets for FY 2018. USACE set new reduction targets based on the previous 2 years.

Report No	Recommendations		Status
	b	Coordinate with DoD IPERA reporting Components to: evaluate the actions taken regarding prior DoD OIG recommendations and determine whether further actions should be taken to ensure that future agency financial reports comply with OMB reporting requirements.	<b>Closed:</b> (replaces Recommendation 1a from DODIG-2016-086): - The USD(C)/CFO provided a letter updating Senator Claire McCaskill on the status of the recommendations and actions taken to complete recommendations. In addition, the USD(C)/CFO developed a Program Management Guide to help ensure that future reports comply with reporting requirements.
	c	Coordinate with DoD IPERA reporting Components to: review existing corrective action plans and coordinate with the appropriate reporting Components to establish planned or actual completion dates and determine if actions can be modified or updated to further reduce improper payments.	<b>Resolved:</b> We will close this recommendation upon verification that corrective action plans were coordinated with the appropriate reporting Component and planned or actual completion dates are reported in the AFR.
	d	Coordinate with DoD IPERA reporting Components to: submit a plan to Congress, in compliance with the Improper Payment Elimination and Recovery Act, section 3, describing the actions taken by the DoD to become compliant with IPERA.	<b>Closed:</b> The USD(C)/CFO provided a letter updating Senator Claire McCaskill on the status of the recommendations and actions taken to complete recommendations.
	2	We recommend that the Chief Financial Officer, USACE, Civil Works, develop procedures to maintain sufficient documentation to support the USACE improper payment estimates.	<b>Closed:</b> USACE personnel provided the sample testing universe and sample results to support the estimate reported in the 2017 AFR.

Report No	Recommendations		Status
DODIG-2018-073		The Director, UFC should:	
	A	1a Establish standard operating procedures to identify all commercial payments required for inclusion in the improper payment estimates reported in the DoD AFR.	<b>Resolved:</b> We will close this recommendation when we verify that USACE finalized the standard operating procedures, to include establishing policy for identifying all commercial payments required for inclusion in the improper payment estimates reported in the DoD AFR.
		1b Implement a review process to verify that accurate and complete information is reported to the USD(C)/CFO for inclusion in the DoD AFR.	<b>Resolved:</b> We will close this recommendation when we verify that the review process occurred and is documented for the FY 2018 IPERA submission.
		1c Require all commercial payments to have improper payment testing, including Government purchase card payments, and the results should be included in the USACE Commercial Pay program improper payment estimate.	<b>Closed:</b> USACE personnel provided the sample tested for the 2017 AFR, which included Government purchase card payments.
		1d Provide training to UFC personnel responsible for reviewing commercial payments, as established in the standard operating procedure.	<b>Closed:</b> During the review of FY 2017 Commercial Pay program data, additional UFC personnel were trained and assigned to review commercial payments in accordance with the law for improper payment testing. USACE personnel provided additional documentation verifying that training was established and implemented for the Commercial Pay program.
		1e Implement a review process to verify that accurate testing for improper payments is being performed by U.S. Army Corps of Engineers Finance Center personnel.	<b>Resolved:</b> We will close this recommendation when we verify that a review process was established and documented to verify the accuracy of improper payment testing before the FY 2018 IPERA submission to the USD(C)/CFO.

Report No	Recommendations		Status
	1f	Review, research, and collect improper overpayments related to the 1,293 FY 2016 commercial payments selected for IPERA compliance testing.	<b>Closed:</b> UFC personnel implemented procedures to improve the review process and although USACE is not going to perform additional reviews of the 1,293 FY 2016 commercial payments, its response to improve the review process meets the intent of the recommendation.
B	1a	Implement a process for higher-level reviews before submitting information to the USD(C)/CFO for inclusion in the DoD AFR.	<b>Resolved:</b> We will close this recommendation once we verify that UFC personnel are performing a higher-level review before submitting the information to the USD(C)/CFO for inclusion in the 2018 DoD AFR.
	1b	Update standard operating procedures to include centrally billed travel payments in the USACE Travel Pay program for IPERA reporting.	<b>Resolved:</b> We will close this recommendation when we verify that the standard operating procedure includes the centrally billed travel payments in the USACE Commercial Pay program for IPERA reporting along with confirmation that centrally billed travel payments are included in the USACE Commercial Pay program for IPERA reporting in FY 2018.
	1c	Subject all travel payments—including centrally billed account payments, permanent change of station payments, and local travel payments—to improper payment testing.	<b>Resolved:</b> USACE personnel stated that payments are currently identified based on the reference type. Completed SOPs will provide detailed information outlining which payment types apply to commercial and which apply to travel pay. We will close this recommendation when complete SOPs are finalized for commercial and travel pay.

