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Audit of the DoD Garnishment Program

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Acronyms

C.F.R.	Code of Federal Regulations
DFAS	Defense Finance and Accounting Service
DRAS	Defense Retiree and Annuitant Pay System
IGARN	Imaging Garnishment System
IGS	Integrated Garnishment System
U.S.C.	United States Code



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

July 19, 2007

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE

SUBJECT: Report on the DoD Garnishment Program (Report No. D-2007-114)

We are providing this report for review and comment. We considered management comments on a draft of this report when preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. The Director, Defense Finance and Accounting Service Cleveland comments were partially responsive. We request additional comments on Recommendations A.3., B.1., B.2., B.5., B.7., B.9., B.10., B.12., and B.13. by August 20, 2007. See the Finding section for the deleted, renumbered, and revised recommendations.

If possible, please send management comments in electronic format (Adobe Acrobat file only) to Audclev@dodig.mil. Copies of the management comments must contain the actual signature of the authorizing official. We cannot accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, they must be sent over the SECRET Internet Protocol Router Network (SIPRNET).

Questions should be directed to Mr. Kenneth B. VanHove at (216) 706-0074 ext. 245 or Mr. John C. Petrucci at (216) 706-0074 ext. 266. See Appendix D for the report distribution. The team members are listed inside the back cover.

By direction of the Deputy Inspector General for Auditing:

A handwritten signature in black ink, reading "Paul J. Granetto", is positioned above the typed name.

Paul J. Granetto, CPA
Assistant Inspector General and Director
Defense Financial Auditing Service

Department of Defense Office of Inspector General

Report No. D-2007-114

July 19, 2007

(Project No. D2005-D000FC-0264.000)

DoD Garnishment Program

Executive Summary

Who Should Read This Report and Why? Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer and Defense Finance and Accounting Service representatives responsible for processing garnishments should read this report. Additionally, Department of Defense, Department of Energy, and Department of Health and Human Services employees who have their earnings garnished by the Defense Finance and Accounting Service should read this report. This report discusses processing garnishments from current and retired military DoD employees' earnings.

Background. Active, reserve, and retired military and Federal civilian employees have pay garnished to pay personal and commercial debts. A garnishment is a legal or equitable procedure that requires an employer to withhold payment for employees' debt. Garnishments are initiated by court orders issued against employers. The Defense Finance and Accounting Service Garnishment Operations, located in Cleveland, Ohio, was the designated agency responsible for handling DoD garnishment services. Additionally, the Defense Finance and Accounting Service Garnishment Operations processes garnishments for the Department of Energy and the Department of Health and Human Services employees. In June 2006, the Defense Finance and Accounting Service started processing garnishments for the U.S. Environmental Protection Agency employees.

During FY 2005, the Defense Finance and Accounting Service Garnishment Operations processed 224,851 new or modified garnishment orders, resulting in monthly payments of \$50 million to \$60 million. The Defense Finance and Accounting Service Garnishment Operations employs attorneys and paralegals that process child support, alimony, and commercial debt garnishments for all current and retired DoD employees, plus court-ordered divisions of property from military retiree pay. The attorneys and paralegals also process Chapter 13 bankruptcies for military retirees and active duty Navy personnel.

Garnishment documentation, such as court orders and correspondence between the Defense Finance and Accounting Service Garnishment Operations and garnishment-related parties, is manually scanned or transmitted into the Imaging Garnishment System. Defense Finance and Accounting Service Garnishment Operations paralegals review court orders that establish garnishment amounts and percentages and enter garnishment information into the Integrated Garnishment System. The Integrated Garnishment System allows the paralegals to perform legal reviews, format legal processes into pay request transactions, provide legal notification, and perform customer service functions. The Integrated Garnishment System interfaces with the Defense Civilian Pay System, Defense Joint Military Pay System-Active Component, the Defense Retiree and Annuitant Pay System, and Non-Appropriated Fund Central Payroll System. These systems use the Integrated Garnishment System information to calculate the garnishment

amount. When an employee's earnings were not sufficient to satisfy the full garnishment amount, disposable earnings were multiplied by a percentage to obtain the garnishment amount. The Integrated Garnishment System does not interface with the Marine Corps, Reserve/Guard, and Combat Related Special Compensation pay systems. These garnishments are processed by the Defense Finance and Accounting Service Garnishment Operations, which provides garnishment information to pay analysts.

Results. The Defense Finance and Accounting Service did not ensure that proper amounts were garnished from current and retired DoD employees to pay debt obligations. Specifically, during FY 2005, the Defense Finance and Accounting Service systems used inaccurate information to calculate garnishment amounts for 162 of the 286 current and retired DoD employees, the Integrated Garnishment System included unsupported garnishment information for 4 of the 286 current and retired DoD employees. In addition, the Integrated Garnishment System included inconsistent court order information for multiple garnishment orders for 8 of the 286 current and retired DoD employees. Additionally, the Defense Finance and Accounting Service Garnishment Operations did not always provide written notification to employees or issue written notification within 15 calendar days. Based on our statistical sample, DFAS improperly garnished approximately \$6.6 million from current and retired DoD employees' earnings during FY 2005. Additionally, the Defense Finance and Accounting Service could garnish incorrect amounts from current and retired DoD employees' present and future earnings. The Defense Finance and Accounting Service should establish a formal managers' internal control program, establish and revise internal policies and procedures, modify the Defense Finance and Accounting Service systems, and revise current and retired DoD employees' accounts with accurate information. See the Finding section for the detailed recommendations. See Appendix B for the sample analysis and interpretation.

Management Comments and Audit Response. The Director, Defense Finance and Accounting Service Cleveland concurred with six recommendations, nonconcurred with nine recommendations, and partially concurred with five recommendations. As a result of management comments, we deleted, renumbered, and revised five draft recommendations. The Director, Defense Finance and Accounting Service Cleveland management comments were responsive to eight recommendations, nonresponsive to six recommendations, and partially responsive to three recommendations. We request that the Director, Defense Finance and Accounting Service Cleveland provide comments on the final report by August 20, 2007. See the Finding section of the report and Appendix C for a discussion of management comments and the Management Comments section of the report for the complete text of the comments.

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Background

Active, reserve, and retired military and Federal civilian employees are garnished to pay personal and commercial debts. A garnishment is a legal or equitable procedure that requires an employer to withhold payment for employees' debt. Garnishments are initiated by court orders issued against employers.

Defense Finance and Accounting Service Garnishment Operations. In October 1995, the Defense Finance and Accounting Service (DFAS) completed the consolidation of five DFAS Pay Centers and over 300 individual payroll offices into a single garnishment operations office. DFAS Garnishment Operations, located in Cleveland, Ohio, was the designated agency responsible for handling DoD garnishment services. DFAS Garnishment Operations employs attorneys and paralegals that process child support, alimony, and commercial debt garnishments for all current and retired DoD employees, plus court-ordered divisions of property from military retired pay. They also process Chapter 13 bankruptcies of military retirees and active duty Navy personnel. Additionally, DFAS Garnishment Operations processes garnishments for the Department of Energy and the Department of Health and Human Services employees. In June 2006, DFAS started processing garnishments for the U.S. Environmental Protection Agency employees. During FY 2005, DFAS Garnishment Operations processed 224,851 new or modified garnishment orders, resulting in monthly payments of \$50 million to \$60 million.

Garnishment Processing. In 2001, DFAS Garnishment Operations converted from a paper file system to the Electronic Document Management System. The Electronic Document Management System maintained garnishment support and correspondence between DFAS Garnishment Operations and garnishment-related parties.¹ In August 2005, the Electronic Document Management System was rewritten to a web application, Imaging Garnishment System (IGARN). Garnishment documentation² received by mail is manually scanned into IGARN, while electronic garnishment documentation is transmitted directly into the system. Paralegals review court orders in IGARN and enter garnishment information into the Integrated Garnishment System (IGS). IGS allows the paralegal to perform legal reviews, format legal processes into pay request transactions, provide legal notification, and perform customer service functions. IGS interfaces with the Defense Civilian Pay System, Defense Joint Military Pay System-Active Component,³ Defense Retiree and Annuitant Pay System (DRAS), and Non-Appropriated Fund Central Payroll System. These systems use IGS information to calculate the garnishment amount. Once the pay processing period

¹ Garnishment-related parties include: current and retired DoD employees, attorneys, former spouses, support agencies, and DFAS Pay Centers.

² Garnishment documentation includes court orders and correspondence between DFAS Garnishment Operations and garnishment-related parties. Garnishment correspondence includes telephone inquiries, e-mails, letters, pay system correspondence, and interrogatory requests.

³ The Defense Joint Military Pay System-Active Component interfaces with IGS through the Automated Garnishment System. The Automated Garnishment System calculates disposable earnings and the maximum garnishment amount.

has ended, the pay systems populate IGS with the calculated disposable earnings⁴ and actual garnishment amounts. IGS does not interface with the Marine Corps, Reserve/Guard,⁵ and Combat Related Special Compensation pay systems. These garnishments are processed by DFAS Garnishment Operations providing garnishment information to pay analysts.

Garnishment Calculation. Court orders established garnishment amounts and percentages. The court ordered percentage is the maximum garnishment limitation that can be garnished under State or local law. When an employee's earnings were not sufficient to satisfy the full garnishment amount, disposable earnings were multiplied by a percentage⁶ to obtain the garnishment amount.

Objectives

Our overall audit objective was to determine whether DFAS accurately garnished the earnings of current and retired DoD employees to pay debt obligations. We also reviewed the management control program as it related to the overall objective. See Appendix A for a discussion of the scope and methodology.

Review of Internal Controls

DoD Directive 5010.38, "Management Control Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control Program Procedures," August 28, 1996 requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.⁷

Scope of the Review of the Managers' Internal Control Program. We reviewed the adequacy of DFAS managers' internal controls over processing garnishments. Specifically, we reviewed DFAS Garnishment Operations user access logs for changes in IGS, prepayment sampling transactions, phone conversation logs with employees, and transactions reviewed by team supervisors. We also reviewed the adequacy of management's self-evaluation of those controls.

Adequacy of Management Controls. We identified material management control weaknesses for the garnishment process as defined by DoD Instruction

⁴ Disposable earnings are the part of an individual's total earnings remaining after deductions required by law are withheld. Some of these deductions include Federal, state and local taxes, and social security.

⁵ The Reserve/Guard uses the Pay Garnishment Bankruptcy Taxes System to calculate disposable earnings and the garnishment amount.

⁶ The percentage is the lesser of the Federal or court ordered maximum garnishment limitation.

⁷ Our review of internal controls was done under the auspices of DoD Directive 5010.38, "Management Control Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control Program Procedures," August 28, 1996. DoD Directive 5010.38 was canceled on April 3, 2006. DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," was reissued on January 4, 2006.

5010.40. Specifically, a formalized managers' internal control program was not established by DFAS Garnishment Operations for FY 2005 to ensure: accurate information was used to calculate garnishment amounts; court orders were properly maintained; and garnishment orders were processed consistently. The recommendations, if implemented, will correct the procedures for processing garnishments. See the finding for further details on the internal control weaknesses. A copy of the report will be provided to the senior official responsible for management controls in DFAS.

Adequacy of Management's Self-Evaluation. DFAS officials identified garnishment process interface as an assessable unit and in our opinion, correctly identified some risk areas associated with the garnishment process. The DFAS Internal Review office conducted an assessment of garnishment processing and reported material management control weaknesses with implementing the Certifying Officers' Legislation. Specifically, pre- and post-payment reviews were not compliant with the stated requirements. Data input into IGS were not reviewed prior to interfacing with pay systems, resulting in undetected errors and irregularities. DFAS Garnishment Operations implemented a pre-payment sampling plan for new cases and existing cases requiring adjustment to minimize errors and the processing of fraudulent documents in IGS. We agree with DFAS Internal Review that DFAS Garnishment Operations should conduct additional reviews on data input into IGS; however, the pre-payment reviews will not ensure the accuracy of previously existing cases not requiring adjustment.

Accuracy of Garnishments

DFAS did not ensure proper amounts were garnished from current and retired DoD employees to pay debt obligations. Specifically, during FY 2005:

- DFAS systems used inaccurate information to calculate garnishment amounts for 162 of the 286 current and retired DoD employees,
- IGS included unsupported garnishment information for 4 of the 286 current and retired DoD employees, and
- IGS included inconsistent court order information for multiple garnishment orders for 8 of the 286 current and retired DoD employees.

DFAS Garnishment Operations did not establish a formal managers' internal control program for FY 2005 to ensure the accuracy of garnishments. Based on our statistical sample, DFAS improperly garnished approximately \$6.6 million from current and retired DoD employees' earnings during FY 2005. Additionally, DFAS could garnish incorrect amounts from current and retired DoD employees' present and future earnings. See Appendix B for the sample analysis and interpretation.

Criteria for Garnishment Restrictions

United States Code. As stated in section 1673(b)(2), title 15, United States Code (15 U.S.C. 1673(b)(2)), the maximum garnishment limitation for the support of a person shall not exceed 60 percent, unless the employee is supporting another spouse and/or dependent child, then it shall not exceed 50 percent. However, the garnishment limitation of 50 and 60 percent can increase to 55 and 65 percent, respectively, when arrearages⁸ are 12 or more weeks.⁹

As stated in the Uniformed Services Former Spouses' Protection Act (Former Spouse Act), section 1408(e), title 10, United States Code (10 U.S.C. 1408(e)), the maximum garnishment limitation for the Former Spouse Act court orders¹⁰ shall not exceed 50 percent. If the employee had a combination of support order(s)¹¹ and Former Spouse Act court order(s), the maximum garnishment

⁸ Arrearages are past due support payments.

⁹ Percentages apply to those garnishments that are ordered by a court.

¹⁰ Former Spouse Act court orders included child support, alimony, and/or the division of property (including community property). A division of property is the payment of military retired pay to a former spouse.

¹¹ Support orders are income withholding orders sent to an individual's employer for child or spousal support.

limitation may not exceed 65 percent. Additionally, those orders should be satisfied on a first-come, first-served basis.

Code of Federal Regulations. As stated in 5 Code of Federal Regulations (C.F.R.) Section 581 (2006), the designated agent shall send a written notice to the employee no later than 15 calendar days after being served with a court order. In addition, the Consumer Credit Protection Act maximum garnishment limitations are applied unless the State or local law provides a lesser maximum garnishment limitation. The maximum garnishment limitation applies to the total combined disposable earnings received by the employee. Furthermore, the recipient may receive an additional 5 percent when arrearages of 12 or more weeks appear on the court order. If the court order does not include arrearages of 12 or more weeks, the recipient can submit to DFAS a certified copy of the order or other acceptable evidence establishing this fact.

Accuracy of Garnishment Information

DFAS did not ensure that proper amounts were garnished from current and retired DoD employees to pay debt obligations. During FY 2005, DFAS systems used inaccurate information to calculate garnishment amounts for 162 of the 286 current and retired DoD employees. Specifically, DFAS systems included inaccurate garnishment amounts and limitations and disposable earnings calculations. Additionally, IGS limitations existed for manual and multiple system garnishment payments. Furthermore, IGS included improper order of precedence for some orders.

Accuracy of Garnishment Amounts and Limitations. DFAS systems used inaccurate amounts and limitations to calculate garnishments. Specifically, IGS contained garnishment amounts that did not match the court-ordered amounts. IGS also contained maximum garnishment limitations that did not follow 5 C.F.R. Section 581.402 (2006). The maximum garnishment limitations for disposable earnings subject to garnishment to enforce any support order(s) are specified in 5 C.F.R. Section 581.402 (2006). These maximum garnishment limitations apply unless a lower maximum garnishment limitation is provided by applicable state or local law. However, IGS did not always account for these lower maximum garnishment limitations.

Accuracy of Disposable Earnings Calculations. DFAS systems used inaccurate disposable earnings to calculate garnishment amounts. Specifically, the retired military employees' disposable earnings were inaccurately calculated after receiving cost of living adjustments and did not include proper tax and survivor benefit premium deductions. Military employees' disposable earnings computations did not include some miscellaneous debt deductions. Additionally, military reservists' disposable earnings computations did not include Thrift Savings Plan contributions as a deduction. IGS also included disposable earnings amounts that could not be computed using DFAS methodologies.

IGS Limitations for Manual and Multiple System Payments. IGS limitations exist for manual and multiple system garnishment payments. Specifically, IGS

did not contain the Defense Civilian Pay System, the Defense Joint Military Pay System-Active Component, and DRAS manual payment information. For example, DFAS Retired and Annuitant Pay¹² deducted a garnishment from a manual payment; however, IGS did not include the manual payment information. Additionally, IGS did not include all Marine Corps, Reserve/Guard, and Combat Related Special Compensation payment information.

IGS also included garnishment amounts for the same court order from multiple pay systems. For example, an employee had a garnishment taken from the Defense Joint Military Pay System-Active Component. During the same period, the employee was also garnished from the Defense Civilian Pay System, resulting in duplicate garnishment payments.

IGS Garnishment Order of Precedence. IGS included improper order of precedence for some support orders and Former Spouse Act court order(s). The garnishment service date established the order of precedence for processing. However, DFAS Garnishment Operations entered service dates into IGS that were not consistent with the order in which the court orders were received.

Supporting Documentation for Garnishments

IGS included unsupported garnishment information for 4 of the 286 current and retired DoD employees. Specifically, IGARN did not include applicable court orders justifying existing garnishments within IGS. For example, IGS identified a child support garnishment amount of \$404.25. However, IGARN did not contain a court order supporting the garnishment amount.

Consistency of IGS Information

IGS included inconsistent court order information for multiple garnishment orders for 8 of the 286 current and retired DoD employees.¹³ Specifically, IGS included combined amounts associated with multiple garnishment types into one garnishment. For example, IGS included child support and alimony as a single garnishment; however, in another example, the garnishments were separated. By inconsistently establishing garnishments within IGS, DFAS Garnishment Operations increased the likelihood of future errors.

¹² DFAS Retired and Annuitant Pay provides contractor oversight responsibility of Lockheed Martin. Lockheed Martin processes monthly payroll and pay-related services for military retirees and their annuitants. Additionally, Lockheed Martin processes special compensation pay for combat-related disabled military retirees.

¹³ Multiple garnishment orders occur when several garnishment types are included within a single court order.

Adequacy of Garnishment Processing Reviews

DFAS Garnishment Operations did not establish a formal managers' internal control program for FY 2005 to ensure the accuracy of garnishments. However, DFAS Garnishment Operations conducted periodic garnishment processing reviews. Specifically, supervisors periodically reviewed one percent of new or modified garnishment transactions entered into IGS. Additionally, supervisors reviewed 100 percent of phone logs documenting telephone conversations between paralegals and garnishment-related parties. Supervisors also reviewed the user access log, which tracks changes made by the system administrator. During FY 2005, DFAS Garnishment Operations' supervisors reviewed approximately 2,000 new or modified garnishment transactions and 11,781 phone logs. A DFAS Garnishment Operations' representative stated that they rely primarily on notification from garnishment-related parties to identify garnishment problems.

In July 2005, DFAS Garnishment Operations implemented a monthly pre-payment sampling plan. Specifically, the pre-payment assessment reviewed four percent of new and existing cases requiring adjustment. Pre-payment reviews should reduce the potential for improper garnishments; however, the reviews will not ensure the accuracy for existing cases not requiring adjustment. Although DFAS Garnishment Operations conducted reviews, the reviews did not identify improperly processed garnishment information, improperly maintained court orders during transitions, and inconsistently processed court orders. DFAS Garnishment Operations should establish a formal managers' internal control program that includes a review of cases not requiring adjustment to reduce the number of improper garnishments.

Processing Court Ordered Garnishment Amounts and Limitations. DFAS Garnishment Operations inaccurately processed garnishment amounts and limitations. Specifically, DFAS Garnishment Operations did not update IGS garnishment amounts after the reprogramming of pay systems, improperly processed termination orders and multiple family support orders,¹⁴ and incorrectly entered court ordered garnishment amounts into IGS. DFAS Garnishment Operations also improperly applied and established internal policies that were inconsistent with 5 C.F.R. Section 581 (2006) when applying garnishment limitations.

Updating IGS Garnishment Amounts. DFAS Garnishment Operations did not update IGS with current garnishment amounts after pay systems reprogramming. A DFAS Garnishment Operations representative stated that prior to January 2001, DFAS pay systems could not compute the garnishment amount using the garnishment limitation percentage within IGS. Therefore, DFAS Garnishment Operations calculated and entered the garnishment amount in IGS. As a result, DFAS garnished current and retired DoD employees' earnings for the same amount each month despite pay increases. In January 2001, DFAS updated the pay systems to calculate the garnishment amount based on garnishment

¹⁴ Multiple family support orders occur when several court orders for support of different families are issued against the earnings of the same employee.

limitations. DFAS Garnishment Operations decided that it would be too time consuming to review and update the court ordered amounts in IGS even though converted garnishment cases are easily identified as “CON” within IGS. DFAS Garnishment Operations stated that the receipt of amended court orders would update the garnishment amounts in IGS. DFAS Garnishment Operations should review and update these cases to ensure that current and retired military DoD employees are accurately garnished.

Processing Termination Orders. DFAS Garnishment Operations improperly processed termination orders. DFAS Garnishment Operations did not process termination orders when the employee’s pay status was inactive in IGS. DFAS Garnishment Operations, “Integrated Garnishment System Manual,” states that IGS does not allow a paralegal to process a termination order if the transaction status of the garnishment is inactive. The paralegal is required to notify the appropriate system support specialist to terminate the garnishment. However, DFAS Garnishment Operations did not process these termination orders, and the garnishments continued.

Additionally, DFAS Garnishment Operations did not process termination orders within 30 days. DFAS Garnishment Operations, “Paralegal/Customer Service Reference and Training Manual,” December 1998, stated that termination orders should be processed within 30 days. In one example, DFAS Garnishment Operations terminated a garnishment 4 months after receipt of the termination order. DFAS Garnishment Operations should provide training to ensure appropriate and timely termination of court orders.

Processing Multiple Family Support Orders. DFAS Garnishment Operations improperly processed multiple family support orders. DFAS Garnishment Operations developed a worksheet to calculate allocation percentages proportionate to the total garnishment amount of all support orders. Although DFAS Garnishment Operations updated the garnishment amount within IGS, they did not update allocation percentages upon receipt of amended support orders. Therefore, garnishment amounts are no longer proportionately distributed between multiple families. DFAS Garnishment Operations should update allocation percentages within IGS so overall garnishment amounts are appropriately distributed between multiple families.

Entering Garnishment Amounts. DFAS Garnishment Operations incorrectly entered court-ordered garnishment amounts into IGS. A DFAS Garnishment Operations’ representative stated that court orders were entered in error. They were unable to identify data entry errors because only one percent of all new or modified garnishment cases were reviewed. DFAS Garnishment Operations should review a greater percentage of garnishment cases, to include unmodified cases, to reduce the number of improper garnishments.