Report No	Recommendations		Status
	1d	Develop procedures to require that a statistician review and approve the improper payment estimate, prior to submitting the information to the USD(C)/CFO for inclusion in the DoD AFR, to ensure the calculation was completed in accordance with OMB guidance and the approved USACE sampling plan.	<b>Closed:</b> UFC personnel coordinated with their statistician, as well as those at DFAS, when developing the revised sample plans and estimation methodology. UFC personnel now use a spreadsheet with macros to produce the estimate.
	1e	Track IPERA sample item reviews to ensure all sample payments are reviewed prior to calculating an improper payment estimate.	<b>Closed:</b> USACE personnel provided the tracking spreadsheets for sample improper payments for Commercial Pay and Travel Pay that are used to calculate the improper payment estimates.
	1f	Establish standard operating procedures to establish an effective IPERA review process that include procedures to: <ol style="list-style-type: none"> <li>1. Identify a complete and accurate universe of payments.</li> <li>2. Review selected payments for improper payments.</li> <li>3. Ensure improper payments estimates for the Travel Pay program are calculated consistently, accurately, and in accordance with the approved IPERA sampling plan.</li> </ol>	<b>Resolved:</b> We will close this recommendation when we verify that USACE finalized the standard operating procedures and that it includes policy to identify a complete and accurate universe of payments, review selected payments for improper payments, and ensure improper payment estimates for the Travel Pay program are calculated consistently, accurately, and in accordance with the approved IPERA sampling plan.

Source: The DoD OIG.

## Management Comments

### Under Secretary of Defense (Comptroller), Chief Financial Officer, DoD



OFFICE OF THE SECRETARY OF DEFENSE  
1000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1000

APR 26 2018

MEMORANDUM FOR PROGRAM DIRECTOR, FINANCIAL MANAGEMENT AND  
REPORTING DIRECTORATE, DEPARTMENT OF DEFENSE  
OFFICE OF INSPECTOR GENERAL

SUBJECT: Department of Defense Inspector General Draft Audit Report, "DoD FY 2017  
Compliance with Improper Payments Elimination and Recovery Act Requirements,"  
Project No. D2018-D000FL-0054.000

We received the subject draft report, dated April 17, 2018, and reviewed your recommendations to the Under Secretary of Defense (Comptroller)/Chief Financial Officer. Responses to your recommendations are in the attachment.

Overall, the Department met the intent of the Improper Payments Elimination and Recovery Act of 2010 by publishing the Payment Integrity section of the United States Department of Defense Agency Financial Report Fiscal Year 2017 (AFR) on November 15, 2017. We reported estimated improper payments for all programs, provided root causes and corrective actions for programs susceptible to significant improper payments, disclosed overpayments recaptured by the Department, and reported improper payment rates below the statutory threshold of ten percent. Moreover, my office has worked diligently across the Department to correct deficiencies identified by your prior audit teams, successfully closing 26 audit recommendations related to improper payments.

While comprehensive and informative, this year's review differed from previous reviews in that it identified other very specific reporting deficiencies never previously focused on by your office. Examples included presenting properly paid payments and addressing internal controls and human capital requirements. Your new focus represented a switch in scope and depth of this annual review. I would welcome collaboration between our teams to ensure both our efforts are synchronized to produce only the most substantive and value-added program improvements.

Thank you for the opportunity to review and comment on the draft audit report. We appreciate your review of this program and my office will work expeditiously to resolve your recommendations. [REDACTED] is my point of contact.

Mark E. Easton  
Deputy Chief Financial Officer

Attachment:  
As stated



## Under Secretary of Defense (Comptroller), Chief Financial Officer, DoD (cont'd)

DOD IG DRAFT REPORT - DATED APRIL 17, 2018  
Project No. D2018-D000FL-0054.000

### “DOD FY 2017 COMPLIANCE WITH IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT REQUIREMENTS”

OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) (OUSD(C))  
RESPONSES TO RECOMMENDATIONS

#### RECOMMENDATION 1

We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD:

- a. Use Public Law 111-204, “Improper Payment Elimination and Recovery Act of 2010,” and Office of Management and Budget Office Circular No. A-136 requirements to develop a data call template that identifies the information that reporting Components must include in their reporting narratives for the Payment Integrity Section of the Agency Financial Report. The template should include requirements for reporting:
  1. All required information for the Recapture of Improper Payments Reporting, Accountability, and Agency Information Systems and Other Infrastructure segments.
  2. Corrective actions information, to include root causes, planned corrective actions linked to the root causes, results of actions taken, and planned or actual completion dates.

OUSD(C) RESPONSE TO 1a: Concur. OUSD(C) will use Public Law 111-204 and OMB Circular No. A-136 to develop a data call template to improve the overall completeness of the information required to be reported in the Payment Integrity Section of the Agency Financial Report (AFR). The Payment Integrity Section of the FY 2017 AFR did report the following information: overpayments recaptured, Accountability and Agency Information Systems and Other Infrastructure, and corrective actions for each program determined to be “Susceptible to Significant Improper Payments.” OUSD(C) acknowledges that further information is required to be reported in each of the Payment Integrity sub-sections identified in this recommendation. Moreover, regarding corrective actions, OUSD(C) developed a standard corrective action plan template and guidance for the DoD Improper Payments Program to enable the Department to report all required corrective action information in the AFR as outlined in Public Law 111-204 and OMB Circular No. A-136. Estimated completion date is September 30, 2018.

- b. Comply with Public Law 111-204, “Improper Payment Elimination and Recovery Act of 2010,” and Office of Management and Budget Office Circular No. A-136 requirements for the Payment Reporting section of the Agency Financial Report to identify all estimated amounts and corresponding percentages data.

## Under Secretary of Defense (Comptroller), Chief Financial Officer, DoD (cont'd)

OUSD(C) RESPONSE TO 1b: Concur. OUSD(C) will ensure all payment estimate information is reported in the Agency Financial Report (AFR) by including all Payment Reporting requirements, as outlined in OMB Circular No. A-136, in the data call template that will be developed for recommendation 1a. In addition to the improper payments' information that was reported in FY 2017, OUSD(C) will specifically report, in the FY 2018 AFR, payments that were properly paid and their corresponding percentage and individual percentages for both overpayments and underpayments. Estimated completion date is September 30, 2018.

- c. Coordinate with reporting Components to implement procedures to ensure that all improper payments testing is completed on time and that estimates are based on 12 months of data, as required by Office of Management and Budget Circular No. A-123.

OUSD(C) RESPONSE TO 1c: Concur. OUSD(C) will coordinate with reporting Components to implement procedures to ensure that all improper payments testing is completed on time and that estimates are based on 12 months of data. OUSD(C) developed and will implement a standard corrective action plan (CAP) template for the DoD Improper Payments Program. The standard CAP will be required to be used by the reporting Components and will help ensure that testing is completed on time and improper payment estimates are based on 12 months of data for the following payments, which were not fully tested in FY 2017 until after the publication of the Agency Financial Report: \$402M Navy travel payments, \$60M USMC travel payments, \$605M Army commercial payments, \$10B USACE commercial payments, and \$138M low-dollar claims paid by the TRICARE pharmacy contractor. Estimated completion date is September 30, 2018.

- d. Develop milestones for implementing its Program Management Guide requirement to develop a charter expanding the oversight responsibilities of the DoD Travel Pay program senior accountable official to include all DoD programs reporting significant improper payments.