Applying Maximum Garnishment Limitations. DFAS Garnishment Operations improperly applied 5 C.F.R Section 581.402 (2006) when processing court orders. As stated in 5 C.F.R. Section 581.402 (2006), the garnishment amount is calculated using the lesser of the Federal, state, or local maximum garnishment limitations. However, paralegals entered the incorrect garnishment limitations in IGS because they inconsistently applied the lesser garnishment

limitation. For example, they applied the Federal maximum garnishment limitation of 65 percent to calculate the garnishment amount, although the maximum garnishment limitation from the court order was 50 percent. DFAS Garnishment Operations should apply the lesser of the Federal or court-ordered maximum garnishment limitation to reduce the number of inaccurate garnishments.

DFAS Garnishment Operations established internal policies that were inconsistent with Federal regulations. DFAS Garnishment Operations' Policy Letter 2-9, "Support Orders and Consumer Credit Protection Act Limits," July 2002, directed paralegals to process support orders with the additional 5 percent, even if the "arrears are over 12 weeks" box was not marked. Federal regulations require that court orders establish that arrearages are 12 or more weeks or that the head of the government entity establish other acceptable evidence to garnish an additional 5 percent. However, DFAS Garnishment Operations did not define other acceptable evidence required for establishing arrearages of 12 or more weeks.

Additionally, Policy Letter 2-9 directed paralegals to process orders identifying only current support at a maximum of either 55 or 65 percent when those percentages are stated on an order. A DFAS Garnishment Operations representative stated that the paralegals assumed the current garnishment amount included arrearages because the court order included the additional 5 percent. However, 5 C.F.R. Section 581.402 (2006) requires that court orders be processed at a maximum of either 50 or 60 percent when they include only current support. DFAS Garnishment Operations should implement revised internal policy to reduce the number of improper garnishments. Additionally, DFAS Garnishment Operations should define other acceptable evidence for establishing arrearages of 12 or more weeks to support the 5 percent increase in the maximum garnishment limitation.

Calculating Disposable Earnings. DFAS pay systems inaccurately calculated disposable earnings. Specifically, DRAS, the Automated Garnishment System, and the Pay Garnishment Bankruptcy Taxes System improperly computed some current and retired military employees' disposable earnings. During January 2005, DRAS inconsistently applied the annual cost of living adjustment when calculating disposable earnings. A DFAS Garnishment Operations representative acknowledged this issue and previously requested that DFAS Retired and Annuitant Pay correct DRAS; however, this issue remains unresolved.

Additionally, DRAS inconsistently applied the lesser of the tax withholding or authorization amount when calculating retired military employees' disposable earnings. DoD Financial Management Regulation 7000.14-R, volume 7B, chapter 29, "Former Spouse Payment from Retired Pay," July 2005 states that retired employees' disposable earnings should be calculated using the lesser of the tax withholding or authorization amount. DFAS Garnishment Operations reviewed retired employees' Federal and state tax withholding amounts and entered the tax authorization amount required to satisfy the retired employees' tax obligation. The reviews ensured that employees did not increase their tax withholding amount with the intent of decreasing disposable earnings and the garnishment amount. However, DRAS did not always use the lesser of these two

amounts and, in some cases, did not use either amount when calculating disposable earnings. DRAS also improperly calculated some disposable earnings without a survivor benefit premium deduction because the beneficiaries' social security numbers were improperly entered. DFAS should consistently apply the annual cost of living adjustments, the lesser of the tax withholding or authorization amount, and enter the proper beneficiary social security numbers to reduce the number of improper garnishments.

The Automated Garnishment System and the Pay Garnishment Bankruptcy Taxes System improperly computed some current military employees' disposable earnings. An Automated Garnishment System functional analyst stated that some miscellaneous debts should be included as deductions within military employees' disposable earnings calculations. Additionally, 5 C.F.R. Section 581.105 (2006) stated that Thrift Savings Plan contributions should be included as a deduction within military reservists' disposable earnings calculations. However, the systems did not include these items as deductions when calculating disposable earnings. DFAS Military Pay also could not identify some disposable earnings methodologies used to calculate amounts within IGS. DFAS should properly include some miscellaneous debts and Thrift Savings Plan contributions as deductions within disposable earnings calculations and consistently apply disposable earnings methodologies to reduce the number of improper garnishments.

IGS Capabilities for Manual and Multiple System Payments. IGS does not interface with all DFAS pay systems. Specifically, DFAS did not establish an electronic interface for manual payments or between IGS and Marine Corps, Reserve/Guard, and Combat Related Special Compensation pay systems. DFAS management determined that system interfaces were not cost-effective to implement. Additionally, IGS is not capable of consolidating garnishment amounts received from multiple pay systems. Although IGS interfaces with some pay systems, it separates each garnishment by pay system. DFAS Garnishment Operations could not identify when employees had duplicate garnishments deducted from their earnings. Additionally, DFAS Garnishment Operations did not reconcile IGS information to compensate for system limitations. DFAS Garnishment Operations should establish and implement reconciliation procedures to identify potential garnishments that exceed court order limitations.

Modification of Garnishment Order of Precedence. DFAS Garnishment Operations improperly modified the garnishment precedence order for several retired DoD employees. At the former spouse's request, DFAS Garnishment Operations gave priority to community property orders by terminating and reestablishing the garnishment with a new service date. According to a DFAS Garnishment Operations representative, former spouses have the right to terminate and restart the enforcement without obtaining new support orders. Additionally, the representative stated that Former Spouse Act court orders cannot collect arrearages; however, support orders allow the former spouse to collect arrearages. By modifying the order of precedence, the former spouse may receive the accumulated arrearages payments. However, the change in garnishment precedence order without obtaining new support orders is not in accordance with 10 U.S.C. 1408(e)(4)(A). According to 10 U.S.C. 1408(e)(4)(A), court orders should be satisfied on a first-come, first-

served basis when retired military employees had combinations of support order(s) and Former Spouse Act court order(s). DFAS Garnishment Operations should provide training to ensure court orders are processed on a first-come, first-served basis.

Maintaining Garnishment Documentation. DFAS Garnishment Operations did not properly maintain court orders during system transitions. A DFAS Garnishment Operations representative stated that some court orders were not provided during the consolidation of the garnishment function into DFAS Garnishment Operations. The representative also stated that the contractor may not have scanned all court orders into IGARN when converting from a paper system to an electronic imaging system. DFAS Garnishment Operations should maintain garnishment documentation to support garnishments.

Processing Court Orders Consistently. DFAS Garnishment Operations did not establish standard policies or procedures for processing multiple garnishments. Specifically, the DFAS Garnishment Operations, “Paralegal/Customer Service Reference and Training Manual,” December 1998, was silent on the processing of multiple garnishments. Due to the lack of internal policy, paralegals inconsistently processed multiple garnishment orders. DFAS Garnishment Operations should establish policies and procedures for multiple garnishment orders to consistently process multiple garnishment orders.

Garnishment Deductions

Based on our statistical sample, DFAS improperly garnished approximately \$6.6 million from current and retired DoD employees’ earnings during FY 2005. In addition, DFAS could garnish incorrect amounts from current and retired DoD employees’ earnings during FY 2005 because DFAS Garnishment Operations did not properly maintain supporting documentation. The potential also exists for DFAS to garnish incorrect amounts from future earnings of current and retired DoD employees because DFAS Garnishment Operations inconsistently processed court orders. See Appendix B for the sample analysis and interpretation.

Management Comments on the Finding and Audit Response

Summaries of management comments on the finding and our audit response are in Appendix C.

Recommendations, Management Comments, and Audit Response

Deleted, Renumbered, and Revised Recommendations. As a result of management comments, we renumbered draft Recommendation A.2.a. to Recommendation A.2. and deleted draft Recommendations A.2.b. and A.2.c. We revised draft Recommendation A.3. by removing Family Servicemembers' Group Life Insurance as a required deduction for calculating disposable earnings. We deleted draft Recommendation B.6.a., B.6.b., and B.6.c. and renumbered Recommendation B.7. to Recommendation B.6. We also revised Recommendation B.6. to ensure consistent processing of support orders, establish arrearages of 12 or more weeks in order to increase the maximum garnishment limitation, and define "other evidence acceptable" submitted for establishing arrearages of 12 or more weeks. Additionally, we revised Recommendation B.12. for the Assistant General Counsel for Garnishment Operations, Defense Finance and Accounting Service to follow established court order retention policies and procedures.

A. We recommend that the Director, Defense Finance and Accounting Service:

1. Establish a formal managers' internal control program for the garnishment process in accordance with applicable management control regulations.

Management Comments. The Director, Defense Finance and Accounting Service Cleveland nonconcurred and stated that the Defense Finance and Accounting Service Garnishment Operations currently has a comprehensive management control program in place. It includes monthly reviews of assessable units, an annual Statement of Assurance, Federal Managers' Financial Integrity Act quarterly reports, and a comprehensive series of pre- and post-payment reviews.

Audit Response. Although the Director, Defense Finance and Accounting Service Cleveland nonconcurred with Recommendation A.1., the comments are responsive. A formal managers' internal control program was not established for FY 2005; however, a formal managers' internal control program was in effect during FY 2006. Action taken by the Assistant General Counsel of Garnishment Operations, Defense Finance and Accounting Service to establish a formal managers' internal control program satisfies the recommendation. No further comments are required.

2. Modify the Defense Retiree and Annuitant Pay System to ensure proper application of annual cost of living adjustments and lesser of the tax withholding or authorization amount when calculating disposable earnings.

Management Comments. The Director, Defense Finance and Accounting Service Cleveland concurred and stated that corrective actions will be completed by August 1, 2007.

3. Modify the Automated Garnishment System disposable earnings calculation to include some miscellaneous debts as deductions.

Management Comments. The Director, Defense Finance and Accounting Service Cleveland nonconcurred and stated that not all miscellaneous debts are authorized deductions. Authorized miscellaneous deductions are coded as “DS” debts within the Defense Joint Military Pay System. The Director, Defense Finance and Accounting Service Cleveland stated that the Defense Joint Military Pay System is programmed correctly to use specified miscellaneous debts as deductions when computing disposable pay.

Audit Response. The Director, Defense Finance and Accounting Service Cleveland comments are nonresponsive. We identified examples when miscellaneous debts coded as “DS” were not included as deductions when calculating disposable earnings. We request that the Director, Defense Finance and Accounting Service Cleveland reconsider her position and provide additional comments on the final report.

4. Modify the Pay Garnishment Bankruptcy Taxes System disposable earnings calculation to include Thrift Savings Plan contributions as a deduction.

Management Comments. The Director, Defense Finance and Accounting Service Cleveland concurred and stated that corrective actions will be completed by April 1, 2008.

B. We recommend that the Assistant General Counsel for Garnishment Operations, Defense Finance and Accounting Service:

1. Revise all 162 current and retired DoD employees’ accounts with accurate information to calculate garnishment amounts. Additionally, notify the current and retired DoD employees when an incorrect amount was garnished by annotating their leave and earnings statement or by sending a letter.

Management Comments. The Director, Defense Finance and Accounting Service Cleveland nonconcurred and stated that the Assistant General Counsel of Garnishment Operations, Defense Finance and Accounting Service does not agree that 206 employees’ accounts contain inaccurate information for calculating garnishment amounts.

Audit Response. The Director, Defense Finance and Accounting Service Cleveland comments are nonresponsive. Although we modified our analysis and the report based on management comments, 162 of the 206 accounts previously identified still have inaccurate information that DFAS needs to correct. We identified a number of issues that resulted in inaccurate information. Military pay systems’ disposable earnings computations did not include some miscellaneous debts and Thrift Savings Plan contributions as deductions. Additionally, DRAS did not include proper tax and deductions for survivor benefit premiums. DRAS also inaccurately calculated retired military employees’ disposable earnings after members received cost of living adjustments. We also identified a number of

other issues that resulted in improper garnishments from current and retired DoD employees' pay. DFAS Garnishment Operations paralegals did not update IGS garnishment amounts after pay systems reprogramming, did not properly process terminations orders and multiple family support orders, and incorrectly entered court-ordered garnishment amounts and limitations into IGS. We request that the Director, Defense Finance and Accounting Service Cleveland reconsider her position and provide additional comments on the final report.

2. Increase the monthly review of new garnishment cases and existing cases requiring adjustment and establish a review process for garnishment cases not requiring adjustments.

Management Comments. The Director, Defense Finance and Accounting Service Cleveland concurred and stated that the Assistant General Counsel of Garnishment Operations, Defense Finance and Accounting Service will work with the Defense Finance and Accounting Service Internal Review to modify the current random sampling process to include a review of cases that have not required adjustment. Corrective actions will be completed by August 1, 2007.

Audit Response. Although the Director, Defense Finance and Accounting Service Cleveland concurred with our recommendation, her comments were partially responsive. The Director, Defense Finance and Accounting Service Cleveland comments did not address increasing the monthly review of new garnishment cases and existing cases that require adjustment. Therefore, we ask that the Director, Defense Finance and Accounting Service Cleveland provide additional comments on the final report.

3. Review all cases identified as "CON" within the Integrated Garnishment System and update applicable garnishment information.

Management Comments. The Director, Defense Finance and Accounting Service Cleveland concurred and stated that there are 38,000 converted accounts that have not had a subsequent action posted on them since the conversion date. The Assistant General Counsel of Garnishment Operations, Defense Finance and Accounting Service will develop a plan to ensure that all conversion cases are reviewed. Corrective actions will be completed by April 1, 2008.

4. Provide training to ensure appropriate and timely termination of garnishments.

Management Comments. The Director, Defense Finance and Accounting Service Cleveland concurred and stated that the Assistant General Counsel of Garnishment Operations, Defense Finance and Accounting Service will increase the frequency of paralegal remedial training and re-emphasize the importance of processing all transactions within the required time limitations. Corrective actions will be completed by August 1, 2007.

5. Review all multiple family support orders to update allocation percentages within the Integrated Garnishment System.

Management Comments. The Director, Defense Finance and Accounting Service Cleveland partially concurred and stated that several instances were identified in which the paralegal failed to follow the established allocation procedures. The Director, Defense Finance and Accounting Service Cleveland stated that additional training should correct the issue. Additionally, the Assistant General Counsel of Garnishment Operations, Defense Finance and Accounting Service agreed to increase the percentage of multiple family support order cases reviewed by supervisors. Remedial training will be completed by August 1, 2007.

Audit Response. The Director, Defense Finance and Accounting Service Cleveland comments are partially responsive. We recognize that the Assistant General Counsel of Garnishment Operations, Defense Finance and Accounting Service plans to increase reviews of multiple family support order cases; however, increasing reviews will not ensure that existing multiple family support orders are properly allocated within the Integrated Garnishment System. Therefore, we request that the Assistant General Counsel of Garnishment Operations, Defense Finance and Accounting Service review existing multiple family support orders within the Integrated Garnishment System and update allocation percentages as needed. We ask that the Director, Defense Finance and Accounting Service Cleveland provide additional comments on the final report.

6. Revise and implement the Defense Finance and Accounting Service Garnishment Operations Policy Letter 2-9, "Support Orders and Consumer Credit Protection Act Limits," July 2002 to:

a. Ensure consistent processing of support orders by applying the lesser of the Federal or court ordered maximum garnishment limitation.

b. Establish that arrearages must be 12 or more weeks in order to increase the maximum garnishment limitation by an additional 5 percent.

c. Define "other evidence acceptable" submitted for establishing arrearages of 12 or more weeks.

Management Comments. The Director, Defense Finance and Accounting Service Cleveland partially concurred. She stated that the Assistant General Counsel of Garnishment Operations, Defense Finance and Accounting Service will contact the Federal Office of Child Support Enforcement regarding the policy that instructs paralegals to increase the maximum limitation for cases specifying 55 percent or 65 percent but indicating only current support on the court order. According to the Director, Defense Finance and Accounting Service Cleveland, this policy was instituted when a number of states began combining all ordered amounts into one total without breaking out current and arrearage amounts. The Assistant General Counsel of Garnishment Operations, Defense Finance and Accounting Service will clarify the paragraph within Policy Letter 2-9 regarding 12 weeks of arrears and will define "other evidence acceptable" to ensure consistent processing of court orders. Corrective actions will be completed by August 1, 2007.

Audit Response. Although the Director, Defense Finance and Accounting Service Cleveland only partially concurred with our recommendations, the comments are responsive. The Director, Defense Finance and Accounting Service Cleveland agreed to revise Policy Letter 2-9 to further clarify the processing of court orders. No further comments are required.

7. Coordinate with the Defense Finance and Accounting Service Pay Operations to ensure that disposable earnings comply with Federal regulations.

Management Comments. The Director, Defense Finance and Accounting Service Cleveland partially concurred and stated that the pay systems, with the exception of the Defense Joint Military Pay System-Reserve Component, are programmed in accordance with laws and regulations. Corrective action regarding the Defense Joint Military Pay System-Reserve Component will be completed by April 1, 2008.

Audit Response. The Director, Defense Finance and Accounting Service Cleveland comments are nonresponsive. We agree with the Director, Defense Finance and Accounting Service Cleveland that disposable earnings issues exist within the Defense Joint Military Pay System-Reserve Component. However, additional disposable earnings issues remain within the Defense Joint Military Pay System-Active Component and DRAS. Specifically, the Defense Joint Military Pay System-Active Component disposable earnings computations did not include some miscellaneous debt deductions. Additionally, DRAS inaccurately calculated retired military employees' disposable earnings after members received cost of living adjustments and did not include proper tax and deductions for survivor benefit premiums. We request that the Director, Defense Finance and Accounting Service Cleveland reconsider her position and provide additional comments on the final report.

8. Coordinate with the Defense Finance and Accounting Service Retired and Annuitant Pay to ensure that survivor benefit premium beneficiary social security numbers are correct.

Management Comments. The Director, Defense Finance and Accounting Service Cleveland partially concurred. She stated that the Defense Finance and Accounting Service Garnishment Operations and the Defense Finance and Accounting Service Retired and Annuitant Pay will conduct periodic supervisory reviews to ensure that Uniformed Services Former Spouses' Protection Act applicant information regarding survivor benefit premium beneficiary is accurate. Additionally, the Defense Finance and Accounting Service Retired and Annuitant Pay will issue an office-wide "Tip of the Day" to all personnel responsible for processing such accounts on the importance of accurate survivor benefit premium beneficiary information. Corrective action will be completed by August 1, 2007.

Audit Response. Although the Director, Defense Finance and Accounting Service Cleveland only partially concurred with our recommendations, the comments are responsive. The Director, Defense Finance and Accounting Service Cleveland identified corrective actions to ensure that survivor benefit

premium beneficiary social security numbers are correct. No further comments are required.

9. Establish and implement reconciliation procedures to capture manual and multiple system payments.

Management Comments. The Director, Defense Finance and Accounting Service Cleveland nonconcurred and stated that pay systems keep payment records, not the Integrated Garnishment System. Additionally, each pay system, not the Defense Finance and Accounting Service Garnishment Operations, should maintain records of offline payments.

Audit Response. The Director, Defense Finance and Accounting Service Cleveland comments are nonresponsive. We recognize that the pay systems should maintain payment records; however, the pay systems do not interface with one another, and multiple system payment information is unavailable. Because the Integrated Garnishment System captures payment information from multiple pay systems, it is logical to establish reconciliation procedures involving the Integrated Garnishment System. Establishing reconciliation procedures would assist with paralegal reviews and enable DFAS Garnishment Operations to identify duplicate garnishment payments that exceed court order limitations made from multiple payment systems. We request that the Director, Defense Finance and Accounting Service Cleveland reconsider her position and provide additional comments on the final report.

10. Provide training to ensure support orders and Former Spouse Act court orders are processed on a first-come, first-served basis.

Management Comments. The Director, Defense Finance and Accounting Service Cleveland nonconcurred and stated that the cases identified involved orders for support that is not being paid to a Child Support Enforcement Agency, but, rather is being paid directly to the custodial parent. In these instances the custodial parent is receiving both support and Former Spouse Act payments. The Director, Defense Finance and Accounting Service Cleveland stated that the first-come, first-served basis identified in the DoD Financial Management Regulation 7000.14-R, volume 7B, chapter 29, section 291105 is only applicable when multiple claimants are involved and not applicable in the cases identified.

Audit Response. The Director, Defense Finance and Accounting Service Cleveland comments are nonresponsive. The DoD Financial Management Regulation 7000.14-R, volume 7B, chapter 29, section 291105 does not provide that the first-come, first-served basis is only applicable when multiple claimants are involved. Specifically, DoD Financial Management Regulation 7000.14-R, volume 7B, chapter 29, section 291105 states that when several court orders are served on a retiree's retired pay, payments will be satisfied on a first-come, first-served basis within the limitations. Additionally, 10 U.S.C. 1408(e)(4)(A), states that court orders should be satisfied on a first-come, first-served basis when retired military employees have combinations of support order(s) and Former Spouse Act court order(s). We request that the Director, Defense Finance and Accounting Service Cleveland reconsider her position and provide additional comments on the final report.

11. Contact garnishment-related parties to obtain court orders missing from the Imaging Garnishment System.

Management Comments. The Director, Defense Finance and Accounting Service Cleveland concurred. She stated that the Assistant General Counsel of Garnishment Operations, Defense Finance and Accounting Service will contact the recipients of payments for cases identified in which the Imaging Garnishment System does not contain court orders authorizing payments. Corrective actions will be completed by August 1, 2007.

12. Follow established court order retention policies and procedures to ensure retention of court order documentation.

Management Comments. The Director, Defense Finance and Accounting Service Cleveland nonconcurred and stated that retention policies were in place prior to our review. Additionally, the Director, Defense Finance and Accounting Service Cleveland provided a listing of the retention requirements for different types of legal documents.

Audit Response. The Director, Defense Finance and Accounting Service Cleveland comments are partially responsive. Although policies were in place, we identified instances in which documents were not retained for the required time period. We request that the Director, Defense Finance and Accounting Service Cleveland reconsider her position and provide additional comments on the final report.

13. Establish policies and procedures for multiple garnishment orders to ensure consistent processing.

Management Comments. The Director, Defense Finance and Accounting Service Cleveland nonconcurred and stated that the Defense Finance and Accounting Service Garnishment Operations have policies and procedures in place to ensure consistent garnishment processing.

Audit Response. The Director, Defense Finance and Accounting Service Cleveland comments are nonresponsive. We recognize that the Assistant General Counsel of Garnishment Operations, Defense Finance and Accounting Service has allocation procedures for processing multiple family support orders. However, the allocation procedures do not ensure consistent processing of multiple garnishment orders because only one claimant is involved with multiple garnishment orders. We request that the Director, Defense Finance and Accounting Service Cleveland reconsider her position and provide additional comments on the final report.

Other Matters of Interest

Written Notification to Employees. DFAS Garnishment Operations did not always notify current and retired DoD employees when a legal process was served. They are required to provide written notification to the employee within

15 calendar days that the designated agent has been served with a legal process. However, DFAS Garnishment Operations did not always provide written notification to employees or issue written notification within 15 calendar days.

Appendix A. Scope and Methodology

We conducted this performance audit from July 2005 through December 2006 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.