OUSD(C) RESPONSE TO 1d: Non-concur. Milestones are not necessary for implementing a charter expanding the oversight responsibilities of Senior Accountable Officials (SAOs) since a charter has been developed and is nearing implementation. OUSD(C) developed the Defense Improper Payments Senior Accountable Officials Steering Committee charter at the beginning of FY 2018. This charter will expand the oversight responsibilities of the DoD Travel Pay program SAOs to include all DoD programs reporting significant improper payments. The charter was approved by the Office of General Counsel (Fiscal) in April 2018 and will be presented to the DoD Travel Pay program SAOs for signature by the end of the June 2018.

- e. Implement tracking procedures to ensure it receives all required improper payment reporting information from the Components for the Agency Financial Report. Procedures should include implementation of a corrective actions table to track the status of improper payments corrective actions and ensure corrective actions are implemented as planned by each DoD program.

## Under Secretary of Defense (Comptroller), Chief Financial Officer, DoD (cont'd)

OUSD(C) RESPONSE TO 1e: Concur. OUSD(C) has implemented tracking procedures by developing a standard corrective action plan (CAP) template and guidance for the DoD Improper Payments Program. The CAP template will enable the Department to report all required corrective action information in the AFR as outlined in Public Law 111-204 and OMB Circular No. A-136, and it will also support efforts to prevent improper payments and comply with Public Law 111-204. OUSD(C) has identified, by DoD Component, the specific reasons or issues necessitating CAPs and will require reporting Components to develop CAPs no later than 60 days after a program is determined to be "Susceptible to Significant Improper Payments" or a final report is issued by auditors. Estimated completion date is September 30, 2018.

- f. Take the remediation actions required by section 3(c) of Public Law 111-204, "Improper Payment Elimination and Recovery Act of 2010," for the DoD Travel Pay, Military Health Benefits, Defense Finance and Accounting Service Commercial Pay, Military Pay, Military Retirement, Civilian Pay, Commercial Bill Pay Office Naples, U.S. Army Corps of Engineers Commercial Pay, and U.S. Army Corps of Engineers Travel Pay programs.

OUSD(C) RESPONSE TO 1f: Partially Concur. OUSD(C) agrees that the USACE Commercial Pay program was noncompliant for FY 2017. OUSD(C) will coordinate with USACE to develop and submit a plan to Congress and OMB describing the actions the Department will take to bring the USACE Commercial Pay program into compliance with Public Law 111-204. As required by Public Law 111-204, OUSD(C) will work with OMB to determine if additional funding for the Military Health Benefits, DFAS Commercial Pay, Military Pay, Military Retirement, Civilian Pay, Commercial Bill Pay Office Naples, and USACE Travel Pay programs would help bring these programs into compliance with Public Law 111-204. However, OUSD(C) contends that compliance can and will be achieved through internal actions such as expanding the oversight responsibilities of Senior Accountable Officials (SAOs) and implementing a standard corrective action plan within the DoD Improper Payments Program. OUSD(C) recognizes that the DoD Travel Pay program has been noncompliant for more than three fiscal years. OUSD(C) submitted letters to Congress on March 1, 2017, stating that reauthorization and statutory changes were not necessary to bring the DoD Travel Pay program into compliance with Public Law 111-204. OUSD(C) continues to maintain that reauthorization and statutory changes are not necessary to bring the DoD Travel Pay program into compliance with Public Law 111-204. OUSD(C) implemented a revised Travel Pay Remediation Plan by identifying SAOs for travel improper payments in each of the Military Services and six defense agencies, holding quarterly progress meetings, using the new DFAS Post-pay Audit Compliance Tool to distribute detailed travel error reports for action, and developing corrective action plans. OUSD(C)'s travel remediation efforts have resulted in a positive reduction in travel improper payments and improved quarterly metrics. Estimated completion date is November 15, 2018.

## Army Financial Services, U.S. Army Financial Management Command



DEPARTMENT OF THE ARMY  
UNITED STATES ARMY FINANCIAL MANAGEMENT COMMAND  
INDIANAPOLIS, IN 46249-3000

FMFS

23 April 2018

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE, ATTN:  
DIRECTOR, FINANCIAL MANAGEMENT AND REPORTING

SUBJECT: Draft Report on the Department of Defense Fiscal Year 2017 Compliance with Improper Payments Elimination and Recovery Act Requirements (Project D2018-D000FL-0054.000)

1. Reference your report dated April 17, 2018, subject as above.
2. We appreciate the work by your auditors on the annual review of the Under Secretary of Defense (Comptroller)/Department of Defense (DoD) Chief Financial Officer (USD[C]/CFO) published Payment Integrity section of the Fiscal Year 2017 Agency Financial Report.
3. The response to the specific recommendations for this command is enclosed. Overall, we concur with providing narrative sampling plans to complement the information already provided to the Office of the Secretary of Defense using the standard Office of Management and Budget templates for the four Army outside the continental United States offices involved. These four offices combined represent five one-thousandths of one percent of the DoD reported travel pay universe and two one-thousandths of the DoD reported "Defense Finance and Accounting Services Commercial pay" universe. Due to the relatively low volume, these offices generally perform a 100 percent review of in-scope payments as noted in your report.
3. The Army point of contact is [REDACTED]

STALEY.WILLIAM.DAVID.1 Digitally signed by [REDACTED]

WILLIAM D. STALEY  
Deputy to the Commanding General

Encl

## Army Financial Services, U.S. Army Financial Management Command (cont'd)

### **DoDIG Draft Report on the DoD FY 2017 Compliance with Improper Payments Elimination and Recovery Act Requirements (Project D2018-D000FL-0054.000)**

#### **U.S. Army Financial Management Command Response to Recommendations**

**Recommendation 2-a:** We recommend that the Director, Army Financial Services, U.S. Army Financial Management Command, develop, implement, and submit to the Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense (DoD) a statistically valid travel sampling plan that identifies the complete universe of Army Windows Integrated Automated Travel System payments and how each Army overseas paying office will test for improper payments, in accordance with Office of Management and Budget guidance.

**USAFMCOM Response 2-a:** Concur. The U.S. Army Financial Management Command will coordinate with the four Outside the Continental United States (OCONUS) reporting entities to include a narrative description of the travel sampling plan identified in the standard Office of Management and Budget (OMB) reporting templates. While all of the offices perform a 100 percent review and provided the volume/value of the universe, we will have them put this in narrative form and add a description of any exclusions from that universe. Estimated Completion Date (ECD): August 2018.

**Recommendation 2-b:** We recommend that the Director, Army Financial Services, U.S. Army Financial Management Command, develop, implement, and submit to the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD a statistically valid sampling plan that identifies the complete universe of Army commercial payments and how each Army overseas paying office will test for improper payments, in accordance with Office of Management and Budget guidance.

**USAFMCOM Response 2-b:** Concur. The U.S. Army Financial Management Command will coordinate with the four OCONUS reporting entities to include a narrative description of the commercial pay sampling plan identified in the standard OMB reporting templates. We will have them put this in narrative form and add a description of any exclusions from that universe. Additionally, any use of less than 100% review will be submitted to OSD for assistance and approval of an acceptable statistical sampling plan. ECD: August 2018.

## Acronyms and Abbreviations

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<b>AFR</b>	Agency Financial Report
<b>CBPO</b>	Commercial Bill Paying Office
<b>DCFO</b>	Under Secretary of Defense (Comptroller), Deputy Chief Financial Officer
<b>DFAS</b>	Defense Finance and Accounting Service
<b>FMR</b>	Financial Management Regulation
<b>IPERA</b>	Improper Payments Elimination and Recovery Act
<b>OMB</b>	Office of Management and Budget
<b>SAO</b>	Senior Accountable Official
<b>UFC</b>	U.S. Army Corps of Engineers Finance Center
<b>USACE</b>	U.S. Army Corps of Engineers
<b>USAFMCOM</b>	U.S. Army Financial Management Command
<b>USD(C)/CFO</b>	Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD



# **Whistleblower Protection**

## **U.S. DEPARTMENT OF DEFENSE**

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