To review the DoD garnishment program, we evaluated the DFAS process of garnishing earnings of current and retired DoD employees to pay debt obligations. We limited our review to court-ordered garnishments. During FY 2005, IGS included a universe of 249,085 current and retired DoD employees (excluding September 2005). We used a statistical sample of 293 social security numbers for current and retired DoD employees to determine whether DFAS accurately garnished earnings. See Appendix B for the statistical sampling plan. We reviewed garnishment and pay documentation for 286 current and retired DoD employees because 7 employees did not receive pay during FY 2005. The sample reviewed contained 664 garnishments. Additionally, we contacted representatives from the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DFAS Garnishment Operations, DFAS Pay Centers, and Lockheed Martin.

We performed the following to accomplish the audit objectives.

- We contacted the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer to determine their involvement with the DoD Garnishment Program.
- We met with DFAS Garnishment Operations to request system access, obtain a universe of transactions, and gain an understanding of the garnishment process. We extracted court order files from IGARN and compared them to information within the IGS. Additionally, we compared IGS information to pay system documentation and determined whether garnishment limitations conformed to applicable Federal and DoD regulations. We met with DFAS Garnishment Operations to clarify any unresolved issues and discussed their oversight procedures.
- We contacted DFAS Pay Centers (Civilian, Military (Active and Reserve), and Retired and Annuitant) and Lockheed Martin to obtain FY 2005 payment documentation. We used the payment documentation to recalculate disposable earnings and to identify actual garnishment amounts withheld. We compared calculated disposable earnings and garnishment amounts from payment documentation to amounts identified within IGS.

Use of Computer-Processed Data. We did not evaluate the general and application controls of DFAS Garnishment Operations and pay operations systems, although we did rely on data produced by those systems to conduct the

audit. For the Defense Civilian Pay System and DRAS, we relied on the general and application control tests conducted by other auditors. Additionally, we determined data reliability by comparing the court order files to system information and recalculating disposable earnings to determine accurate garnishment amounts. As discussed within this report, we identified inaccuracies with the data from the garnishment systems. Although we did not evaluate additional controls, it did not affect the results of the audit.

Use of Technical Assistance. An Operations Research Analyst of the Quantitative Methods Division of the Department of Defense Office of Inspector General assisted with the project sample selection and projection of results. The Data Mining Division of the Department of Defense Office of Inspector General coordinated with the Defense Manpower Data Center to ensure the validity of current and retired DoD employees and garnishment recipients within our sample. In addition, the Office of Legal Counsel of the Department of Defense Office of the Inspector General provided legal support regarding interpretation of applicable regulations.

Government Accountability Office High-Risk Area. The Government Accountability Office has identified several high-risk areas in DoD. This report provides coverage of the DoD Financial Management high-risk area.

Prior Coverage

No prior coverage has been conducted on garnishments during the last 5 years.

Appendix B. Statistical Sample

Population. DFAS Garnishment Operations provided us with 348,830 transactions processed during FY 2005. These transactions were associated with 249,085 unique social security numbers.

Sample Plan. We weighted each of the 249,085 social security numbers based on the assigned number of garnishments and divided the population into four strata. The Quantitative Methods Division of the Department of Defense Office of Inspector General selected records within each stratum using a simple random sample (without replacement), and determined the sample size for each stratum based on calculations, what-if analyses, and professional judgment. The Quantitative Methods Division drew the sample using the random sampling capabilities of SAS version 9.1. Table B-1 discusses the statistical sampling plan.

Table B-1. Statistical Sampling Plan

<u>Stratum</u>	<u>Garnishments</u>	<u>Population</u>	<u>Sample</u>
1	4/5	33	33
2	3	426	100
3	2	11,329	80
4	1	<u>237,297</u>	<u>80</u>
Total		249,085	293

Analysis and Interpretation. Through an analysis of each social security number contained in the sample, we identified errors totaling \$88,543 (absolute value). By projecting the error amount across the population, the Quantitative Methods Division calculated an error amount between \$3.25 million and \$9.95 million at a 95 percent confidence level with a point estimate of \$6.60 million.

Appendix C. Management Comments on the Finding and Audit Response

1. Review of Internal Controls

Management Comments. The Director, DFAS Cleveland stated that DFAS Garnishment Operations currently has a comprehensive management control program in place that includes monthly reviews of assessable units, an annual statement of assurance, Federal Managers' Financial Integrity Act quarterly reports, and a comprehensive series of pre- and post-payment reviews.

Audit Response. During FY 2005, DFAS Garnishment Operations did not have a formal managers' internal control program in place for the garnishment process. However, we do recognize that DFAS Garnishment Operations had a formal managers' internal control program in effect during FY 2006.

2. Accuracy of Garnishments

Management Comments. The Director, DFAS Cleveland stated that disposable pay calculations are accurate for all pay systems with the exception of the Defense Joint Military Pay System-Reserve Component. The reserve pay system is not programmed to use the Thrift Savings Plan contribution as an authorized deduction when computing garnishment disposable pay.

Audit Response. The Director, DFAS Cleveland acknowledged that the Defense Joint Military Pay System-Reserve Component is incorrectly calculating garnishment disposable earnings; however, we also identified disposable earnings issues within the Defense Joint Military Pay System-Active Component and DRAS. Specifically, we identified that military employees' disposable earnings computations did not include some miscellaneous debt deductions. Additionally, retired military employees' disposable earnings were inaccurately calculated after receiving cost of living adjustments and did not include proper tax and survivor benefit premium deductions. We also identified a number of other issues within the report that caused improper garnishments from current and retired DoD employees.

2a. Accuracy of Garnishment Information

Management Comments. The Director, DFAS Cleveland stated that disposable pay calculations are accurate for all pay systems with the exception of the Defense Joint Military Pay System-Reserve Component. The Director, DFAS Cleveland stated that although the auditors identified cases where incorrect amounts and percentage limitations were used, these were human errors that resulted when paralegals input cases into the Integrated Garnishment System.

Audit Response. We agree with the Director, DFAS Cleveland that the Defense Joint Military Pay System-Reserve Component is incorrectly calculating garnishment disposable earnings; however, we also identified disposable earnings issues within the Defense Joint Military Pay System-Active Component and

DRAS. The Director, DFAS Cleveland agreed that DFAS systems used inaccurate information to calculate garnishment amounts. Specifically, the Director, DFAS Cleveland acknowledged that systems included incorrect garnishment amounts and limitations as a result of paralegal data entry errors.

Management Comments. The Director, DFAS Cleveland stated that pay systems are the official record of any payments made, not the IGS. Additionally, IGS does not reconcile garnishment payments from the same individual's pay that is being made from different pay systems. However, the information on each individual garnishment is contained in IGS and there is no reason to reconcile the payments being made from different pay systems.

Audit Response. We recognize that it is the responsibility of the pay systems to maintain the official record of payment; however, the pay systems do not interface with one another, and multiple system payment information is unavailable. Because IGS captures multiple system payment information, it is logical to establish reconciliation procedures involving IGS. Establishing reconciliation procedures would assist with paralegal reviews and enable DFAS Garnishment Operations to identify duplicate garnishment payments that exceed court order limitations made from multiple systems.

Management Comments. The Director, DFAS Cleveland stated that any improper order of precedence for cases with multiple orders would be due to input error and not due to any system errors or improper programming.

Audit Response. The audit team did not attest that improper order of precedence was due to system errors or improper programming. During our review, we identified that the improper order of precedence was due to DFAS Garnishment Operations modifying the garnishment precedence order.

2b. Accuracy of Garnishment Amounts and Limitations

Management Comments. The Director, DFAS Cleveland stated that there are instances when it is appropriate to include amounts and limitations that differ from amounts and limitations contained within support orders. Specifically, it would be appropriate when payments are required to be allocated among multiple court orders or when a member has deductions occurring from multiple pay systems.

Audit Response. We agree with the Director, DFAS Cleveland that there are instances when it would be appropriate for amounts and limitations to differ; however, we identified a number of other issues that attributed to DFAS systems using inaccurate amounts and limitations to calculate garnishments. Specifically, we identified that IGS garnishment amounts were not updated after the reprogramming of pay systems, terminations orders and multiple family support orders were improperly processed, and court ordered garnishment amounts and limitations were incorrectly entered into IGS by DFAS Garnishment Operations paralegals. The Director, DFAS Cleveland recognized in her comments on Recommendation B.3., Recommendation B.4., Recommendation B.5., and Section 2a of Appendix C that these issues existed.

2c. Accuracy of Disposable Earnings Calculations

Management Comments. The Director, DFAS Cleveland stated that the DRAS disposable earnings calculation issue regarding cost of living adjustments was identified and would be permanently fixed for the December 2006 update.

Audit Response. The Director, DFAS Cleveland recognized this issue and will implement corrective action by August 1, 2007.

2c (1). Accuracy of Disposable Earnings Calculations – Survivor Benefit Premiums

Management Comments. The Director, DFAS Cleveland stated that survivor benefit premium deductions are calculated correctly. However, confusion arises when the incorrect social security number of the former spouse does not match up when the system performs the match even though it is the correct spouse. This could result in the disposable pay not considering the survivor benefit premium deduction and result in a small overpayment to the former spouse.

Audit Response. The audit team did not attest to the accuracy of the calculation for the survivor benefit premium deduction. During our review, we identified that the retired military employees' disposable earnings did not include proper survivor benefit premium deductions because the beneficiaries' social security numbers were improperly entered.

2d (1). IGS Limitations for Manual and Multiple System Payments

Management Comments. The Director, DFAS Cleveland stated that pay systems are the official record of any payments made. Additionally, there is no history of offline payments within IGS and there is no need for IGS to contain this history because the pay systems hold the history for these payments.

Audit Response. We recognize that it is the responsibility of the pay systems to maintain the official record of payment; however, the pay systems do not interface with one another, and multiple system payment information is unavailable. Because IGS captures multiple system payments, it is logical to establish reconciliation procedures involving IGS. Establishing reconciliation procedures would assist with paralegal reviews and enable DFAS Garnishment Operations to identify duplicate garnishment payments that exceed court order limitations made from multiple systems.

2e. IGS Garnishment Order of Precedence

Management Comments. The Director, DFAS Cleveland stated that 10 U.S.C. 1408(e)(4)(A) requires that the first document received takes priority when DFAS is served with an application under the Former Spouse Act and subsequently receives a garnishment action under 42 U.S.C. 659. The actual service date (the date that the order was date-stamped by the scanner when it was imaged into the IGARN) is used when processing orders within IGS. Additionally, there are instances when IGS contains service dates different than the actual date the court order was served to DFAS. However, as long as the

service dates entered establish the correct withholdings priority, the function of the service date is met.

Audit Response. We agree with the Director, DFAS Cleveland that court orders should be satisfied on a first-come, first-served basis when retired military employees had combinations of support order(s) and Former Spouse Act court order(s). However, we identified cases in which the order of precedence was modified by the paralegal, thus, changing the withholding priority.

4. Consistency of IGS Information

Management Comments. The Director, DFAS Cleveland stated that it can be proper to combine ordered amounts, rather than separating them, depending on the circumstances involved in a particular case.

Audit Response. We recognize that depending on the circumstances, it can be proper to combine ordered amounts rather than separating them. However, we identified instances when paralegals processed similar orders differently.

5. Adequacy of Garnishment Processing Reviews

Management Comments. The Director, DFAS Cleveland stated that DFAS Garnishment Operations has a comprehensive management control program in place.

Audit Response. During FY 2005, DFAS Garnishment Operations did not have a formal managers' internal control program in place for the garnishment process. However, we do recognize that DFAS Garnishment Operations had a formal managers' internal control program in effect during FY 2006.

5a. Processing Court Ordered Garnishment Amounts and Limitations

Management Comments. The Director, DFAS Cleveland stated that while no process involving manual input can be 100 percent accurate, the systems, policies, procedures, and management internal controls that are in place ensure that nearly all cases are entered correctly in the pay systems the first time. Additionally, the automated programming in IGS and the computations performed within the pay systems ensure that the proper amounts and limitations are being applied in accordance with the law and regulations.

Audit Response. During the audit, we identified a number of issues that we attributed to DFAS Garnishment Operations inaccurately processing garnishment amounts and limitations. The Director, DFAS Cleveland recognized that IGS garnishment amounts were not updated after the reprogramming of pay systems, terminations orders and multiple family support orders were improperly processed, and court-ordered garnishment amounts and limitations were incorrectly entered into IGS by DFAS Garnishment Operations paralegals. Additionally, she recognized that the Defense Joint Military Pay System-Reserve Component was improperly programmed to not include Thrift Savings Plan contributions as a deduction and that DRAS inaccurately calculated some retired

military employees' disposable earnings after receiving cost of living adjustments and did not include proper tax deductions.

Management Comments. The Director, DFAS Cleveland stated that the various DFAS pay systems are updated on a continual basis through system releases. Additionally, the IGS system was updated after the DRAS re-programming and conversion several years ago. In addition to updating the IGS system, DFAS Garnishment Operations performed a series of manual "clean-up" of cases that might have been affected by the system changes.

Audit Response. During the audit, we identified that DFAS Garnishment Operations did not update IGS with current garnishment amounts after pay systems reprogramming. The Director, DFAS Cleveland recognized this issue and stated that it will be completed by April 1, 2008.

Management Comments. The Director, DFAS Cleveland stated that their internal policies are consistent with 5 C.F.R. Section 581 (2006).

Audit Response. The Director, DFAS Cleveland recognized the need to clarify the paragraph within Policy Letter 2-9 regarding 12 weeks in arrears and will define "other evidence acceptable" to ensure consistent processing of court orders.

5e. Entering Garnishment Amounts

Management Comments. The Director, DFAS Cleveland stated that the IG team reviewed a number of cases where paralegals had entered improper garnishment amounts in IGS. However, she disagrees that DFAS Garnishment Operations should increase the percentage of cases reviewed because they conduct reviews. Increasing the percentage of garnishment cases reviewed to include cases where no current transaction has taken place is not reasonably achievable.

Audit Response. Although DFAS Garnishment Operations conducted reviews, the reviews did not identify improperly processed garnishment information. Increasing the percentage of garnishment cases reviewed would reduce the number of improper garnishments. The Director, DFAS Cleveland agreed that the Assistant General Counsel of Garnishment Operations, DFAS will work with the DFAS Internal Review to modify the current random sampling process to include a review of cases that have not required adjustment.

5f (2) and 5f (3). Applying Maximum Garnishment Limitations

Management Comments. The Director, DFAS Cleveland stated that they will process an order up to the applicable Consumer Credit Protection Act percentage unless the order contains a lower percentage. Additionally, they consider the greater percentage in the order to be "other evidence acceptable" required by the regulation. Furthermore, the percentage on the order is a better indication of whether the arrears are over 12 weeks rather than the block being checked.

Audit Response. The Director, DFAS Cleveland agreed to process support orders by applying the lesser of the Federal or court-ordered maximum garnishment limitation and recognized the need to clarify Policy Letter 2-9 regarding 12 weeks in arrears and will define “other evidence acceptable” to ensure consistent processing of court orders.

5h (3). Calculating Disposable Earnings – Considering SBP Premiums

Management Comments. The Director, DFAS Cleveland stated that survivor benefit premium deductions are calculated correctly. However, confusion arises when the incorrect social security number of the former spouse does not match up when the system performs the match even though it is the correct spouse. According to the Director, DFAS Cleveland, this could result in the disposable pay not considering the survivor benefit premium deduction and result in a small overpayment to the former spouse.

Audit Response. The audit team did not attest to the accuracy of the calculation for the survivor benefit premium deduction. During our review, we identified that the retired military employees’ disposable earnings did not include proper survivor benefit premium deductions because the beneficiaries’ social security numbers were improperly entered.

5h (5). Calculating Disposable Earnings – Automated Garnishment System and Pay Garnishment Bankruptcy Taxes System

Management Comments. The Director, DFAS Cleveland stated that the Automated Garnishment System is properly computing disposable pay in accordance with laws and regulations. However, the Pay Garnishment Bankruptcy Taxes System is not computing disposable earnings using the Thrift Savings Plan as an authorized deduction. The Director, DFAS Cleveland stated that they are addressing this issue with the systems manager.

Audit Response. We agree with the Director, DFAS Cleveland that the Pay Garnishment Bankruptcy Taxes System is not computing disposable earnings using the Thrift Savings Plan as an authorized deduction. We also identified that the Automated Garnishment System is not properly computing disposable pay in accordance with laws and regulations. The authorized miscellaneous deductions are coded as “DS” debts. We identified examples when miscellaneous debts coded as “DS” were not included as deductions when calculating military employees’ disposable earnings calculations.

5i (2). IGS Capabilities for Manual and Multiple System Payments – Combining Garnishments

Management Comments. The Director, DFAS Cleveland stated that DFAS Garnishment Operations computes the amounts to be deducted from each of the pay systems. Additionally, there is no need for the system to reconcile these cases because the total amount entered in the two systems had been computed so that if the total amount entered into both systems were deducted, only the total amount ordered would be paid.

Audit Response. The Director, DFAS Cleveland provided an example of the paralegal computing and splitting of the garnishment amount between multiple pay systems. However, the Director of DFAS Cleveland previously acknowledged that instances exist in which duplicate payments for the same court order were taken from multiple pay systems. IGS is not capable of consolidating garnishment amounts received from multiple pay systems. IGS captures payment information from multiple pay systems and it is logical to establish reconciliation procedures involving IGS. Establishing reconciliation procedures would assist with paralegal reviews and enable DFAS Garnishment Operations to identify duplicate garnishment payments that exceed court order limitations made from multiple payment systems.

5i (3). IGS Capabilities for Manual and Multiple System Payments – Duplicate Garnishments

Management Comments. The Director, DFAS Cleveland stated that our statement that DFAS Garnishment Operations could not identify when employees had duplicate garnishments deducted from their earnings is correct. This issue only applies when an individual who is a DoD civilian employee and a military reservist is activated and later deactivated. However, this situation does not occur in every instance. These circumstances involve a very specific and limited number of cases.

Audit Response. We recognize that duplicate garnishments are deducted when an individual who is a DoD civilian employee and a military reservist is activated and later deactivated. However, an employee had a garnishment taken by the Defense Civilian Pay System and DRAS during the same period, which resulted in duplicate garnishment payments that exceeded court order limitations.

5j. Modification of Garnishment Order of Precedence

Management Comments. The Director, DFAS Cleveland stated that their procedures are in accordance with the provisions in DoD Financial Management Regulation volume 7B, chapter 29, section 291105, which specifies that when multiple court orders are served on a retiree's pay account, they will be satisfied on a first-come, first-served basis. This provision is to ensure that when multiple claimants are involved, they are paid their appropriate portion of the available disposable pay on the basis of when their claim is received by DFAS. However, when the claimant on both orders is the same individual, this provision is not applicable. DFAS Garnishment Operations has always interpreted this provision as not applying when the payee is the same former spouse.

Audit Response. The DoD Financial Management Regulation 7000.14-R, volume 7B, chapter 29, section 291105 does not provide that the first-come, first-served basis is only applicable when multiple claimants are involved. DoD Financial Management Regulation 7000.14-R, volume 7B, chapter 29, section 291105 states that when several court orders are served on a retiree's retired pay, payments will be satisfied on a first-come, first-served basis within the limitations. Additionally, 10 U.S.C. 1408(e)(4)(A), specifically states that court orders should be satisfied on a first-come, first-served basis when retired military

employees had combinations of support order(s) and Former Spouse Act court order(s). In 10 U.S.C 1408(e)(2), Congress provides:

In the event of effective service of more than one court order which provide for payment to a spouse and one or more former spouses or to more than one former spouse the disposable retired pay of the member shall be used to satisfy (subject to the limitations of paragraph (1)) such court orders on a first-come, first-served basis.

The specific language in 10 U.S.C. 1408(e)(2) indicates that the first-come, first-served requirement for cases subject to the limitations of 10 U.S.C. 1408(e)(1) only applies when there is a spouse and one or more former spouses. Therefore, the first-come, first-served requirement does not apply to cases subject to the limitations of 10 U.S.C. 1408(e)(1) in which there is only one former spouse and no current spouse.

Congress omitted the multiple spouse language from 10 U.S.C. 1408(e)(4)(A), which provides:

In the event of effective service of a court order under this section and the service of legal process pursuant to section 459 of the Social Security Act (42 U.S.C 659), both of which provide for payments during a month from the same member, satisfaction of such court orders and legal process from the retired pay of the member shall be on a first-come, first-served basis.

Therefore, Congress intended that the first-come, first-served provision in 10 U.S.C 1408(e)(4)(A) applies to all cases under 10 U.S.C. 1408(e)(4)(A), even if there is only one former spouse and no current spouse.

5l. Processing Court Orders Consistently

Management Comments. The Director, DFAS Cleveland stated that allocation procedures exist for cases when a member is supporting multiple families and the member does not have enough disposable earnings to pay the entire court-ordered amounts.

Audit Response. We recognize that the Assistant General Counsel of Garnishment Operations, Defense Finance and Accounting Service has allocation procedures for processing multiple family support orders. However, allocation procedures do not ensure consistent processing of multiple garnishment orders because only one claimant is involved with multiple garnishment orders.

6. Garnishment Deductions

Management Comments. The Director, DFAS Cleveland stated that based on their analysis of the cases in the sample and their interpretation of the laws and regulations, they estimate that they made improper payments of approximately \$16,900.

Audit Response. Based on management comments, we modified our analysis and the report. However, DFAS still improperly garnished approximately

\$88,543. We identified a number of issues that resulted in inaccurate information. The disposable earnings computations of the military pay systems did not include some miscellaneous debts and Thrift Savings Plan contributions as deductions. Additionally, DRAS did not include proper tax and deductions for survivor benefit premiums. DRAS also inaccurately calculated retired military employees' disposable earnings after members received cost of living adjustments. We also identified a number of other issues that resulted in improper garnishments from current and retired DoD employees' pay. DFAS Garnishment Operations paralegals did not update IGS garnishment amounts after pay systems reprogramming, did not properly process terminations orders and multiple family support orders, and incorrectly entered court-ordered garnishment amounts and limitations into IGS. The Director, DFAS Cleveland recognized in her comments on Recommendation A.2., Recommendation A.4., Recommendation B.3., Recommendation B.4., Recommendation B.5., and Section 2a of Appendix C that most of these issues existed.

Other Matters of Interest – Written Notification to Employees

Management Comments. The Director, DFAS Cleveland stated that they send notifications when cases are processed both by mail and e-mail through SmartDocs. Additionally, for some older cases, the IGARN files may not contain evidence of these letters. However, notification letters are currently saved to IGARN.

Audit Response. We recognize that evidence of these letters may not be contained in IGARN for some older cases; however, we identified that DFAS Garnishment Operations did not always provide written notification to employees or issue written notification within 15 calendar days for court orders as recent as FY 2005.

Appendix D. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)/Chief Financial Officer
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)
Director, Program Analysis and Evaluation

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Naval Inspector General
Auditor General, Department of the Navy

Department of the Air Force

Auditor General, Department of the Air Force

Other Defense Organizations

Director, Defense Finance and Accounting Service
Assistant General Counsel for Garnishment Operations, Defense Finance and
Accounting Service

Non-Defense Federal Organizations

Office of Management and Budget
Inspector General, Department of Energy
Inspector General, U.S. Environmental Protection Agency
Inspector General, Department of Health and Human Services

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Homeland Security and Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Oversight and Government Reform
House Subcommittee on Government Management, Organization, and Procurement,
Committee on Oversight and Government Reform
House Subcommittee on National Security and Foreign Affairs, Committee on Oversight
and Government Reform

Defense Finance and Accounting Service Comments



DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND
1240 EAST NINTH STREET
CLEVELAND, OH 44199



DFAS-CL/JBB

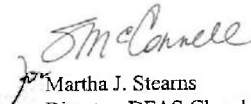
FEB 15 2007

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCIAL AUDITING SERVICE,
OFFICE OF THE INSPECTOR GENERAL, DEPARTMENT OF
DEFENSE (ATTN: MR. KENNETH B. VANHOVE)

SUBJECT: Office of the Inspector General Draft Report, Project No. D2005-D000FC-0264.000,
"DoD Garnishment Program," dated December 15, 2006.

The Defense Finance and Accounting Service is providing the attached general comments and response to Recommendations A.1, A.2.a, A.2.b, A.2.c, A.3, A.4, B.1, B.2, B.3, B.4, B.5, B.6.a, B.6.b, B.6.c, B.7, B.8, B.9, B.10, B.11, B.12, B.13, and B.14 of the subject draft audit report in Attachment 1. Disposable Pay Calculations Limitations is Attachment 2. Family Servicemembers Group Life Insurance and Miscellaneous Debt Deductions is Attachment 3. Case examples of analyzed accounts of limitations are in Attachment 4. Case examples of analyzed accounts of the COLA processing are in Attachment 5. System Administrator, Supervisor, and Attorney Actions are in Attachment 6. Management Controls in daily case reviews are in Attachment 7. Random Sampling and Review Plans for processing are in Attachment 8. Management Control Program support documents are in Attachment 9.

The point of contact is Mr. Stanley Koch. Mr. Koch can be reached at 216-204-7066 or DSN 580-5628.


Martha J. Stearns
Director, DFAS Cleveland

Attachments:
As stated

cc:
DFAS-DDI/AR

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**DFAS Comments to DoD IG Draft Report, Project No. D2005-D000FC-0264.000,
"DoD Garnishment Program," dated December 15, 2006.**

Management Comments on Report Statements:

On February 7, 2007, a teleconference was held with the DoD IG OGC attorney who advised the audit team, the audit team leader, and representatives from DFAS, including the DFAS General Counsel, the Director of Internal Review, the Director of Garnishment Operations and several other members of the individual staffs. The purpose of the meeting was to discuss a number of legal issues that DFAS feels are important to clarify before the report goes into final form. Four legal issues were discussed: (1) The provisions of the Uniformed Services Former Spouses' Protection Act, (USFSPA), 10 USC §1408 regarding the maximum percentage of a retiree's disposable pay that may be garnished when there is both a division of retired pay under the USFSPA and a garnishment for support pursuant to 42 USC §659, (2) The provisions of 10 USC §1408 as they relate to the order of precedence of garnishments in cases involving both payments under the USFSPA and garnishments under 42 USC §659 when both payments are being made to the same former spouse, (3) The provisions of 5 CFR §581 as they relate to when it is appropriate to pay an additional five percent of an employee/member's disposable pay, and (4) The provisions of the DoDFMR as they relate to using Family Servicemembers Group Life Insurance as an authorized deduction when computing garnishment disposable pay. Agreement between the DoD IG OGC and the DFAS representatives was reached on each of the issues discussed that the position that DFAS has taken on these issues in formulating our policy and procedures is legally correct. As a result of this agreement, a number of the findings and recommendations in the report are no longer factually correct. Therefore, we request that the findings related to these issues be appropriately revised and/or removed from the report. The findings affected by this agreement are: 2b (2), 2c (3), 2e, 5f (1), 5f (2), 5f (3), 5g, 5h (5), and 5j. In addition, the following recommendations are affected by the agreement; A2.b, A3, B1, B6.a, B6.b, B6.c, and B11. We would also request that these recommendations be removed based on the agreement reached during our meeting.

1. Review of Internal Controls. Page 2.

The IG states that DFAS Garnishment Operations did not have a formal management control program.

Non-Concur: Garnishment Operations has a comprehensive management control program in place that includes monthly reviews of assessable units, an annual Statement of Assurance, FMFIA quarterly reports and a comprehensive series of pre and post payment reviews. We believe that the necessary elements set forth in the General Accounting Office (GAO) *Standards for Internal Control in the Federal Government* and the guidance in OMB Circular A-123, *Management's Responsibility for Internal Control* are included in our controls that are in place and being used. The specific measures in place are discussed further in our response to the recommendations at Attachment 9.

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2. Accuracy of Garnishments. Page 4.

The IG states that DFAS systems did not properly calculate garnishment payments.

Partially Concur: After reviewing the list of cases provided by the auditors, we are confident that the garnishment disposable pay calculations for the civilian, active duty military and retired military are calculating correctly and accurately in accordance with the applicable provisions in the Department of Defense Financial Management Regulation (DoDFMR) and Title 5 of Code of Federal Regulations (CFR). There is an issue with the reserve military pay system regarding the system not using the Thrift Savings Plan (TSP) contribution as an authorized deduction in computation of garnishment disposable pay. We are addressing this issue with the system manager.

2a. Accuracy of Garnishment Information. Page 5.

The IG states that DFAS systems used inaccurate information to calculate garnishment amounts.

Partially Concur: As stated above, we are confident that the disposable pay computations being done by the various DFAS pay systems (with the exception of the DJMS-RC pay system using the TSP deduction in the disposable pay computation) are in accordance with the applicable laws and regulations. Although the IG found some cases where incorrect amounts and percentage limitations were used, our analysis indicates that those errors were caused by human input error, not incorrect calculations in the DFAS pay systems. The paralegals in Garnishment Operations are trained to do legal reviews of various types of court orders. During their legal review, they analyze the case and determine various issues including the payee, the payment amount and maximum percentage to be paid. They do this within the Integrated Garnishment System (IGS). When the paralegal completes their legal review, for cases in those pay systems that are interfaced with the IGS system, IGS transmits the payment and deduction instructions to the appropriate pay system. Any errors in garnishment amounts or the percentage limitation (Not to Exceed Percentage – NTE) would occur when the paralegal is inputting the case into the IGS system. For those pay systems that do not interface with IGS, a printed instruction is sent to the pay office, where it is input into the system by a pay technician. For these non-interfaced accounts, input errors could occur when the paralegal does their legal review, or when the pay technician inputs the case into the pay system.

The report states, "IGS limitations existed for manual and multiple system garnishment payments." While this statement is on its face correct, it does not necessarily indicate a negative in our processing or the IGS system. There are limitations built into the IGS system for various reasons. The IGS system is not the official system of record for garnishment payments. The pay systems contain the official record of any payments made. Therefore, there may be instances where payments are entered manually in the pay systems that are not reflected in IGS, but would be reflected in the pay system. In addition, IGS does not reconcile garnishment payments from the same individuals pay

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being made from different pay systems. However, the information on each individual garnishment is contained in IGS and there is no reason to reconcile the payments being made from different pay systems.

The report states, "IGS included improper order of precedence for some orders." Any improper order of precedence for cases with multiple orders would be due to input error and not due to any system errors or improper programming.

2b. Accuracy of Garnishment Amounts and Limitations. Page 5.

2b (1). DFAS Systems used inaccurate amounts and limitations to calculate garnishments.

Non-Concur: Garnishment percentage limitations or NTEs reflected in IGS records are due to various reasons depending on the situation involved. In some instances, we have multiple court orders where the law requires the payments to be allocated between these orders using allocation based on proportion. Allocation can occur in all types of court orders, including current and arrears orders, as well as combination accounts of USFSPA entitlements with garnishments. IGS records containing garnishment amounts that differ from the court ordered amounts will occur when the member has the deductions occurring from multiple pays. If the member has insufficient disposable earnings (DE) in one source of income to pay the entire ordered amount of a garnishment, we will deduct the remaining portion from the member/employee's other source of income. This situation typically occurs when a DoD civilian employee is also a military reservist. The combination of the two deductions satisfies the garnishment obligation.

2b (2). The IG states that the DRAS system exceeded the maximum garnishment limitation.

Non-Concur: We take legal exception with this statement, which we feel is an inaccurate reflection of how disposable pay limitations are calculated for combination USFSPA and garnishment cases. All regulatory limitations are adhered to. (See Attachment 2 for Disposable Pay Calculation Limitations) We have attached copies of some cases cited in the IG sampling and have provided an analysis of the calculations used to compute the payments. (See Attachment 4)

The IG states that the DRAS system improperly used 65% of disposable pay to compute payments for cases involving payments under 10 USC §1408 (USFSPA) and 42 USC §659. The following explanation and legislative history of the law clearly show that the DRAS system is properly computing disposable pay for these type cases.

10 USC 1408(e)(4)(B) states very clearly that the total amount of disposable pay payable under 10 USC 1408 and 42 USC 659, "may not exceed 65% of the disposable pay..." The IG claims that the use of the word "may" gives DFAS discretion to take less than 65% when processing court orders under these two laws. A review of the statute and

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legislative history make it clear in these circumstances that Congress intended to fence only 35% of a member's pay. The following legislative history shows without a doubt that Congress intended to allow the government to pay 65% of the member's disposable pay when presented with court orders under these two statutes.

Legislative History

P.L. 97-252

Enforcement Limitation for a Portion of Retired Pay

The committee agreed that some portion of a former military member's retired or retainer pay should be sheltered in terms of the Secretaries' concerned enforcement of court orders in connection with a divorce. Therefore, the committee circumscribed the authority of the Secretary concerned to prospectively enforce court orders for alimony, child support and property distribution. No more than 50 percent of the former member's disposable retired or retainer pay is payable under the enforcement mechanism afforded to spouses and former spouses under the bill.

The committee also recognized that in some instances this 50-percent cap could leave unsatisfied portion of an individual's obligation for alimony, child support or other payments. The committee firmly believed that the government should assist a former spouse in the enforcement of these obligations. Such a policy already is embodied in Section 459 of the Social Security Act (42 USC Section 659), which permits a former spouse to garnish up to 65 percent of the disposable earnings of a former military member to satisfy arrearages in child support or alimony.

....Therefore, the bill includes a provision which limits to 65 percent of the disposable retired or retainer pay of a member the total amount payable by the Service Secretary under all court orders pursuant to this bill and all legal processes pursuant to Section 459 of the Social Security Act.

The committee believes Congress is making a contribution when it assists the former spouse in obtaining amounts up to this enforcement ceiling of 65 percent of disposable retired or retainer pay. Moreover, the bill makes it clear that the mere attainment of that ceiling in no way absolves the former member of still outstanding legal obligations for alimony, child support or other payments. Any such unsatisfied obligation may be enforced by any means available under law other than those means afforded by this bill or Section 459 of the Social Security Act. (P. L. 97-252, page 1606)

2c. Accuracy of Disposable Earnings Calculations. Page 5.

The IG states that DRAS did not correctly use deductions for tax, cost of Living Allowance (COLA) and SBP when computing disposable pay.

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Partially Concur: The December COLA processing issue involving approximately 400 accounts was already a known problem by DFAS. Garnishment Operations first found and reported the issue to DRAS in January 2005. The "end of year" COLA processing issue was identified each time it occurred; it was reported to retired pay and a manual fix was accomplished by retired pay. Each recipient was reimbursed for any over/underpayment experienced. We were informed by retired pay that the issue would be permanently fixed for December 2006 update. This particular issue relating to COLA processing was limited to specific scenarios, and did not effect all combination USFSPA and garnishment cases.

Garnishment Operations has verified and confirmed that the fix to this issue was implemented for December 2006 by Lockheed Martin Information Technology (LMIT) for the DRAS system. The issue has been corrected. See Attachment 5 for examples of accounts after the successful COLA processing.

In spite of the fact that the IG was informed of this information, the IG reported 12 accounts with this COLA issue, all of which are calculating correctly after COLA processing 2006. These cases are paying correctly and we are not aware of further issues relating to over or underpayments.

In this same paragraph, the IG claimed disposable earnings were calculated without due consideration to the Survivors Benefit premium.

2c (1). The IG states that Survivor Benefit Plan (SBP) premium deductions are being calculated incorrectly.

Non-Concur: Our evaluation indicates premium deductions are calculated correctly. When the SBP beneficiary information matches the USFSPA claimant information, the SBP premium may be considered as an authorized deduction. The primary matching field is the annuitant and claimant social security number. If the social security number doesn't match, then the SBP is not considered an authorized deduction when calculating USFSPA disposable pay. However, the USFSPA disposable pay rules for calculating these accurately use SBP as an authorized deduction when appropriate. Confusion arises when the SSN of the former spouse through an error does not match up when the system performs the match even though it is the correct spouse. This could result in the disposable pay not considering the SBP deduction and result in a small overpayment to the former spouse.

2c (2). Additionally, the IG found that incorrect disposable pay computation for 8 reserve pay child support cases where the member had Thrift Savings Plan (TSP) contributions.

Concur: IGS does not have an electronic interface with DJMS/RC. Garnishment Operations sends deduction worksheets to the various reserve military pay offices for their input into the GBT system. Based on information received from Military Pay Operations for Reserve Pay, it is our understanding that the GBT system is not correctly

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programmed to use TSP as an authorized deduction when computing garnishment disposable earnings.

2c (3). Finally, in this same paragraph, the IG found that in 38 cases military member’s disposable earnings did not take into consideration Family Servicemen’s Group Life Insurance.

Non-Concur: There is no regulatory authority for this item to be included in disposable pay computation for child support payments under 42 USC §659 and 5 CFR §581.104. See also Attachment 3 for more information.

2d. IGS Limitations for Manual and Multiple System Payments. Page 6.

2d (1). The IG states that the IGS system does not compile information for manual off-line payments made by the various pay operations.

Partially Concur: We are in agreement with the first paragraph; however, the lack of information regarding manual payments in IGS is not dispositive. The DFAS pay systems are the official systems of record of what garnishment payments are made and when they are made. IGS stores the information fed to it from the DFAS pay systems for customer service use only. IGS only receives garnishment payment information from interfaced pay systems. The data is received on an electronic file (continuing disposition file) and posted to the interfaced transactions. Non-interfaced pay system garnishment payments can be viewed for each account in the particular pay system. All payment tracking information is also accessible in the pay system. The Reserve military pay system will have a future interface with IGS when the Defense Integrated Military Human Resource System (DIMHRS) is implemented in spring 2008. It is expected that The Marine Corps pay system will have a future interface with IGS in late of 2008. The DRAS retired military pay system for paying Combat Related Special Compensation may have a future interface, if agreed to between the contractor and DFAS and approved by the Continuing Government Activity (CGA). With regard to offline payments from any pay system, there would be no history in IGS, whether interfaced with IGS or not. The reason for this lack of history is that there is no way to send IGS the information because the payments are made offline/out of cycle. Finally, there is no need for this information to be in IGS because the pay system holds the history of these payments.

2d (2). The IG found in 13 instances that garnishment deductions for the same court order were taken from the member’s pay when he transitioned from civilian pay to reserve pay and back.

Concur: This situation could and does occur at times, when an employee/member is being paid by two different pay systems (civilian and military). However, it is typically a temporary situation which lasts at most one or two months. In addition, it is caused by the very specific situation of when a civilian employee paid by DFAS, who is also a member of the Reserves, is activated and later de-activated. Since there is no interface between IGS and the reserve military pay systems or between the civilian and military

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Pages 5, 10,
and 12

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pay systems, Garnishment Operations and the IGS system have no way of knowing when the member transfers in and out of reserve/guard and active duty. Once we are notified, these cases are expeditiously corrected. If duplicate payments are made, the recipient is instructed to return over payments or the garnishment is suspended until any overpayment is made up and then the garnishment is restarted as ordered.

2e. IGS Garnishment Order of Precedence. Page 6.

The IG found 6 former spouse cases where they considered the order of precedence to be incorrect.

Non-Concur: In cases where DFAS is served with an application under the Uniformed Services Former Spouses' Protection Act (USFSPA) (10 USC §1408) and subsequently receives a garnishment action under 42 USC §659, the law (10 USC §1408(e)(4)(a)) states that whichever document is received first takes priority.

The actual service date (the date that the order was date-stamped by the scanner when it was imaged into the IGARN system) is used when processing orders within IGS. This date establishes the order of precedence when there are multiple orders. However, this date is also used for systematic purposes when a single garnishment order contains multiple “types” of payments. The significance is to allow us to ensure the various types of payments are properly deducted in a specific order as well as to establish priority when there are multiple orders on a single case. There may be instances when the system contains “service dates” different than the actual date the court order was served on DFAS. However, as long as the service dates entered establish the correct withholdings priority, the function of the service date is met.

3. Lack of Supporting Documentation for Garnishments. Page 6.

The IG found four (4) garnishment cases on retired pay accounts where the deduction was being made but no court order existed in the garnishment imaging system. The report states that “DFAS Garnishment Operations did not properly maintain court orders during systems transitions.”

Concur: In January 1994, the decision was made to transfer processing of all DoD garnishment cases to DFAS-Cleveland. Over the next 18 months, the paper files for the currently paying cases were shipped by the various military and civilian pay offices to DFAS Garnishment Operations in Cleveland. During this time, we moved from a paper-based environment to an electronic environment, where all documents are now stored on our imaging and workflow system, IGARN. Over the years that have followed the transition, we have found that not all cases that were transferred have a court order or other documentation that supports the payment. The result is that for some payments being made, we do not have written justification on file. However, until now, the specific cases involved have only been identified one at a time. As new documents are received,

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the cases are reviewed and updated. If the proper documentation is not on file, we request it from the payment recipient at the time we review the case. The IG identified some cases where the IGARN system did not contain any documentation for cases that are currently paying. In response to the finding, we have queried both the IGS system and the IGARN system to determine how many of these cases exist. The results of the query indicate there are 2,164 cases that are currently paying where we do not have supporting documentation in the IGARN system. We will send a letter to the payment recipient for each of these cases informing them that they must send us a copy of the legal process that authorizes the payment. We will give them a period of time to provide this documentation. If they fail to provide documentation that supports the payment, we will terminate the payment. It should be noted that these cases were set up correctly at some point in time (All of them were processed by one of the military finance legal offices who processed garnishments before they were consolidated to DFAS Cleveland.) and we can reasonably assume, based on the length of time the payments have been going out and the lack of any inquiries or complaints from interested parties, that they are paying correctly today.

4. Consistency of IGS Information. Page 6.

The IG found inconsistent information in 8 cases where IGS included combined accounts with multiple garnishment types into one garnishment.

Non-Concur: On a regular basis, state child support agencies will send a single “Income Withholding Order” (IWO) to order a variety of payment types. For instance, a support order may order current support, an amount payable towards arrears and an amount for fees, yet the IWO will contain a block which gives a “total amount to be paid” by the employer. It is that amount that DFAS is directed to pay as one payment. The only times they would need to be separated are: (1) for allocation calculations, (2) upon request of the member/employee, and (3) State Standard Disbursing Units (SDUs) which only accept child support payments and do not process alimony or spousal support.

Clarification of the statement, “IGS included inconsistent court order information for multiple garnishment orders for 8 of the 286 current and retired DoD employees.” is required. We are unsure what is meant by inconsistent court order information. Depending on the circumstances involved with a particular case, it can be proper to combine ordered amounts in lieu of separating them. A single “Income Withholding Order” (IWO) may be used by a support agency to order a variety of payment types. The IWO also contains a block which gives a “total amount to be paid” by the employer. It is legally proper for DFAS to combine the payments contained on that single order into one payment.

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5. Adequacy of Garnishment Processing Reviews. Page 7.

The IG states that DFAS Garnishment Operations did not establish a formal managers' internal control program to ensure the accuracy of garnishments.

Non-Concur: The Internal Management controls in effect are formally conducted and approved. There is a formal manager's internal control program currently in place. It was approved by the DFAS Internal Review (IR) as part of the Certifying Officer Legislation. It is conducted, maintained, reported and documented on a daily and monthly basis. The copy of the approved formal manager's internal control program was provided to the IG to support the statement.

5a. Processing Court Ordered Garnishment Amounts and Limitations. Page 7.

The IG states that DFAS Garnishment Operations inaccurately processed garnishment amounts and limitations.

Non-Concur: This paragraph contains multiple allegations which combine different issues that are totally unrelated. To clarify, we will address each issue individually. We disagree with the initial statement that “DFAS Garnishment Operations inaccurately processed garnishment amounts and limitations.” While no process involving manual input can be 100% accurate, the systems, policies, procedures, and management internal controls that we have in place ensure that nearly all cases are entered correctly into the pay systems the first time. We are confident that the automated programming in our IGS system and the computations performed within the pay systems ensure that the proper amounts and limitations, in accordance with the law and regulations are being applied.

We disagree with the statement that “Garnishment Operations did not update IGS after the reprogramming of pay systems...” The various DFAS pay systems are updated on a continual basis. Each system schedules “releases” when changes are implemented. Most of these changes do not affect the garnishment process. However, there are some pay system changes that require our IGS system to be modified. Specifically, the IGS system was updated after the DRAS re-programming and conversion several years ago. In addition to updating the IGS system, Garnishment Operations performed a series of manual “clean-up” of cases that might have been affected by the system changes.

We disagree with the statement that “DFAS Garnishment Operations also improperly applied and established internal policies that were inconsistent with 5 C.F.R. Section 581 (2006) when applying garnishment limitations.” Our internal policies are consistent with 5 C.F.R. § 581 (2006).

We also disagree with the statement that the DRAS system is improperly programmed to calculate garnishment amounts for cases involving both property divisions under 10 USC § 1408 (USFSPA) and support garnishment under 42 USC § 659. It is our legal opinion that the DRAS system is properly computing garnishment amounts and all regulatory limitations are properly being adhered to. Our legal opinion was supported by the DoD

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IG Office of General Counsel during our conversation February 7, 2007. Attachment 2 contains the provision from the DoDFMR dealing with the maximum allowable percentages that may be deducted for cases with both USFSPA and garnishments.

Examples are attached to support the accuracy of the disposable pay limitations computations for combination of USFSPA and garnishment cases. (See Attachment 4)

5b. Updating IGS Garnishment Amounts. Page 7.

The report states that DFAS Garnishment Operations did not update the IGS system with current garnishment amounts after pay system reprogramming.

Concur: As the report notes, prior to January 2004, (The report notes January 2004. However, the date of the DRAS conversion was actually 2001.) Prior to conversion, the DRAS pay system did not have the capability to compute the maximum percentage for garnishments where the retiree did not have sufficient disposable earnings (DE) to pay the garnishment(s) in their entirety. Therefore, prior to January 2001, Garnishment Operations performed manual DE computations for each case and, where the member did not have sufficient DE to completely pay the ordered amount, we input a fixed amount into the system for all garnishments of those retirees' pay. These cases continued to pay at the fixed amount entered, despite the fact that the retirees' received COLA pay raises each year. (The result is that these cases paid less than the ordered amount and less than the maximum allowable percentage.) When the pay system was updated in January 2001 with the capability to compute the maximum allowable percentage, DFAS Garnishment Operations did not manually convert and enter the garnishment amount along with the “not to exceed” percentage (NTE) in IGS for these “conversion” cases. All pay system conversions were completed electronically, using the information from the pay system and the deduction amounts in the pay system at the time of conversion. By our estimation, over 100,000 cases were converted, with the majority converting properly. However, we recognize that there may be a number of these conversion cases that did not convert properly. Therefore, we will develop and implement a plan to review each of these cases to ensure they are paying properly.

Revised
Page 7

5c. Processing Termination Orders. Page 8.

5c (1). The IG report states that DFAS Garnishment Operations did not process termination orders when an employee's pay status was inactive in IGS.

Concur: We are in agreement with the first paragraph. Since 9/11/2001, the number of activations of military reserve personnel have greatly increased. A number of these activated reservists are also federal government civilian employees paid by DFAS. When they are activated, their civilian pay goes into a “suspended” or “non-pay” status. Any garnishments in effect on their civilian pay go into an “inactive” status. As an internal control at the time the interface between IGS and DCPS was designed, a paralegal cannot effect any changes to garnishments that are in an “inactive” status. This is intended to

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prevent a paralegal from inadvertently activating an inactive garnishment. However, it also prevents the paralegal from terminating a garnishment when it is in an inactive status. (The garnishment is typically transferred to the member/employee's active duty pay while they are activated.) So, when a termination order is received for a case that is currently inactive on the civilian pay system due to the member being on active duty, the paralegal must contact the system administrator to manually activate the garnishment in the IGS system, so it can be terminated. Apparently, some paralegals were not taking this step to re-activate the garnishment, so they could terminate the case. The result is that when the member/employee is released from active duty and returns to their civilian job, the garnishment will again be withheld from their civilian pay. This situation is normally noted by the member/employee when they view their first Leave and Earnings Statement (LES) and corrected immediately. We are aware of only one (1) case that was identified by the IG audit team. Instructions for processing cases of this type are contained in the IGS Processing Manual. We will ensure that each of our paralegals are familiar with the procedures for processing these cases correctly.

5c (2). The IG states that DFAS Garnishment Operations did not process termination orders within 30 days.

Concur: Both 42 USC §659 and 5 C.F.R. § 581 specify that legal process for enforcement of child support obligations should be processed within 30 days of receipt. The IG report specifically references one (1) instance where DFAS Garnishment Operations did not process a termination order within that timeframe. It should be noted that it is our policy, in accordance with the law and regulation, to process all legal process we receive within 30 days. All paralegals have been trained and their Performance Standards include a Critical Element addressing the timely processing of all orders they receive. The instance noted by the IG team involved the case of a military reservist. The IGS system is currently not interfaced with the DJMS-RC pay system. Therefore, transactions are processed in IGS and an e-mail is sent by the paralegal to the DJMS-RC pay technicians to input the transactions into the pay system. The termination transaction in this case was processed in the IGS system, however, the transaction was not input into the pay system. Therefore, the termination was not processed for approximately four (4) months. The case was corrected upon notification of the error.

5d. Processing Multiple Family Support Orders. Page 8.

The report states that DFAS Garnishment Operations improperly processed multiple family support orders.

Concur: Allocations are performed on cases where it appears the member/employee does not have sufficient disposable earnings to pay all of the child support obligations when multiple garnishment orders are received for the same individual. All paralegals have been trained that each time there is a change to the child support obligation amount on any of the orders where payments are being allocated, the paralegal should re-compute the allocation percentages for each of the cases being allocated. Our analysis of the cases

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reviewed by the IG team indicates that this re-allocation of percentages was not performed on approximately four (4) cases.

5e. Entering Garnishment Amounts. Page 8.

The report states that DFAS Garnishment Operations incorrectly entered court ordered garnishment amounts into IGS and that we should review a greater percentage of cases to prevent these errors.

Non-Concur: The IG team reviewed a number of cases where paralegals had entered improper garnishment amounts in the IGS system. However, we disagree that we should change our percentage of cases reviewed. Garnishment Operations has a manager's internal control program that includes all the necessary elements outlined in OMB Circular A-123 and DoD Instruction 5010.40. It is conducted, maintained, reported and documented on a daily and monthly basis. Processed cases are part of the "random sampling" of cases that are continually reviewed throughout each month. We recognize that the sampling plan will not catch 100% of paralegal errors. However, it is geared to conducting a regular review where errors are caught and corrected prior to pay processing. The provisions of A-123 do not require a control program that will eliminate or catch all errors. Rather, the goal is to have sufficient controls in place in order to ensure a "reasonable assurance" exists that payments are being made properly. This assurance is to be achieved within the bounds of what is reasonable for an agency or operation to do. Increasing the percentage of garnishment cases reviewed, to include cases where no current transaction has taken place, is, in our opinion, not within the bounds of what is reasonably achievable considering the resources available.

5f. Applying Maximum Garnishment Limitations. Page 9.

5f (1). The report states that DFAS Garnishment Operations improperly applied 5 CFR §581.402.

Partially Concur: The IG Report references "Garnishment Operations Policy Letter 8, CCPA Percentages in Child Support Cases," June 1997. This policy letter is no longer in effect as all policy letters were re-issued with a modified numbering system in August 2000. Some of the provisions in Policy Letter 8 were implemented in Policy Letter 2-9 (July 2002). The report alleges that Garnishment Operations has inconsistently applied the rules for the maximum allowable percentages that may be garnished, as stated in 15 USC 1673, the Consumer Credit Protection Act (CCPA) and 5 C.F.R. §581.402. While we agree that some paralegals may have incorrectly entered the maximum percentages on some cases, these cases would be an indication of individual errors, rather than faulty policy.

5f (2) and 5f (3). The report states that Garnishment Operations established internal policies that were inconsistent with Federal regulations.

Deleted,
Renumbered
and Revised
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and 16

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Non-Concur: This finding includes a misstatement of the law regarding maximum percentages that may be garnished from an employee/member's pay. The federal limitations of 50% or 60%, specified in 15 USC § 1673, the Consumer Credit Protection Act (CCPA), are the default percentages for current support unless the State sending the order has specified a lower maximum percentage on the face of the order. Garnishment Operations will process an order to the CCPA percentages unless the order contains a percentage lower than the federal maximum. The Child Support Enforcement Agencies (CSEAs) that issue the orders are very familiar with both their State maximums and the federal maximum percentage. Garnishment Operations policy as stated in Policy Letter 2-9, *Support Orders and CCPA Limits*, July 2002, is that when an order is received where the issuing agency has specified a percentage which includes the additional 5% that is authorized when a case is over 12 weeks in arrears, (55% or 65%) we will pay the percentage specified in the orders. We consider the specification of that greater percentage in the order to be the “other acceptable evidence” required by the regulation. See 5 C.F.R. § 581.202(e). This procedure is part of the paralegal training. The block on the face of the standard child support order form which allows the indication that the order is for arrears over 12 weeks, is frequently not used by the States. Therefore, we have determined that having that block checked (or not) is not the best indication of whether or not the case includes arrears over 12 weeks. Rather, relying on the percentage that the order asks us to pay is a better indication of whether the arrears are over 12 weeks. Based on this analysis, we pay the percentage specified in the order.

5f (4). The report states that Garnishment Operations Policy Letter 2-9 improperly directed paralegals to process orders that identified only current support to be paid at 55% or 65% if the percentage was specified in the order.

Concur: The report correctly identifies Garnishment Operations policy regarding paying cases where the order specifies 55% or 65%, despite the fact that the order indicates that the payment amount is for current support only. Our rationale for this policy was similar to that used in the scenario regarding the additional 5 percent in our response to Paragraph 2 above, that the percentage specified in the order is the best evidence of what is being collected. However, after reconsideration, the logic that we applied to the deducting of the additional 5% when arrears are indicated, does not apply to the situation where the order specifies only an amount for current support. We will modify Policy Letter 2-9 to remove the instruction on this issue.

5g. Programming Garnishment Limitations in DRAS. Page 9.

The report states that DFAS Retired and Annuitant Pay improperly programmed the DRAS system to calculate payments for combined USFSPA and garnishment cases to use 65% of disposable pay.

Non-Concur: The DoDFMR, Volume 7B, Chapter 29, Section 2908, *LIMITATIONS* provides that up to 65% of the member's disposable pay is available when deducting for amounts pursuant to a request from a former spouse for payments under 10 USC § 1408

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(USFSPA) and a garnishment for support under 42 USC § 659. See Attachment 2 for a copy of this provision. The DRAS pay system calculates the percentage and maximum dollar amount available, but will not deduct more than what the transaction dictates from IGS. The statement in the report, "...DRAS was programmed to automatically apply the 65 percent ceiling even though IGS included lower percentages" does not accurately reflect how disposable pay limitations are calculated for combination USFSPA and garnishment cases. The system will initially compute disposable pay (DE) for the case that has priority, then re-compute disposable pay for the second case. So, if the USFSPA case has priority, DRAS will compute DE based on the rules specified for that type case. Then after the amount of the USFSPA payment is computed, the system will re-compute the available DE for the garnishment case, based on the garnishment DE rules. In no instance, will the combination of these two computations exceed the maximum allowable percentage of 65%. It is our legal opinion that the system is currently computing DE correctly and that we have adhered to all regulatory requirements and limitations.

5h. Calculating Disposable Earnings. Page 10.

5h (1). The report states that DFAS pay systems improperly calculate disposable earnings.

Concur: This issue was identified prior to the audit. The DRAS system was modified to correct the issue with regard to COLA processing. DRAS now correctly calculates disposable earnings for USFSPA cases and garnishments taking into consideration the cost of living allowance (COLA). The end-of-year issue was identified by Garnishment Operations during COLA processing. COLA's themselves were always accurately calculated correctly and applied to each transaction. The disposable pay calculation issue was identified during the COLA processing and was fixed by LMIT in time for the December 2006 COLA.

5h (2). The report states the DRAS system inconsistently applied the tax withholding rules when computing disposable earnings for USFSPA cases where additional tax withholding had been authorized by Garnishment Operations

Concur: This issue was known to us prior to the audit and had been previously addressed through manual system interventions (fix-its). It involved a limited number of accounts where Garnishment Operations had authorized additional tax withholding. These accounts were corrected after the situation was noted. LMIT has initiated an automated system change to correct this problem in the future. The change will be implemented February 20, 2007.

5h (3). The report states that DRAS did not properly compute disposable earnings with consideration for the SBP premium.

Partially Concur: See response to 2c (1).

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5h (4). The report states that DRAS is using improper disposable earnings computations when computing former spouse payments.

Non-Concur: USFSPA payments were accurately computed by the DRAS system using the correct former spouse computations.

(See Attachment 5 for examples)

5h (5). The report states that the AGS system (active duty military) and the GBT system (reserve military) are not properly computing disposable earnings by failing to use FSGLI, TSP and some miscellaneous debts as authorized deductions.

Partially Concur: The AGS system is properly computing disposable pay in accordance with the law and regulations. The GBT system is not computing disposable earnings using TSP as an authorized deduction. We are addressing this issue with the systems manager.

(See items 2c (2) and 2c (3) for discussion of TSP and FSGLI). (See Attachment 3 for DoDFMR provisions dealing with Family Servicemembers' Group Life Insurance and miscellaneous debt deductions.)

5i. IGS Capabilities for Manual and multiple System Payments. Page 11.

5i (1). The report states that the IGS system is not interfaced with all pay systems.

Concur: The finding correctly identifies that the IGS system is not interfaced with all DFAS pay systems. The reserve component military pay system (DJMS-RC) is not interfaced. In addition, the Marine Corps Total Force System (MCTFS) is not currently interfaced. The DJMS-RC, as well as DJMS-AC (active component) pay systems are considered to be “legacy systems.” Therefore, no further major changes are being performed on these systems, including any interfaces. DFAS and DoD are currently developing the Defense Integrated Military Human Resources System (DIMHRS), which will contain an interface with IGS. DIMHRS will take over the pay functions currently being performed by both the DJMS-AC and DJMS-RC systems. It is scheduled for implementation some time in CY 2008. An interface between the IGS system and MCTFS is currently in the planning phase and implementation is planned for late CY 2008.

5i (2). The report states that within the IGS system there is no capability to combine garnishments being deducted from multiple pay systems.

Non-Concur: An example of this is if an individual who is both a DoD civilian employee and a military reservist has a child support garnishment against his pay. If he does not have sufficient disposable pay in his civilian pay to pay the entire ordered amount, the remainder would be deducted from his reserve military pay. (The majority of the funds would be deducted from the civilian pay in this scenario because that is

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typically the source of greater income available for garnishment.) In this instance, Garnishment Operations would request a disposable pay computation from the DCPS pay system technicians. Once a response is received, a fixed amount would be computed for the maximum amount that could be deducted from the employee/member's civilian disposable pay. That remainder amount would then be entered as a deduction to the member's reserve military pay. In this manner, Garnishment Operations computes the amounts to be deducted from each of the pay systems. It is our belief that there is no need for the system to reconcile these cases as the total amount entered in the two systems has been computed so that if the total amount entered into both systems were deducted, only the total amount ordered would be paid. The paralegals have been trained in the proper manner to input these cases and the instructions are contained in our IGS Manual.

5i (3). The sub-finding specifies: “DFAS Garnishment Operations could not identify when employees had duplicate garnishments deducted from their earnings.”

Partially Concur: While we concur with this statement as it applies to a very specific limited situation, we disagree with it as a general statement regarding our capabilities. Our agreement is in reference to cases where an individual who is a DoD civilian employee and also a military reservist is activated and then de-activated as in finding 5c (1) above. When the member is activated, his civilian pay stops and his pay account is placed in an “inactive” or “suspended” status. If there is a garnishment on his civilian account, it also goes into an “inactive” status. Since there is no notification to Garnishment Operations of a member's activation through the pay systems, we are typically notified either by the member or by the support agency or the payment recipient that the member has been activated. Once notified, Garnishment Operations would enter the garnishment into the member's active duty pay. The issue arises when the member is de-activated. Since there is no mechanism to notify Garnishment Operations when a member is de-activated, the garnishment will continue to be paid from the member's military pay after the member is de-activated, if they earn reserve pay. (This will only occur for Army and Air Force reserve members as their pay accounts are paid from the DJMS-RC pay system while they are activated. These accounts are not transferred to the DJMS-AC system upon activation.) In turn, when the member resumes their civilian job and receives pay, the garnishment that was inactive will again begin to pay. This could cause a partial overpayment during their initial pay period when the employee returns to active pay status as a civilian employee as funds are withheld from both the civilian and military pay. However, this situation does not occur in every instance. If Garnishment Operations is notified of the member's deactivation by any of the involved parties, we will terminate the deductions from the member's military pay prior to any overpayment occurring. If a partial overpayment occurs, it is normally noted by the member during the first month of payment and corrected immediately.

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5j. Modification of Garnishment Order of Precedence. Page 11.

The IG report states DFAS Garnishment Operations improperly modified the garnishment order of precedence for several retired military members.

Non-Concur: This scenario arises when a single claimant has an order in effect for payments pursuant to the USFSPA and a garnishment for payment of child support against a military retiree's pay. These cases involve orders for support that are not being paid to a Child Support Enforcement Agency (CSEA) or other intermediary. The payments are going directly from DFAS to the custodial parent. When the child support garnishment was served prior to the USFSPA application, the garnishment would be satisfied first, prior to any funds being deducted toward a property division under the USFSPA. This is in accordance with the provision in DoDFMR Volume 7B, Chapter 29, Section 291105 which specifies that when multiple court orders are served on a retiree's pay account, they will be satisfied on a “first-come, first-served” basis. This provision is to ensure that when multiple claimants are involved, they are paid their appropriate portion of the available disposable pay on the basis of when their claim is received by DFAS. However, when the claimant on both orders is the same individual, this provision, in our view, is not applicable. We have always interpreted this provision as not applying when the payee is the same former spouse. A problem would arise for the claimant when the child support case maintains priority because they are typically not receiving the full amount of their property division payments under the USFSPA. There are no provisions in the USFSPA that allow DFAS to pay any arrearage amounts on property divisions. Thus, if a former spouse claimant does not receive these payments directly from DFAS at the time the member is paid, the claimant will be forced to seek some alternative enforcement through the courts or lose their opportunity to receive those payments. Conversely, child support payments not paid at the time they are due continue as arrearages until they are paid. The claimant could go back to court to correct the priority issue. They could have the court issue a termination order for the child support payments, serve it on DFAS, which would then place the USFSPA payment in first priority, and then go back to court and have another garnishment order for child support issued by the court. Once this order is served on DFAS, the priority order would be as they desire. However, as a service to our customers and to save them court expenses they would incur by going to court to have their support garnishment stopped and then immediately restarted again, we have implemented a policy to allow a former spouse in this situation to change the priority of payments without going back to court. The Garnishment Operations procedure requires the claimant provide a written request to us to change the priority. We would then act on their request and change the priority so that the property division payments under the USFSPA have precedence over the child support payments. By changing the order of precedence to pay the property division first, the claimant will receive the maximum amount they can receive from DFAS under the USFSPA. The unpaid amount of child support will then accumulate until they are collected through other means. By allowing the payment recipient to change the order of precedence, we are providing a customer service to these “dual recipients” of community property and child support.

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5k. Maintaining Garnishment Documentation. Page 11.

The report States that DFAS Garnishment Operations did not properly maintain orders during system transitions

Concur: See Response to Item 3 above.

5l. Processing Court Orders Consistently. Page 11.

The IG states that DFAS Garnishment Operations did not establish standard policies and procedures for processing multiple garnishments.

Non-Concur: Our understanding is that the report is referring to the situation where we receive more than one order for payments from the pay of a single employee/member. This is a common situation where an individual owes child support for children that are members of different families, who sometimes reside in different States. We call these “allocation” cases because the employee/member does not have enough disposable pay for DFAS to pay the entire ordered amount of one or more of the orders. This portion of the available disposable pay must be prorated for each of the orders. The IG team referenced the Paralegal/Customer Service Reference and Training Manual, December 1998, in their finding. Our policies and procedures for processing allocation cases are not found in this manual. We developed an Excel Worksheet (allocation worksheet) that aids the paralegals in processing the correct prorated percentage of disposable pay for each of the orders. In addition, all paralegals have been uniformly instructed by their team supervisors and the team attorneys on the proper use of the allocation worksheet. The procedures are documented within the IGS User Manual.

6. Garnishment Deductions. Page 12.

The IG states that “DFAS improperly garnished approximately \$10 million,”

Non-Concur: The \$10 million figure was computed using the alleged amounts of “improper” garnishment payments made by DFAS during 2005 for the 292 cases they reviewed and multiplying that figure out based on the total number of active cases for which DFAS is making payments. Based on our analysis of the cases in the sample and our interpretation of the laws and regulations which govern the manner in which we perform our duties, we estimate that we made “improper” payments of approximately \$16,900. This is in strong contrast to the IG team’s findings of approximately \$172,000 of “improper” payments for the cases they reviewed in their sampling. By our calculation, they have alleged “improper” payments over ten times their actual amount.

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11

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7. Recommendations. Page 12.

Recommendation A.1. We recommend that the Director, Defense Finance and Accounting Service, establish a formalized managers' internal control program for the garnishment process in accordance with applicable management control regulations.

Management Comments. Non-Concur. (See finding 1.) DFAS Garnishment Operations has a manager's internal control program currently in place. It contains a number of reviews and other actions designed to ensure that garnishments are processed in accordance with the laws and regulations. It is conducted, maintained, reported and documented on a daily and monthly basis. The following outlines some of the formal Internal Controls that are in place. A description of the remainder of internal controls we have in place is contained in Attachment 9:

ISSO completes a monthly Review of User Accesses used by Garnishment Operations. These include:

DynaComm
IGS
IGARN

ID and Password are required for access to all Garnishment Operations related applications.

IGARN is accessed by CAC card.

IGS is accessed by valid password parameters which expire every 90 days.

DynaComm is accessed by valid password parameters which expire every 90 days.

A random sampling of cases for review is taken from the following monthly reports. (See Attachment 6 for a description of the sampling program):

Report of all System Administrator transactions.

Report of all Attorney transactions.

Report of all Supervisor transactions.

Daily Case Reviews. (See Attachment 7):

100% of all phone logs created in IGARN/Electronic Document Management (EDM) are reviewed by the team Supervisor.

1% of all processed documents are reviewed by the team Supervisor.

In addition, Attachment 8 provides the narrative for the Random Sampling and Review Processing of Garnishments for Military, Retired and Civilian Pay Systems.

They include:

Monthly Pre-Payment Sampling Plan

Quarterly Pre-Payment Sampling Plan

Post-payment Systematic Comparison.

Estimated Completion Date. Not Applicable.

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Recommendation A.2.a. We recommend that the Director, Defense Finance and Accounting Service, modify the Defense Retiree and Annuitant Pay System to ensure proper application of annual cost of living adjustments and lesser of the tax withholding or authorization amount when calculating disposable earnings.

Management Comments. Concur. (See findings 2c and 5h (2).) DFAS was aware of this issue prior to the audit. The calculation for disposable earnings for certain accounts was found to be incorrect based on the aforementioned deductions; however, the effected accounts were limited to a specific population and scenario. The calculation error occurred when a retired member had both a former spouse deduction as well as a garnishment deduction in place on his/her account. The retired pay system was programmed to recompute disposable earnings after a change was entered that would effect either a former spouse or garnishment account; however, when an account had both of these types of deductions it was found that a comparison, a third recomputation, was necessary to effectively capture all of the updated data after each individual disposable earnings calculation was performed. The error occurred during the end-of-year cost of living adjustment and/or in those situations where the account involved applying the appropriate tax (es) to be used in the calculation of disposable earnings. The problem identified through the audit is twofold from a system/correction perspective, one being the calculation of disposable earnings regarding the cost of living adjustment and the second being the calculation of disposable earnings regarding taxes.

The system change request, SCR 2551, to have the disposable earnings calculation corrected regarding the cost of living adjustments, was addressed in a White Paper written in October 2006. This calculation correction was moved into the Retired Pay production atmosphere on December 1, 2006. The cost of living adjustment run took place on December 2, 2006, and the accounts previously affected by this occurrence are now computing disposable earnings correctly.

The system change request, SCR 2577, to have the appropriate add tax deduction applied during disposable earnings calculation is being addressed in a White Paper written December 16, 2006. This calculation correction is currently in the requirements and programming stage. Once the programming effort for this correction has been completed and testing effort and results have met CGA approval, the correction will be scheduled for implementation, which is estimated for February 20, 2007.

Estimated Completion Date. August 1, 2007.

Recommendation A.2.b. We recommend that the Director, Defense Finance and Accounting Service, modify the Defense Retiree and Annuitant Pay System to ensure that the Defense Retiree and Annuitant Pay System does not automatically apply the maximum garnishment limitation of 65 percent when calculating garnishment amounts

Deleted
Pages 5, 7,
9, and 12

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for retired military employees with combinations of support order(s) and Former Spouse Act court order(s).

Management Comments. Non-Concur. (See finding 2b (2) and 5g.) We take legal exception with the recommendation. All statutory and regulatory limitations are adhered to. This issue was discussed at length with the DoD IG/OGC during a teleconference on February 7, 2007. Agreement was reached that DFAS is processing these cases properly. (See Attachment 2 for Disposable Pay Calculation Limitations) Based on these discussions, we request that this recommendation and the related findings be removed from the report.

We have attached copies of some cases cited on the list and provided an analysis of the calculations used to compute the payments. (See Attachment 4) DRAS currently processes disposable pay accurately.

Estimated Completion Date. Not Applicable.

Recommendation A.2.c. We recommend that the Director, Defense Finance and Accounting Service, modify the Defense Retiree and Annuitant Pay System to ensure that the Defense Retiree and Annuitant Pay System use the Former Spouse Act disposable earnings when calculating former spouse amounts.

Management Comments. Non-Concur. (See findings 2, 2b (1), 2c, and 5h (4).) DRAS currently processes the disposable pay accurately pursuant to Title 10 USC §1408. In none of the cases referenced within the report, did the former spouse payment exceed 50% of USFSPA disposable pay.

Estimated Completion Date. Not Applicable.

Recommendation A.3. We recommend that the Director, Defense Finance and Accounting Service, modify the Automated Garnishment System disposable earnings calculation to include Family Servicemembers' Group Life Insurance and some miscellaneous debts as deductions.

Management Comments. Non-Concur. (See findings 2c (3) and 5h (5).) Family SGLI is specifically not listed as an authorized deduction for calculating disposable pay for Garnishment under 42 USC §§659 and 665. This issue was discussed at length with the DoD IG/OGC during a teleconference on February 7, 2007. Agreement was reached that Family SGLI is not an authorized deduction and that DFAS is processing these cases properly. Based on these discussions, we request that this recommendation and the related findings be removed from the report.

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All miscellaneous debts are not authorized deductions. DFAS is using the appropriate miscellaneous debts as authorized deductions in accordance with the DoDFMR, Volume 7A, Chapter 50, Section 5002. The DJMS pay system has been programmed to use the specified miscellaneous debts as deductions when computing disposable pay.

(See Attachment 3 for Family Servicemembers Group Life Insurance and Miscellaneous Debt Deductions)

Estimated Completion Date. Not Applicable.

Recommendation A.4. We recommend that the Director, Defense Finance and Accounting Service, modify the Pay Garnishment Bankruptcy Taxes System disposable earnings calculation to include Thrift Savings Plan contributions as a deduction.

Management comments. Concur. (See findings 2c (2) and 5h (5).) From the current information we have received from the DFAS Indianapolis Center, the Garnishment Bankruptcy Tax System in Indianapolis (this system is used in the processing of cases in the reserve military pay system) is not using TSP as an authorized deduction when computing garnishment disposable earnings (DE). We will coordinate with the DJMS-RC system manager to determine the appropriate systems change.

Estimated Completion Date. April 1, 2008.

Recommendation B.1. We recommend that the Assistant General Counsel for Garnishment Operations, Defense Finance and Accounting Service, revise all 206 current and retired DoD employees' accounts with accurate information to calculate garnishment amounts. Additionally, notify the current and retired DoD employees when an incorrect amount was garnished by annotating their leave and earning statement or by sending a letter.

Management Comments. Non-Concur. Garnishment Operations does not agree there were 206 accounts with inaccurate information to calculate the garnishment amounts. In reviewing of all the garnishment accounts referenced within the report, Garnishment Operations summarized findings in Attachment 2 for Disposable Pay Calculation Limitations.

We have attached copies of some cases cited on the list and provided an analysis of the calculations used to compute the payments. (See Attachment 4) DRAS currently processes disposable pay accurately.

In reviewing of the active duty garnishments referenced within the report, Garnishment Operations found that disposable pay was accurately computed. Family SGLI is not an authorized deduction. This issue was clarified and agreed upon during the February 7,

Revised
Pages 4, 5,
and 13

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2007 meeting between DFAS representatives and the DoD IG OGC. Based on those discussions, this recommendation should be removed. (See response to Recommendation A3 above for a discussion of this issue.)

With regard to the Miscellaneous deductions, there was no detail provided within the IG report to detail what type of Miscellaneous deductions were not being appropriately used when calculating disposable pay. Based on our review of the cases provided, DFAS systems are appropriately using miscellaneous debts as deductions when computing disposable earnings in accordance with the DoDFMR. (See Attachment 3 for references regarding Family Servicemembers Group life Insurance and Miscellaneous Debt Deductions.)

From the information provided to Garnishment Operations Directorate, TSP is being used as an authorized deduction when calculating disposable pay for all active duty military garnishment accounts, Air Force Reserve/Guard, Navy Reserve/Guard and Marine Corp Reserve/Guard.

TSP not being used as an authorized deduction was found to only affect the Army Reserve/Guard member's. Notification has been sent to the System Manager Office to address this issue.

The IG team referenced 5 cases with this issue. Three of the 5 had no impact on the garnishment amount being withheld. The remaining two fluctuated impact, depending on how often the member drilled throughout the month.

Estimated Completion Date. Not Applicable.

Recommendation B.2. We recommend that the Assistant General Counsel for Garnishment Operations, Defense Finance and Accounting Service, increase the monthly review of new garnishment cases and existing cases requiring adjustment and establish a review process for garnishment cases not requiring adjustments.

Management comments. Concur. (See findings 1, 5 and 5e.) There is a formal manager's internal control program currently in place.

There is currently a random sampling compiled daily (See Attachments 7, 8 and 9) that consists of:
100% of all phone logs created in IGARN/EDM are reviewed by the team Supervisor.
1% of all processed documents are reviewed by the team Supervisor.
Monthly Pre-Payment Sampling, Post-payment Systematic Comparison and the Quarterly Pre-Payment Sampling.

We will work with DFAS Internal Review (IR) to review our random sampling process and make appropriate adjustments to include a review of a sampling of cases that have not required adjustments.

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Estimated Completion Date. August 1, 2007.

Recommendation B.3. We recommend that the Assistant General Counsel for Garnishment Operations, Defense Finance and Accounting Service, review all cases identified as “CON” within the Integrated Garnishment System and update applicable garnishment information.

Management Comments. Concur. (See finding 5b.) There are approximately 38,000 converted accounts that have not had a subsequent action posted on the account since the conversion date. (Several conversions have taken place, including the DRAS/IGS system interface conversion in Jan 2001 and the DJMS/IGS interface conversion in March 2004.) DFAS Garnishment Operations will compile a listing of the cases that have not yet been reviewed. We will develop a plan for reviewing these cases to ensure that all conversion cases will eventually be reviewed.

Estimated Completion Date: April 1, 2008

Recommendation B.4. We recommend that the Assistant General Counsel for Garnishment Operations, Defense Finance and Accounting Service, provide training to ensure appropriate and timely termination of garnishments.

Management comments. Concur. (See findings 5c (1) and 5c (2).) Our policies and procedures require processing of terminations in a timely manner. We will increase the frequency of paralegal remedial training and re-emphasize the importance of processing all transactions within the appropriate time limitations.

Estimated Completion Date. August 1, 2007.

Recommendation B.5. We recommend that the Assistant General Counsel for Garnishment Operations, Defense Finance and Accounting Service, review all multiple family support orders to update allocation percentages within the Integrated Garnishment System.

Management Comments. Partially Concur. (See finding 5d.) In our review of the list of cases provided from the IG, we found several instances where the paralegal failed to follow established allocation procedures. This is a training issue that will be addressed. We will conduct remedial training for all paralegals on the proper procedures to follow when processing these cases. In addition, we will increase the percentage of these cases that are reviewed by the supervisors during our monthly Certifying Officer Legislation (COL) Review.

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Estimated Completion Date. For training: August 1, 2007. Case reviews: Ongoing.

Recommendations B.6.a, B.6.b, and B.6c. We recommend that the Assistant General Counsel for Garnishment Operations, Defense Finance and Accounting Service, revise and implement the Defense Finance and Accounting Service Garnishment Operations Policy Letter 8, "CCPA Percentages in Child Support Cases," June 1997 to: Ensure consistent processing of support orders by applying the lesser of the Federal or court ordered maximum garnishment limitation. Establish that arrearages must be 12 or more weeks in order to increase the maximum garnishment limitation by 5 percent. Define "other acceptable evidence" for establishing the arrearage is over 12 weeks.

Management Comments. Partially Concur. (See findings 5f(1), 5f(2), 5f(3) and 5f(4).) The policy letter referenced in the report is no longer in effect. Policy Letter 2-9 (July 2002) superseded the information contained in Policy Letter 8. The report recommends in Recommendation 7 below that Garnishment Operations rescind Policy Letter 2-9. We will contact the Federal Office of Child Support Enforcement (OCSE) regarding the policy stated in the second section of Policy Letter 2-9 which instructs paralegals to increase the maximum percentage limitation for cases where the order specifies 55% or 65%, but only indicates the order is for current support. In addition, we will clarify the paragraph regarding the 12 weeks issue discussed in this recommendation.

In our meeting with the DoD IG audit team leader, the DoD IG OGC attorney, DFAS General Counsel and Garnishment Operations personnel on February 7, 2007, we discussed the issue of when it is proper for DFAS to allow the maximum percentage to increase by 5 percent to 55% or 65%. We agreed to clarify a definition of "other acceptable evidence" to ensure understanding and consistent processing by the paralegals. The discussion below describes the situation in detail and describes our rationale for this approach:

5 C.F.R. Section 581.202(e) states: "In order for the party who caused the legal process to be served to receive the additional five (5) percent provided for in either Section 581.402(a) or (b), it must appear on the face of the legal process that the process was brought for the enforcement of a support order for a period which is twelve (12) weeks in arrears, or a certified copy of the support order, or other evidence acceptable to the head of the governmental entity, establishing this fact, must be submitted." The C.F.R. also states in Section 581.402(2): "...an additional 5 percent will apply if it appears on the face of the legal process, or from other evidence submitted in accordance with 581.202(d), that such earnings are to enforce a support order for a period which is 12 weeks prior to that work-week." There are two indications on the face of the standard form Income Withholding Order (IWO) that indicate that the order is to enforce an obligation that is 12 weeks or greater in arrears. The first is that the agency who submits the order to us specifies that the order should be enforced at 65% of the obligor's disposable pay. The second is that the agency checks a block on the form which states: "Arrears greater than 12 weeks? Yes ___ No ___." If the agency preparing the order would both specify the

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additional percentage and check the "Yes" block indicating the arrears are greater than 12 weeks, there would be no question as to their intention to enforce the order at 65%. However, we have found that the common practice among the States is to specify the additional percentage without checking the "Yes" block. In fact, the common practice is to not check either the "Yes" or "No" block. Several years ago, we questioned several of the States about this practice. The response we received was that they do not use the "Yes" and "No" blocks. They informed us that their indication on the form that we should deduct 55% or 65% is their certification that the order is for arrears greater than 12 weeks. We have accepted their specification of 55% or 65% as information contained on the face of the document that indicates the arrears are 12 weeks or greater. Therefore, we have not considered it as "other acceptable evidence," rather, it is information on the face of the IWO that establishes the fact. However, we will modify our policy letter 2-9 to clarify this explanation.

Estimated Completion Date. August 1, 2007.

Recommendation B.7. We recommend that the Assistant General Counsel for Garnishment Operations, Defense Finance and Accounting Service, rescind the Defense Finance and Accounting Service Garnishment Operations Policy Letter 2-9, "Support Orders and CCPA Limits," July 2002.

Management Comments. Partially Concur. (See finding 5f (4).) As discussed in Recommendation 6 above, we will contact the Federal Office of Child Support Enforcement (OCSE) regarding the policy stated in the second section of Policy Letter 2-9 which instructs paralegals to increase the maximum percentage limitation for cases where the order specifies 55% or 65%, but only indicates the order is for current support. This policy was instituted at the time when a number of States had begun combining all ordered amounts into one total, without breaking out the amounts for current support and arrears.

Estimated Completion Date. August 1, 2007.

Recommendation B.8. We recommend that the Assistant General Counsel for Garnishment Operations, Defense Finance and Accounting Service, coordinate with the Defense Finance and Accounting Service Pay Operations to ensure disposable earnings complies with Federal regulations.

Management comments. Partially Concur. (See findings 2, 2a, 2b (1), 2b (2), 2c, 2c (1), 2c (2), 2c (3), 5h (1), 5h (2), 5h (3), 5h (4), and 5h (5).) Based on our review of the cases in the IG sample, we are confident that the pay systems, with the exception of the DJMS-RC pay system, have been programmed in accordance with the law and regulations. The DJMS-RC issue is addressed in Recommendation A.4 above.

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Estimated Completion Date. April 1, 2008.

Recommendation B.9. We recommend that the Assistant General Counsel for Garnishment Operations, Defense Finance and Accounting Service, coordinate with the Defense Finance and Accounting Service Retired and Annuitant Pay to ensure survivor benefit premium beneficiary social security numbers are correct.

Management Comments. Partially Concur. (See finding 2c (1) and 5h (3).) As this is a joint effort, in that Garnishment Operations is responsible for the legal review of USFSPA cases and Retired and Annuitant Pay is responsible for making SBP determinations, a consolidated effort will continue to be made to ensure that information input to both the legal review system and the Retired Pay master are correct.

Garnishment Operations, through periodic supervisory review, will ensure that all USFSPA applicant information input into IGS is correct based on their legal review of the documentation served. Retired and Annuitant Pay, through periodic review, will ensure that the information input on the Retired Casualty Pay Subsystem, with regard to SBP, is correct based on the service of the appropriate documentation. If either Garnishment Operations or Retired and Annuitant Pay determine that an error has occurred, the identifying party will take immediate action to correct the error or notify the responsible party. Acceptable notification will be through intra-agency memorandum or electronic mail with appropriate account identification information.

Retired and Annuitant Pay General Processing will issue an office wide "Tip of the Day" reminder notice to all personnel responsible for processing such accounts of the importance of accuracy regarding SBP information as it relates to USFSPA information. Applicable SBP annuitant information will be validated against the RCPS USFSPA master claimant information to detect any possible errors. The standard operating procedures will be updated accordingly. This policy/training change is scheduled to be implemented by January 31, 2007.

Estimated Completion Date. August 1, 2007.

Recommendation B.10. We recommend that the Assistant General Counsel for Garnishment Operations, Defense Finance and Accounting Service, establish and implement reconciliation procedures to capture manual and multiple system payments.

Management Comments. Non-Concur. (See finding 2d (1), 5i (1), 5i (2), and 5i (3).) Feedback of offline payments is not provided to IGS. While feedback is sent from the pay system to IGS for payments that are initiated through the automated system, there is no such mechanism for payments made offline. While it is helpful to have this payment information in IGS, the pay system is the system of record for all payments made. Therefore, the official record of payments made is the record in the pay system itself, not

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the feedback from the pay system in IGS. DFAS has consistently followed this practice. As an example, whenever a party requests an audit of an account to determine payments made, the account audit will be conducted using the information contained in the pay system.

Estimated Completion Date. Not Applicable.

Recommendation B.11. We recommend that the Assistant General Counsel for Garnishment Operations, Defense Finance and Accounting Service, provide training to ensure support order(s) and Former Spouse Act court order are processed on a first-come, first-served basis.

Management Comments. Non-Concur. (See findings 2e and 5j.) We assume this is a reference to our policy of changing the order of precedence for cases involving payments to the same former spouse for divisions of retired pay under the USFSPA and garnishment payments under 42 USC 659. Per our teleconference with the DoD IG/OGC and DoD audit team leader on February 7, 2007, we have reached agreement that DFAS policy is in accordance with 10 USC 1408 and the DoDFMR. Therefore, we request that this recommendation and related findings be removed from the report.

Estimated Completion Date. Not applicable.

Recommendation B.12. We recommend that the Assistant General Counsel for Garnishment Operations, Defense Finance and Accounting Service, contact garnishment-related parties to obtain court orders missing from the Imaging Garnishment System.

Management Comments. Concur. (See findings 3 and 5k.) Based on the results of our system query, we will contact the recipients of payments for those cases identified where the IGARN system does not contain the court order authorizing payment.

Estimated Completion Date. August 1, 2007

Recommendation B.13. We recommend that the Assistant General Counsel for Garnishment Operations, Defense Finance and Accounting Service, establish court order retention policies and procedures to ensure retention of court order documentation.

Management Comments. Non-Concur. (See findings 3 and 5k.) These policies were in place prior to the audit. See listing below.

BFCORCRD	Backfile Correspondence Card	2555 days (7 yrs)
BANKRUPTCY	Bankruptcy Order	10900 days (30 yrs)
BFCRTORD	Backfile Court Order	10900 days (30 yrs)

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BFOTHDOC	Backfile Other Document	10900 days (30 yrs)
BNKRP7	Bankruptcy Chapter 7	2555 days (7 yrs)
CODE 13	IGS Report #2 Pay Suspend	2555 days (7 yrs)
CONG	Congressional	2555 days (7 yrs)
CTNOTICE	Court Notification Letter	2555 days (7 yrs)
CTORDER	Court Order	10900 days (30 yrs)
IGSRPT	IGS Reports	2555 days (7 yrs)
INCOMING	Misc. Correspondence Incoming	365 days (1 yr)
INTERR	Interrogatory	60 days
MEMPLTR	Employee/Member Notification	2555 days (7 yrs)
MESSAGE	Message to Member	2555 days (7 yrs)
MISROUTE	Misrouted Documents	2555 days (7 yrs)
NOMATCH	No Match SSN	60 days
OUTGOING	Misc. Correspondence Out	2555 days (7 yrs)
PAYFORM	Pay Transaction Form/Date	2555 days (7 yrs)
PENDING	Pending Court Order	120 days
PHONELOG	Phone Log	365 days (1 yr)
REJCASE	Rejected Case	365 days (1 yr)
REILTR	Rejected Letters	2555 days (7 yrs)
RESCAN	Rescan Document – Bad Image	60 days
RECHK	Returned Govt. Check/Corr.	365 days (1 yr)
SHORT	Court Order Short Term (30–180 days)	2555 days (7 yrs)

Estimated Completion Date. Not applicable.

Recommendation B.14. We recommend that the Assistant General Counsel for Garnishment Operations, Defense Finance and Accounting Service, establish policies and procedures for multiple garnishment orders to ensure consistent processing.

Management Comments. Non-Concur: (See finding 51.) DFAS Garnishment Operations has policies and procedures in place to ensure consistent processing.

Estimated Completion Date. Not applicable.

Other Matters of Interest. Written Notification to Employees. Page 14.

Non-Concur: Notifications are sent when cases are processed both by mail and via email through SmartDocs. For some older cases, evidence of these letters may not be contained in the IGARN files. When we converted over 280,000 paper files to the EDM system (pre-cursor to IGARN), notification letters were not imaged. Notification letters are currently saved to IGARN consistently.

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Disposable Pay Calculation Limitations.

Disposable pay computations were completed:

According to the DoDFMR, Volume 7B, Chapter 29 Section 2908 LIMITATIONS

290801. Divorces, Dissolutions of Marriage, Annulments, and Legal Separations that Become Effective Before Feb 3, 1991. Upon proper service, a retiree's retired pay may be paid directly to a former spouse in the amount necessary to comply with the court order, provided the total amount does not exceed:

- A. Fifty percent of disposable retired pay for all court orders and garnishments actions paid under this chapter.
- B. Sixty-five percent of disposable retired pay for all court orders and garnishments paid under this chapter and garnishment paid under 42 USC 659. See Chapter 27 of this Volume

290802. Divorces, Dissolutions of Marriage, Annulments, and Legal Separations that Become Effective on or After Feb 3, 1991. Upon proper service, a retiree's retired pay may be paid directly to a former spouse in the amount necessary to comply with the court order, provided the total amount does not exceed:

- A. Fifty percent of disposable retired pay for all court orders and garnishments actions paid under this chapter.
- B. Sixty-five percent of disposable retired pay for all court orders and garnishments paid under this chapter and garnishment paid under 42 USC 659 and 662 (reference (au)) for all court orders and garnishments under this chapter and garnishments paid under 42 USC 659 (reference (au)). See Chapter 27 of this Volume.

In none of the cases referenced within the report, did the combination of a former spouse payment and a garnishment payment exceed the 65% limitation as authorized in the above regulation.

In none of the cases referenced within the report, did the former spouse payment exceed 50% of FSPA disposable pay.

In none of the cases referenced within the report, did the garnishment payment exceed the court ordered limitation being enforced.

When the condition exists where there is a court order support garnishment enforced under 42 USC 659 and an FSPA entitlement enforced under 10 USC 1408, the Defense Retiree and Annuitant Pay System (DRAS) calculates what the maximum disposable pay is available for paying the multiple obligations. DRAS processes the transactions from IGS calculating the amounts based upon the information received. If a garnishment order is not to exceed 50% of disposable pay, then that garnishment transaction doesn't exceed 50% of garnishment disposable pay. Since FSPA entitlements are not to exceed 50% of disposable pay, then, the system will ensure that the FSPA transaction doesn't exceed 50% of FSPA disposable pay. The 65% disposable pay limitation is present to keep the multiple obligations within the maximum disposable available pay in accordance to the Consumer Credit Protection Act (CCPA) and the applicable regulations.

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Family Servicemembers Group Life Insurance and Miscellaneous Debt Deductions.

According to our research of the law, Family Servicemembers Group Life Insurance (SGLI) is not an authorized deduction.

According to the DoD FMR, Volume 7A, Chapter 50 Section 5002 paragraph D (amended September 2006)

**5002 LEGAL PROCESS FOR ENFORCEMENT OF CHILD SUPPORT AND
ALIMONY OBLIGATIONS**

"Other Amounts Not Subject to Garnishment. The amounts deducted from the pay of a Military Service member for the following purposes are not subject to legal process:

1. Federal income tax withholding (amount limited only to that which is necessary to fulfill member's tax liability)
2. FICA tax
3. Armed Services Retirement Homes
4. Servicemen's Group Life Insurance
5. Retired Serviceman's Family protection plan
6. Survivor Benefit Plan
7. State income tax
8. Indebtedness to the US
9. Other amounts required by law to be deducted."

Family SGLI is specifically not listed as an authorized deduction for calculating disposable pay for Garnishment under 42 USC Section 659 and 665. The provisions in 5 C.F.R. Section 581 are consistent with the information in the DoD FMR.

IG referenced 38 cases they judged as being miscalculated and based on the above, we disagree with that finding. Information regarding which life insurance is in question needs to be provided.

Not all Miscellaneous deductions deducted from a member's pay are authorized deductions for the garnishment disposable pay computation. They are specifically identified by type in the C.F.R. The Automated Garnishment Subsystem is programmed specifically accordingly to the DoD FMR. The types of Miscellaneous deductions that were not used as authorized deductions needs to be provided, with the pay breakdown for the specific account. The Misc. deduction identifier needs to be provided for an accurate match. Some Misc. deductions are authorized and others are not.

At this time, Garnishment Operations has not received the requested additional information that specifically identified debt types or the pay breakdown of the questionable accounts. The information is required so a thorough review can be accomplished.

The following regulation is being adhered to in the calculating of disposable pay. There appears to be some confusion regarding Misc. debt in the draft report. Not all Misc. Debts are authorized deductions.

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According to the DoD FMR, Volume 7A, Chapter 50 Section 5002 paragraph H (amended September 2006) the following items are authorized deductions for use in calculating disposable pay.

**5002 LEGAL PROCESS FOR ENFORCEMENT OF CHILD SUPPORT AND
ALIMONY OBLIGATIONS**

Paragraph H 6. Determine whether the member is indebted to the United States. If the member owes a specific amount, that amount will be offset against the amount of pay determined to be subject to legal process. Money owed to a non-appropriated fund activity may not be offset. The following kinds of indebtedness may be offset:

- a. Amounts required to satisfy prior advance of pay and allowances.
- b. Amounts required to satisfy prior overpayments of pay and allowances.
- c. Court martial's, non-judicial fines and forfeitures.
- d. Administratively determined indebtedness.

The authorized deductions that are used are identified as a "DS" FID

Arrears in Money Accounts

Clothing Issue Charges

SF 1219 Receivables

Hospital Bill

Temporary Lodging Allowance

Federal Housing Authority

Base Housing

Telephone/Utility

Commissary

**Tax Levy (only if served prior to Garnishment)

Repay travel Advance Costs

ROS/GOLD Collected W/Specific Appropriation

Excess With/Household Goods/DITY

Air Force & Navy Only Stipends

**Salary Offset (if it is not for the collection of the following: Bank of America

Company code D409272 and Bank of America VISA Company Code D40927,

AAFES Company Codes D00524 and D01648. DFAS-CL TOPS Outstanding Debt

with BOA and Cleveland Posts the Debt Company Code D41194)

Tuition Assistance

USNA Store

Other type Debts are by-passed if the entry is in a suspended status.

IG referenced 2 cases with this issue, but did not provide detail of what the debt issue was.

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The following are four examples of analyzed accounts, taken from the list provided from the IG. Each case provides details of how the amounts and limitation amounts were computed and how the appropriate percentage limitations have been adhered to per the DoD FMR.

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IGARN:

1st Court order child support arrears \$708.90 not to exceed 50%

2nd Court order identifies Former Spouse percentage as 25% of military retirement benefits

3rd Court Order for monthly alimony/spousal support amount of \$220.00, not to exceed 50%

IGS:

Support arrears \$708.90 NTE 50%

CP 25% NTE 50%

Spousal/Alimony \$220.00.00 NTE 50%,

	DRAS		DRAS
Pay date	12/1/2005	12/1/2005	1/3/2006
Support Arrears			
Garnishment		Alimony	Alimony
Court ordered garn amount	\$708.90	\$708.90	\$220.00
Gross pay	\$2083.00	\$2083.00	\$2168.00
VA Waiver	00.00	00.00	00.00
SBP	\$135.83	\$135.83	\$141.40
Federal Tax	\$75.94	\$75.94	\$108.46
Garn disposable pay	\$1871.23	1871.23	\$1918.14
Court ordered max %	50.0000	50.0000	50.0000
Max amount available for Garn	\$935.61		\$959.07
Amount garn paid	\$570.87	124.67	\$220.00
	(final payment)		
Community Property			
CP awarded amt/percentage	25%		25%
Gross pay	\$2083.00		\$2168.00
VA Waiver	00.00		00.00
SBP (claimant not beneficiary)	00.00		00.00
FSPA disposable pay	\$2083.00		\$2168.00
Max percent available for FSPA	50.0000		50.0000
Max amount available for FSPA	\$1041.50		\$1084.00
FSPA awarded amount before garn	\$520.75		\$542.00
(65%)Garn disposable pay limit available for both garn and FSPA	\$1216.29		\$1246.79
Support arrears Garn deduction	\$570.87		00.00
Amount available for FSPA	\$520.75		\$542.00
Amount available for Alimony	\$124.67		\$220.00

*Garns paying less than 50% of DE. FSPA paying 25% Combination Garn and FSPA is meeting maximum 65%.

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I.

IGARN:

Court Order for monthly child support amount of \$2419.00. not to exceed 50%
Court order identifies Former Spouse percentage as 41.25% of military retirement benefits
CP has priority

IGS:

Child Support, \$2419.00 NTE 50%,
CP 41.25% NTE 50%

	DFAS 12/1/2005	DFAS 1/3/2006
Pay Date	12/1/2005	1/3/2006
Community Property		
Awarded by Court	41.25%	41.25%
Gross Pay	\$1401.00	\$1458.00
VA Waiver	\$00	\$00.00
SBP	\$0.00	00.00
FSPA DE	\$1401.00	\$1458.00
Max percentage available for FSPA	50.0000%	50.0000%
Max amount available for FSPA (50%)	\$700.50	\$729.00
FSPA awarded amount (41.25%)	\$577.91	\$601.42
Support Garnishment		
Court ordered garn amount	\$2419.00	\$2419.00
Gross Pay	\$1401.00	\$1458.00
VA Waiver	\$00.00	\$632.00
SBP	\$10.10	\$10.51
FiTW	\$00.00	\$00.00
Garn Disposable earnings	\$1390.90	\$1447.49
Maximum percent available for Garn	50.0000%	50.0000%
Max amount available for Garn	\$695.45	\$723.74
Garnishment order amount	\$2419.00	\$2419.00
(65%)Garn Disposable pay limit available for both garn and FSPA.	\$904.08	\$940.86
FSPA deduction	\$577.91	\$601.42
Amount available for Garn	\$326.17	\$339.44
Amount Garn Paid	\$326.17	\$339.44

*Garn paying less than 50% of DE. Combination Garn and FSPA is meeting maximum 65%.

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I.

IGARN:

Court Order for monthly child support amount of \$435.00, not to exceed 50%
Court order identifies Former Spouse percentage as 29.8% of military retirement benefits
CP has priority

IGS:

Child Support, \$435.00 NTE 50%,
CP 29.8% NTE 50%
2005 = Gross pay was \$1250.00

Pay Date	DFAS 12/1/2005	DFAS 1/3/2006
Community Property		
Awarded by Court	29.08%	29.08%
Gross Pay	\$1250.00	\$1301.00
VA Waiver	\$607.00	\$632.00
SBP	\$0.00	\$0.00
FSPA DE	\$643.00	\$669.00
Max percentage available for FSPA	50.0000%	50.0000%
Max amount available for FSPA (50%)	\$321.50	\$334.50
FSPA awarded amount (29.08%)	\$186.98	\$194.54
Support Garnishment		
Court ordered garn amount	\$435.00	\$435.00
Gross Pay	\$1250.00	\$1301.00
VA Waiver	\$607.00	\$632.00
SBP	\$00.00	\$00.00
FITW	\$00.00	\$00.00
Garn Disposable earnings	\$643.00	\$669.00
Maximum percent available for Garn	50.0000%	50.0000%
Max amount available for Garn	\$321.50	\$334.50
Garnishment order amount	\$435.00	\$435.00
(65%)Garn Disposable pay limit available for both garn and FSPA.	\$417.95	\$434.85
FSPA deduction	\$186.98	\$194.54
Amount available for Garn	\$230.97	\$240.31
Amount Garn Paid	\$230.97	\$240.31

*Garn paying less than 50% of DE. Combination Garn and FSPA is meeting maximum 65%.

**DFAS Attachment to DoD IG Draft Report, Project No. D2005-D000FC-0264.000,
"DoD Garnishment Program," dated December 15, 2006.**

IGARN:

Court Order for monthly child support amount of \$1406.00, not to exceed 50%
Court order identifies Former Spouse percentage as 19.2% of military retirement benefits
Garnishment has priority

IGS:

Child Support, \$1406.00 NTE 50%,
CP 19.2% NTE 50%
2005 = Gross pay was \$2139.00

	DRAS 5/22005	DRAS 6/1/2005
Pay date		
Support Garnishment		
Court ordered garn amount	\$1406.00	\$1406.00
Gross pay	\$2139.00	\$2139.00
VA Waiver	00.00	363.00
SBP	\$139.06	\$139.06
Federal Tax	\$50.72	\$43.66
Garn disposable pay	\$1949.22	\$1593.28
Court ordered max %	50.00	50.00
Max amount available for Garn	\$974.61	\$796.64
Amount garn paid	\$974.61	\$796.64
Community Property		
CP awarded amt/percentage	19.2%	19.2%
Gross pay	\$2139.00	\$2139.00
VA Waiver	00.00	363.00
SBP (claimant not beneficiary)	00.00	00.00
FSPA disposable pay	2139.00	\$1776.00
Max percent available for FSPA	50.0000	50.0000
Max amount available for FSPA	\$1069.50	\$888.00
FSPA awarded amount before garn	\$410.68	\$340.99
(65%)Garn disposable pay limit available for both garn and FSPA	\$1266.99	\$1035.63
Garn deduction	\$974.61	\$796.64
Amount available for FSPA	\$292.38	\$238.99
Amount FSPA paid	\$292.38	\$238.99

*Garn paying 50% of DE. FSPA paying less than 19.2% Combination Garn and FSPA is meeting maximum 65%.

**DFAS Attachment to DoD IG Draft Report, Project No. D2005-D000FC-0264.000,
"DoD Garnishment Program," dated December 15, 2006.**

The following are three examples of analyzed accounts, taken from the list provided from the IG. These cases are examples of the COLA processing that took place for December 2006. All appropriate increases and computations were performed during the December COLA processing. Each case provides details of how the amounts and limitation amounts were computed and how the appropriate percentage limitations have been adhered to per the DoD FMR.

**DFAS Attachment to DoD IG Draft Report, Project No. D2005-D000FC-0264.000,
"DoD Garnishment Program," dated December 15, 2006.**

IGARN:

1. Court Order for monthly child support amount of \$816.00, not to exceed 50%
2. Court order for alimony amount of 150.00, not to exceed 50%
3. Court order identifies Former Spouse percentage as 35.0% of military retirement benefits

Support Garnishment has priority

IGS:

Child Support, \$816.00 NTE 50%,
Alimony, 150.00 NTE 50%
CP 35.0% NTE 50%

DRAS	
Computation date	12/2/2006
Support Garnishment	
CS Court ordered garn amount	\$816.00
Alimony ordered garn amount	\$150.00
Gross pay	\$1750.00
VA Waiver	00.00
SBP	\$114.01
Federal Tax (nfaa)	\$138.65
Garn disposable pay	\$1497.34
Court ordered max %	60.00
Max amount available for Garn	\$748.67
Amount CS garn paid	\$748.67
Amount AL garn paid	00.00
Community Property	
CP awarded amt/percentage	35%
Gross pay	\$1750.00
VA Waiver	00.00
SBP (claimant not beneficiary)	00.00
FSPA disposable pay	\$1750.00
Max percent available for FSPA	60.0000
Max amount available for FSPA	\$875.00
FSPA awarded amount before garn	\$612.50
(65%)Garn disposable pay limit available for both garn and FSPA	\$973.27
Garn deduction	\$748.67
Amount available for FSPA	\$224.60
Amount FSPA paid	\$224.60

*Garn paying 50% of DE. FSPA paying less than 19.2% Combination Garn and FSPA is meeting maximum 65%.

**DFAS Attachment to DoD IG Draft Report, Project No. D2005-D000FC-0264.000,
"DoD Garnishment Program," dated December 15, 2006.**

GARN.

Court Order for monthly child support amount of \$170.00, not to exceed 50%
Court order identifies Former Spouse percentage as 35.8606% of military retirement benefits
CP has priority
IGS:
Child Support, \$170.00 NTE 50%,
CP 35.8606% NTE 50%

DFAS	
Computation Date	12/2/2006
Community Property	
Awarded by Court	35.8606%
Gross Pay	\$1435.00
VA Waiver	\$538.00
SBP (claimant not beneficiary)	\$0.00
FSPA DE	\$897.00
Max percentage available for FSPA	50.0000%
Max amount available for FSPA (50%)	\$448.50
FSPA awarded amount (35.8606%)	\$321.66
Support Garnishment	
Court ordered garn amount	\$170.00
Gross Pay	\$1435.00
VA Waiver	\$538.00
SBP	\$93.38
FITW	\$26.10
Garn Disposable earnings	\$777.52
Maximum percent available for Garn	50.0000%
Max amount available for Garn	\$388.76
Garnishment order amount (65%)Garn Disposable pay limit available for both garn and FSPA.	\$170.00
FSPA deduction	\$321.66
Amount available for Garn	\$183.72
Amount Garn Paid	\$170.00

*Garn paying less than 50% of DE. Combination Garn and FSPA is meeting maximum 65%.

**DFAS Attachment to DoD IG Draft Report, Project No. D2005-D000FC-0264.000,
"DoD Garnishment Program," dated December 15, 2006.**

REMARKS:

Court Order for monthly child support amount of \$549.58, not to exceed 60%
Court order identifies Former Spouse percentage as 25.0% of military retirement benefits
Garnishment has priority
IGS:
Child Support, \$549.58 NTE 60%,
CP 25% NTE 50%

	DRAS
Computation date	12/2/2006
Support Garnishment	
Court ordered garn amount	\$549.58
Gross pay	\$1447.00
VA Waiver	748.08
SBP	\$00
Federal Tax	\$18.05
Garn disposable pay	\$682.87
Court ordered max %	60.00
Max amount available for Garn	\$409.71
Amount garn paid	\$409.71
Community Property	
CP awarded amt/percentage	25%
Gross pay	\$1447.00
VA Waiver	748.08
SBP	00.00
FSPA disposable pay	698.92
Max percent available for FSPA	50.0000
Max amount available for FSPA	\$349.46
FSPA awarded amount before garn	\$174.73
(65%)Garn disposable pay limit available for both garn and FSPA	\$443.86
Garn deduction	\$409.71
Amount available for FSPA	\$34.14
Amount FSPA paid	\$34.14

*Garn paying 50% of DE. FSPA paying 25% Combination Garn and FSPA is meeting maximum 65%.

**DFAS Attachment to DoD IG Draft Report, Project No. D2005-D000FC-0264.000,
"DoD Garnishment Program," dated December 15, 2006.**

Tracking System Administrator Actions.

IGS documents each and every user's actions by creating action "Log Files." Each Log File entry is identified and entered on daily files. These files are saved electronically and kept in folders on the internal server. Each folder is identified by the user's initials and clerk code. Log files remain on the server for 3 years. (2 years past plus current year)

Each "action" entry is identified by the following:

Unique Sequence ID (each action has a unique identifier)

Date of the action

Time of the action

IGS Version/Release number

The action being completed (i.e. change, update, modify)

SSN (encrypted) Garn date of the transaction being affected, Tran code (type of transaction)

Effective date of the transaction being affected

Previous transaction status (i.e. I = Inactive)

Current transaction status (i.e. A=Active)

Location of the change being completed (i.e. field change or table change)

Comment (i.e. member name changes, the former name and the new name is identified).

Beginning August 1, 2005, on a monthly basis, the "action" Log File for each System Administrator, will be printed and provided to management for review. Highlighted portions of the report will be address changes.

When an address change is completed by a System Administrator, the affected address code is displayed.

Supportive written documentation will be provided for each address change completed by the System Administrator.

These printed monthly reports will be kept in a notebook and maintained within Garnishment Operations. All above referenced supportive documentation will accompany the reports.

*If found necessary, questionable transactions will be identified to the IGS programmers by the SeqID and further information can be provided.

An example of an address change is:

00016113	07/18/2005	10:33:25	1031:16	Change	?kTq??qTk
	07/18/2005	00	07/18/2005	-	00
				u_address_base::ue_save	
				Address code D9900135	
00016253	07/18/2005	10:33:48	1031:16	Change	?kTq??qTk
	07/18/2005	00	07/18/2005	-	00
				u_address_base::ue_save	
				Address code D9900664	
00016203	07/18/2005	10:34:16	1031:16	Change	?kTq??qTk
	07/18/2005	00	07/18/2005	-	00
				u_address_base::ue_save	
				Address code D0021954	

**DFAS Attachment to DoD IG Draft Report, Project No. D2005-D000FC-0264.000,
"DoD Garnishment Program," dated December 15, 2006.**

Tracking Supervisor, System Admin, and Attorney Legal Review Actions.

All transactions and actions completed within IGS through Legal Review are documented on an IGS Production Report. The IGS production report identifies all transactions completed within Legal Review. The Production report can be provided for any IGS user with rites to the Legal Review screens in IGS. This authorization allows the user to write to the action and no-action tables and create transactions.

The Production report details the following transaction information:

User Clerk Code
Member/employee SSN
Transaction Type
Pay System
Branch of Service
Case number
Transaction Service date
Transaction Date Processed
Status of the transaction completed.

Beginning August 1, 2005, on a monthly basis, the production report will be produced for each Attorney, Supervisor, and System Administrator. A random selection of one transaction from each individual will be reviewed. The review includes confirming all supportive documentation is present to warrant the transaction/action selected. The printed monthly production reports will be kept in a notebook and maintained within Garnishment Operations.

**If found necessary, questionable transactions will be identified and provided to management for further review.

Joan Arrington, Jarringt, 26M
Kenneth Asher, Kasher, 24N
Hedy Chatfield, Hchatfie, 39M
Karla Dunklin-Marrow, Kdunkli, 32M
Pam Oehme, Poehme, 98M
Annie Trzonkowski, Atrzonko, 33M
Ivory Kangah, Ikangah, 02M
Jill Orosz, Jorosz, 09M
Sue Fillingier, Sfilling, 29M
Angela Woods, Awoods, 08M
Frank Hrouda, Fhrouda, 42M
Loretta Longo, Llongo, 15M

**DFAS Attachment to DoD IG Draft Report, Project No. D2005-D000FC-0264.000,
"DoD Garnishment Program," dated December 15, 2006.**

**MANAGEMENT CONTROLS
GARNISHMENT CASE REVIEWS**

Daily

Established audit trails and transaction approval processes.

On a daily basis, IGARN automatically distributes 1% of each team's processed documents to the corresponding team Supervisor, to confirm, verify and complete a case review.

On a daily basis, 100% of all phone logs created in IGARN are sent to the team Supervisors for review. Each team Supervisor must confirm/verify case review. It is at that time the transaction approval is completed since IGARN and IGS are used in tandem. (Phone logs are input by Customer Service Representatives in the call Center in Cleveland)

With 55 paralegals processing an average of 5 cases per hour, in an 8-hour day, 2200 transactions are generated per day. Approximately 22 cases per day plus all phone logs.

Approval Review Process

The Supervisor reviews the court order within IGARN and compares the data contained in the order to what is input into IGS.

The Integrated Garnishment System (IGS) contains the approved transactions that affect the employee/member's pay. The transactions are considered approved unless subsequently found to be erroneous.

- a. If an erroneous entry is made and needs correction, a subsequent modify or terminate transaction can be entered to correct the previous entry.
- b. This method provides an audit trail for documenting erroneous entries that affect the member's pay.
- c. This method provides the ability to document any over/under payments if remitted to the garnishment payee.
- d. Each transaction contains all required data such as: transaction type, case identifier, record or account involved, requested amount/percent, preparer identification, date input, date modified (as appropriate), and all payment address information.

Follow up and coaching

Any errors found are corrected and the error is documented on the Review Form. The Supervisor may provide further coaching or training as required.

**DFAS Attachment to DoD IG Draft Report, Project No. D2005-D000FC-0264.000,
"DoD Garnishment Program," dated December 15, 2006.**

**Random Sampling & Review Plans
Processing of Garnishments for
Military, Retired and Civilian Pay Systems**

Introduction: The DFAS Garnishment Operation is a consolidated court order processing operation for all of DoD. The mission of this office is to process all court orders served on DoD. These orders can be for child support, alimony, commercial debt, divisions of retired pay and bankruptcy. This office is the authorized agent for receipt of service of process for these court orders and receives about 35,000 to 40,000 documents per month. Of these, 19,000 to 22,000 are court orders comprising new orders, modification to existing orders, and terminations of existing orders.

Process. When an order is received in the Garnishment office, mailroom personnel open the mail and scan it into our imaging and workflow system called Electronic Document Management (EDM). The EDM document is indexed and automatically assigned to one of 48 paralegals based on a predetermined breakdown of the SSN (social security number) on the court order. EDM stores all of the documents in a National Archives and Records Administration approved document and storage retrieval system. These are stored in a digitized state that cannot be altered.

The paralegal reviews the court order, and uses the Integrated Garnishment System (IGS) to determine its validity. The IGS System steps the paralegal through the validation process by requiring answers to a set of pre-determined questions. The paralegal answers those questions by entering the data into IGS, such as the payment amount, the not-to-exceed percentage, the payee, and payment address. IGS captures all of this data and electronically sends it to the various pay systems (DJMS, DRAS & DCPS). Currently, there is no electronic interface with MCTFS or reserve pay for the Army, Air Force and Navy (however, the reserve pay interface is scheduled to coincide with FCP implementation). For these two groups, a garnishment worksheet is provided to the Marine Corps Military Pay Operations and Reserve Pay Operations offices where the pay technicians input the proper garnishment information to the member's pay account for deduction and payment.

The pay systems have all been programmed with the rules set forth in the Federal Regulations governing the various garnishment payments, such as frequency of payment and not-to-exceed percentage. The IGS file is sent to the pay system and the pay system reads the file and identifies the person by name and SSN who is to have the payment deducted. The pay system computes disposable pay, deducts the payment, but if there is not sufficient disposable pay to cover the court ordered amount the pay system will calculate the deduction amount based on the disposable pay rules built into the pay system. The pay system then issues payment instructions to disbursing which in turn issues the check. The pay system also sends a continuing disposition (CD) file to IGS with a list of all payments made by that particular pay system. That CD file will post to each respective individual account in IGS. If there is a determination of a system error, a System Computation Discrepancy Notice (SCDN) is completed and transmitted electronically to the appropriate DFAS pay systems manager for further review/correction. SCDNs are monitored until the problem is corrected. Inconsistent Condition Reports are another available source to identify pay errors found by the supervisors that should not have occurred. Most of all these are human typing errors.

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"DoD Garnishment Program," dated December 15, 2006.**

Monthly Pre-Payment Sampling Plan: This pre-payment sampling and review plan is designed primarily to satisfy requirements as set forth in the DoD FMR Vol. 5, Disbursing Policy and Procedures, Chapters 1 and 33, with regard to Certifying Officers Legislation. A stratified simple random sampling procedure is proposed to satisfy pre-payment review requirements for new cases and existing cases requiring adjustment. The plan is designed to provide monthly population estimates with 95% probability and plus or minus 2.5% sampling precision. The plan assumes an occurrence (error) sample rate of 5 percent for sample size determination, even though recent historical data suggests error rates of less than one percent. The overall target sampling fraction is approximately 4 percent which equates to approximately 300 cases. The minimum sample size per stratum will be 50 or 100 percent if the population is less than 50. This plan is only applicable to payments amounts \$2,500 or less. Any payment amounts greater than \$2,500 will be reviewed in complete enumeration (100% review). This pre-payment sampling and review plan will occur prior to the end of month payday processing (run) and just prior to the mid month payday. The applicable sampling fraction to include minimum sample per strata, will be programmed into the IGS system. Cases for review will be randomly selected on a daily basis from the IGS system via electronic random number generator (RNG). Each randomly selected case will be reviewed by a supervisor to ensure legality of payment, correctness of computation, ensure completeness of supporting documentation (court order instruction comparison to EDM and IGS paralegal entries) and correct name and address of payee and member, ensure proper authorization of payment by (for) approving officials, and other appropriate requirements as indicated in the applicable regulations. Results of the monthly reviews will be maintained in electronic format (worksheet or database application format) and include, at a minimum, name of member, reason for error, dollar value impact (overpayment or underpayment). Reports will also include summary statistics for the accounts reviewed to include population and sample size for each strata and number and percentage of accounts reviewed with errors and total overpayments and underpayments. These reports will serve several purposes to include identification of error trends, improper payment amounts and statistical data to support any future adjustments in the sampling plans, such as population and sample characteristics as well as strata and overall sample error rates. Improper payments can arise from the paralegal improperly calculating the garnishment amount or they can be due to input error and is found during a comparison review of the court ordered amount and the actual amount deducted. As such, a sample rate for improper payments (dollar amount and percent of net pay) will be available by strata. Any garnishment actions determined to not be correct for payment will be returned to the appropriate paralegal for correction and input to the system. Errors are annotated on an Error & Training sheet for the paralegal.

Quarterly Pre-Payment Sampling Plan: This quarterly pre-payment random sampling plan seeks to assess the accuracy and completeness of garnishment transactions from the entire population of active cases. Active cases will include new cases and those requiring adjustment (monthly sampling plan criterion) as well as those where a change has occurred, such as termination of the garnishment action. A simple random sampling plan is designed to provide quarterly population estimates with 95% probability and plus or minus 2.5% sampling precision with 5 percent occurrence rate estimate. The plan sets a target quarterly sample size of 300 cases. This plan is only applicable to payments amounts \$2,500 or less. Any payment amounts greater than \$2,500 will be reviewed in complete enumeration (100% review). This pre-payment sampling and review plan will occur prior to the end of month payday processing (run) and just prior to the mid-month payday. This quarterly review will encompass an examination and scope of the

**DFAS Attachment to DoD IG Draft Report, Project No. D2005-D000FC-0264.000,
"DoD Garnishment Program," dated December 15, 2006.**

same items noted in the monthly pre-payment sampling. Action required on any cases determined to be in error and recording and preparation of reports on the results of reviews will include same general criterion as noted in the monthly pre-payment review.

Post-Payment Systematic Comparison. A systematic post-payment computerized match of all payments made by the pay system is electronically produced by the TSO on a monthly basis. The process compares the payments made by the pay systems with amounts shown on the continuing disposition file. The comparison searches for any payment made by the pay system that was greater than what was requested by the IGS file. A system generated report of exceptions to the comparison is produced for review, research and correction. The Director, Garnishments is furnished results of the systematic comparison. Error reports are forwarded to the appropriate supervisory personnel for correction.

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: Annual Statement Required Under the Federal Managers'
Financial Integrity Act (FMFIA) of 1982

As Assistant General Counsel for Garnishment Operations (DFAS-CL/GAG), I recognize that Garnishment Operation's management is responsible for establishing and maintaining effective internal controls to meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). I am able to provide an unqualified statement of reasonable assurance that Garnishment Operation's internal controls meet the objectives of FMFIA overall programs, administrative, and operations. The internal controls are operating effectively and no material weaknesses were found in the design or operation of the internal controls.

TAB A provides additional information on how Garnishment Operations conducted the assessment of internal controls for the FMFIA overall process, which was conducted according to OMB Circular A-123, Management's Responsibility for Internal Control. In addition, TAB A provides a summary of the significant accomplishments and actions taken to improve Component internal controls during the past year.

Rodney L. Winn
Assistant General Counsel
Garnishment Operations

Attachments:
As stated

**DESCRIPTION OF THE CONCEPT OF REASONABLE ASSURANCE
AND HOW THE EVALUATION WAS CONDUCTED**

(TAB A)

The Garnishment Operations senior management evaluated the system of internal accounting and administrative controls, in effect during the fiscal year as of the date of this memorandum, May 2, 2006, according to the guidance in Office of Management and Budget (OMB) Circular No. A-123, "Management's Responsibility for Internal Control," August 5, 2005. The OMB guidelines were issued in conjunction with the Comptroller General of the United States, as required by the "Federal Managers' Financial Integrity Act of 1982." Included is an evaluation of whether the system of internal accounting and administrative control for Garnishment Operations is in compliance with standards prescribed by the Comptroller General.

The objectives of the system of internal accounting and administrative control of the (name of Component) are to provide reasonable assurance that:

The obligations and costs are in compliance with applicable law;

Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and

The evaluation of internal controls extends to every responsibility and activity undertaken by Garnishment Operations and applies to program, administrative and operational controls. Furthermore, the concept of reasonable assurance recognizes that (1) the cost of internal controls should not exceed the benefits expected to be derived and (2) the benefits include reducing the risk associated with failing to achieve the stated objectives. Moreover, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from resource constraints, congressional restrictions, and other factors. Finally, projection of any system evaluation to future periods is subject to risk that procedures may be inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate. Therefore, this statement of reasonable assurance is provided within the limits of the preceding description.

Garnishment Operations evaluated the system of internal control in accordance with the guidelines identified above. The results indicate that the system of internal accounting and administrative control of Garnishment Operations in effect during fiscal year 2006 as of the date of this memorandum, taken as a whole, complies with the requirement to provide reasonable assurance that the above mentioned objectives were achieved. This position on reasonable assurance is within the limits described in the preceding paragraph.

Garnishment Operations evaluated its system of internal accounting and administrative control using the following process for conducting the evaluation.

1. The progress achieved in institutionalizing internal controls for Garnishment Review and Implementation of court cases, and Mailroom Receipt of Check processed includes:

- Internal policies and Standard Operating Procedures
- Applicable laws and regulations that govern the legal review process
- Separation of duties, and internal control directives.

2. Quarter evaluations of internal controls utilizing the electronic Performance Assessment Tool (ePAT) for FMFIA.

The following provides evidence that assessments have been conducted by including examples of deficiencies found that do not warrant reporting as material weaknesses and the actions taken or planned to resolve these deficiencies.

Description of Issue: Erroneous actions during the legal review and implementation of garnishments

Accomplishments:

- By instituting a mandatory one percent supervisory review of all cases processed, internal controls are in place to ensure accuracy and compliance with federal laws and regulations. Additionally, 100 percent supervisory review of phone log inquiries is required to identify training issues, identify errors, and ensure timely responses to phone inquiries. These cases are distributed for supervisory review through the IGARN system.
- Report of all Paralegal, Supervisor, Attorney, System Administrator transactions in the Integrated Garnishment System (IGS). This reporting helps to maintain the integrity of the data entered into the system and provides an audit trail.
- In addition to the one percent review of all cases processed, and the 100 percent phone log review, we have instituted an Internal Review approved random sampling process. This process requires monthly review of a specified number of newly implemented and modified garnishment actions prior to mid month, and 100 percent post payment review.

Description of Issue: Lost or misplaced checks

Accomplishments:

- Information from checks are recorded into log book (i.e. name, SSN, dollar amount, payee, where the check will be forwarded, number of checks remitted, date processed and delivered to vault).
- Copies of garnishment related checks are scanned into IGARN system.
- Original checks are delivered to the vault along with a copy. The copies are initialed and dated by the vault technician accepting receipt of checks. Initialed and dated copies are maintained on file in Garnishment Operations.

- Checks are secured in a locked cabinet until they are hand delivered to the vault.

Information Technology initiatives:

- Implementation of the BPR project is continuing as well as technological improvements. The Integrated Garnishment System (IGS) is in the initial stages of being converted into a web-based application.
- The previous Electronic Document Management (EDM) system has been replaced by IGARN, a web-based imaging system which embraces technology and improves the efficiency of the garnishment process. Utilizing an imaging system has created a paperless environment for the directorate. IGARN eliminates storage of paper folders and also allows the Customer Service Branch on-line information which increases efficiency and customer satisfaction.
- The Kids 1st program enables state authorized support enforcement agencies to submit order electronically through a web-based or batch file process. Currently there are 18 states participating in this program. We are working closely with several states in an effort to persuade them to submit orders using this technological medium.

DFAS-CL/JFG
Assessable Units

Site	Assessable Unit Title (Previous AU number shown in italics)	Risk	Assessable Unit Description	Responsible Assessable Unit Manager	Office Code	Phone Number	Date Last MCR Completed	Date MCR Scheduled	Weakness Y/N
CL	Garnishment Review and Implementation (220420)	Low	Conducts the legal review and implementation of court orders pertaining to child and spousal support, commercial debts, bankruptcies, and division of military retired pay. Legal review is performed in accordance with applicable state/federal laws and regulations. This department services the accounts of civilian, active duty, reserve, and retired military members. Additional duties include responding to customer and pay office inquiries via email, written correspondence, and by telephone.	Rodney Wilin	JFG	216-522-5118	Mar-06	Mar-07	N
CL	Receipts & Processing of Incoming Checks (220421)	Low	The Document Control Center (DCC) processes receipt of incoming checks remitted/returned to Garnishment Operations for: garnishment fees, returned treasurer checks, jury duty checks, health insurance checks, checks remitted for miscellaneous reasons, and checks that are to be credited to military members (active, reserve, or retired) and civilian employees paid by the Department of Defense.	Nail Nelson	JFGB	216-522-5118	Mar-06	Mar-07	N

As of 12/14/06

5 ATTACHMENT 9

1

DFAS-CL
FMFIA

Report Card 1st Qtr FY07

Program	Action/Tasker	Due Date	ADA/CL	BMO	DISB	GARN	PAY	CSA	LRIT	Call Cntr	NO	CH	PE	SD	PC	JP
1	A-123 Deliverables 7+4 new focus areas. Cleveland has 10 to report QUARTERLY	11/27/2006 to Code JBB	X	Navy FMO X												
2	Material Weakness T197/FBWT POC: Lou Ockunzli Bill Bergmeyer	Certify closure of milestones. Update report 12/18/06	X	SEC X												
3	Quarterly Reporting Requirement (Mar/Jun/Sep/Dec): Update of Current Reportable Conditions/Control Deficiencies.	12/18/06	OFCP X	OFCP X	DJMS- RC X						BRAC*					
4	Quarterly BSC Reporting Requirement (Mar/Jun/Sep/Dec) NEW: Use of Self-Identified Deficiency Report	12/18/06	X	X	X	X	X	X	X	X	BRAC*	X	X	X	X	X
5	Quarterly Reporting Requirement (Mar/Jun/Sep/Dec): Update assessable unit listings. Include schedule of ICEs (formerly MCEs) for FY07 (All Sites).	12/18/06	X	X	X	X	X	X	X	X	BRAC*	X	X	X	X	X
6	Quarterly Reporting Requirement (Mar/Jun/Sep/Dec) 1st Qtr 07 ICE updates due in ePAT (All Sites).	01/12/07	X	X	X	X	X	X	X	X	BRAC*	X	X	X	X	X

* Rating:
Met
Not Met

As of 11/02/06

6 ATTACHMENT 9

DFAS-CL
FMFIA
Report Card 1st Qtr FY07

Program	Action/Task	Due Date	ADA/CL	BHO	DISB	GARN	PAY	MTI	CGA	LMIT	Call Cntr	NO	CH	PE	ISD	PC	JP
7 FMFIA	Quarterly Reporting Requirement (Mar/Jun/Sep/Dec): Site Directors/Organization Leaders: Personally validate that an appropriate number of transactions are tested in the current quarter to ensure that each element of the total internal control schema (e.g., transaction authentication and systems access) is working as intended.	01/12/07	X	X	X	X	X	X	X	X	X	BRAC*	X	X	X	X	X
8 FMFIA	Quarterly Reporting Requirement (Mar/Jun/Sep/Dec): Site Directors/Organization Leaders: Ensure tracking system updated and receive briefings on outstanding process weaknesses, internal review findings and in-process management contract reviews.	01/12/07	X	X	X	X	X	X	X	X	X	BRAC*	X	X	X	X	X
9 FMFIA	Quarterly Reporting Requirement (Mar/Jun/Sep/Dec): Site Directors/Organization Leaders: Personally walk through key functional processes to identify any "reportable conditions". <u>ANNUALLY</u>	01/12/07	X	X	X	X	X	X	X	X	X	BRAC*	X	X	X	X	X
10 FMFIA	Annual Statement of Assurance (SOA)	TBD															
11 FMFIA	Annual on-site review of FMFIA Program	TBD															

* Rating:
Met
Not Met

As of 11/02/06

7 ATTACHMENT 9

DFAS-CL
FMFIA
Report Card 1st Qtr FY07

Program	Action/Tasker	Due Date	ADA/CL	BMO	DISB	GARN	PAY	MII	Call	NO	CH	PE	SD	PC	JP
FMFIA	BRAC - DFAS Norfolk	DFAS-CL/Norfolk Responsible Parties: All Report Card actions will require certification that they are completed during the BRAC transformation and closure.													

* Rating:
Met
Not Met
As of 11/02/06

8 ATTACHMENT 9

Assessable Unit / ICE Matrix

Page 1

AU Title: Garnishment Review and Implementation
 AU Number: 220420
 Site / Office Code: DFAS-CL / CL-DGG
 Business Unit: SecDef - Defense Finance - Mil / Civ Pay
 AU Manager(s): RODNEY WINN - (216) 522-5118
 ICE Date: 20-Sep-40

Major Function: Court Order Review and Processing

Goals	Risks	Controls	Control Frequency	Vital MC?	Control Standard	Evaluation Frequency	Evaluation Method	Evaluation Results
Ensure validity and accuracy of court orders reviewed and processed in accordance with federal laws and regulations.	Processing erroneous garnishments	Legal review guided by the Integrated Garnishment System (IGS) to determine the order's validity. IGS System steps the paralegal through the validation process by requiring answers to a set of pre-determined questions	Quarterly	Y	Applicable Federal laws and regulations: 10 USC 1408, 42 USC 659, 42 USC 655, 32 CFR Part 54, 42 USC 659, 661, & 662, 5 USC 552b, 11 USC 362, 11 USC 541, 11 USC 1306a	Quarterly	Document Analysis, Measurement, Other Review - Supervisors perform a review of 1% of all cases processed. Cases systematically selected for review are automatically routed to the supervisors' review. Inboxes contained in IGARN. Additionally, the supervisors perform a random review of newly implemented and modified garnishment actions prior to mid month cut-off, and 100% post payment review. This random sampling process has been approved by Internal Review. Also, 100% of all phone inquiries are reviewed by supervisors. Phone inquiries are submitted via the IGARN system and are coded as phone logs. Supervisory review is overseen and assisted by the team attorneys. Lastly, IGS has automated mechanisms in place to track and report all garnishment actions.	Supervisory review of cases routed to their inboxes by IGARN is performed on a daily basis or as scheduling permits. The random sampling of newly implemented and modified garnishment actions is performed on a monthly basis. Findings are reported to management. If errors are discovered corrective action is taken before the action negatively impacts the member, employee, or customer. (08-Dec-06)

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ATTACHMENT 9

Assessable Unit / ICE Matrix

Page 2

AU Title: Garnishment Review and Implementation
 AU Number: 220420
 Site / Office Code: DFAS-CL / CL-DGG
 Business Unit: SecDef - Defense Finance - Mil / Civ Pay
 AU Manager(s): RODNEY WINN - (216) 522-5118
 ICE Date: 20-Sep-06

Other Review - Supervisors perform a review of 1% of all cases processed. Cases systematically selected for review are automatically routed to the supervisors' review inboxes contained in IGARN. Additionally, the supervisors perform a random review of newly implemented and modified garnishment actions prior to mid month cut-off, and 100% post payment review. This process has been approved by Internal Review. Also, 100% of all phone inquiries are reviewed by supervisors. Phone inquiries are submitted via the IGARN system and are coded as phone logs.	Supervisory review of cases routed to their inboxes by IGARN is performed on a daily basis or as scheduling permits. The random sampling of newly implemented and modified garnishment actions is performed on a monthly basis. Findings are reported to management. If errors are discovered corrective action is taken before the action negatively impacts the member, employee, or customer. (20-Sep-06)
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ATTACHMENT 9

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Assessable Unit / ICE Matrix

Page 3

AU Title: Garnishment Review and Implementation
 AU Number: 220420
 Site / Office Code: DFAS-CL / CL-DGG
 Business Unit: SecDef: Defense Finance - MI / Civ Pay
 AU Manager(s): RODNEY WYNN - (216) 322-5118
 ICE Date: 20-Sep-06

Other Review - Supervisors perform a review of 1% of all cases processed. Cases systematically selected for review are automatically routed to the supervisors' review queues. Additionally, the supervisor perform a random review of newly implemented and modified garnishment actions prior to mid month end off and 100% post payment review. This random sampling process has been approved by Internal Review. Also, 100% of all phone inquiries are reviewed by supervisors. Phone inquiries are submitted via the IGARN system and are coded as phone logs. Supervisory review is overseen and assisted by the team attorneys. Lastly, IGS has automated mechanisms in place to track and report all garnishment actions.	Supervisory review of cases routed to their inbox by IGARN is performed on a daily basis or as scheduling permits. The random sampling of newly implemented and modified garnishment actions is performed on a monthly basis. Findings are reported to management. If errors are discovered, corrective action is taken before the action negatively impacts the member, employee, or customer. (05-Jul-06)
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11 ATTACHMENT 9

AI/ Title: Garnishment: Review and Implementation
AU Number: 220420
Site / Office Code: DFAS-CL / CL-DGG
Business Unit: SocDef - Defense Finance - MI / Civ Pay
AU Manager(s): RODNEY WINN - (216) 522-5118
ICE Date: 20-Sep-06

<p>Other Review - Supervisors perform a review of 1% of all cases processed. Cases systematically selected for review are automatically routed to the supervisors' review inboxes contained in IGARN. Additionally, the supervisors perform a random review of newly implemented and modified garment actions prior to their final cut-off and 100% post process review. This random sampling process has been approved by Internal Review. Also, 100% of all phone inquiries are reviewed by supervisors. Phone inquiries are submitted via the IGARN system and are coded as phone logs.</p> <p>Supervisory review is overseen and assisted by the team attorneys. Lastly, IGS has automated mechanisms in place to track and report all garment actions.</p>	<p>Supervisory review of cases routed in their inboxes by IGARN is performed on a daily basis or as scheduling permits. The random sampling of newly implemented and modified garment actions is performed on a monthly basis. Findings are reported to management. If errors are discovered corrective action is taken before the action negatively impacts the member, employee, or customer. (08-Apr-06)</p>
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12. $A = \begin{pmatrix} 1 & 2 & 3 \\ 2 & 3 & 4 \\ 3 & 4 & 5 \end{pmatrix}$

Assessable Unit / ICE Matrix

Page 5

AU Title: Garnishment Review and Implementation
 AU Number: 220420
 Site / Office Code: DFAS-CL / CL-DGG
 Business Unit: Soc/Def: Defense Finance - Mil / Civ Pay
 AU Manager(s): RODNEY WINN - (216) 522-5118
 ICE Date: 20-Sep-06

Garnishing the incorrect member or employee	IGS has an interface with the Social Security System (PIFS) that links the Social Security Number (SSN), name, and provides all necessary pay systems on record for the military member or employee. This allows the paralegal to ensure the name and SSN match.	Quarterly	Y	Standard Operating Procedures	Quarterly	Audit, Document Analysis, Other Review - System edits prompts paralegal to verify data entered (name and SSN) into IGS is accurate.	This process helps to decrease the likelihood of processing a garnishment against the wrong employee. However, supervisory review of completed cases serves as a secondary control to mitigate this risk. (08-Dec-06)
	Entering inaccurate data in various fields: name, social security number, payee, dollar amount, maximum percentage, case number, and remittance address	Quarterly	Y	Standard Operating Procedures	Quarterly	Audit, Document Analysis, Other Review - System edits prompts paralegal to verify data entered (name and SSN) into IGS is accurate.	This process helps to decrease the likelihood of processing a garnishment against the wrong employee. However, supervisory review of completed cases serves as a secondary control to mitigate this risk. (05-Jul-06)
	Internal Review approved random sampling process. This process requires monthly review of newly implemented and modified garnishment actions prior to mid month and 100% post payment review. Additionally, supervisors perform a random review of 1% of all cases processed	Quarterly	Y	Standard Operating Procedures	Quarterly	Document Analysis, Other Review - Supervisors report results of the random sampling process to management monthly. The results are backed on an excel spreadsheet and maintain on file.	Errors found during the review process are corrected and charged to the paralegal as applicable. A concerted effort is made to identify and correct erroneous garnishment actions prior to mid month and post month cut-offs. Errors discovered after cut-offs are notified immediately upon notification. (08-Dec-06)

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Page 6

AU Title: Garnishment Review and Implementation

AU Number: 220420

Site / Office Code: DFAS-CL / CL-DGG

Business Unit: SecDef - Defense Finance - Mil / Civ Pay

AU Manager(s): RODNEY WINN - (216) 522-5118

Document Analysis. Other Review - Supervisors report results of the random sampling process to management monthly. The results are tracked on an excel spreadsheet and maintained on file.	Errors found during the review process are corrected and charged to the paralegal as applicable. A consorted effort is made to identify and correct erroneous garnishment actions prior to mid month and post month cut-offs. Errors discovered after cut-offs are rectified immediately upon notification. (20-Sep-06)
Document Analysis. Other Review - Supervisors report results of the random sampling process to management monthly. The results are tracked on an excel spreadsheet and maintained on file.	Errors found during the review process are corrected and charged to the paralegal as applicable. A consorted effort is made to identify and correct erroneous garnishment actions prior to mid month and post month cut-offs. Errors discovered after cut-offs are rectified immediately upon notification. (05-Jul-06)
Document Analysis. Other Review - Supervisors report results of the random sampling process to management monthly. The results are tracked on an excel spreadsheet and maintained on file.	Errors found during the review process are corrected and charged to the paralegal as applicable. A consorted effort is made to identify and correct erroneous garnishment actions prior to mid month and post month cut-offs. Errors discovered after cut-offs are rectified immediately upon notification. (Apr-06)

ATTACHMENT 9

Assessable Unit / ICE Matrix

Page 1

AU Title: Receipt and Processing of Incoming Checks
 AU Number: 220421
 Site / Office Code: DFAS-CL / CL-DOG
 Business Unit: SecDef - Defense Finance - Mil / Civ Pay
 AU Manager(s): NEAL NELSON - (216) 522-5113
 ICE Date: 20-Sep-06

Major Function: Processing Incoming Checks

Goals	Risks	Controls	Control Frequency	Vital M/C?	Control Standard	Evaluation Frequency	Evaluation Method	Evaluation Results
Process incoming checks, record information, and forward to the vault	Lost or misplaced checks	All incoming checks are logged into a logbook, stored at a central location and overseen by the Supervisor. All pertinent documents to identify the check is listed.	Quarterly	Y	Standard Operating Procedures	Quarterly	Other Review - Quarterly review of check log	Data from incoming checks have been logged into the log book and checks have been properly routed to the appropriate entity (i.e. vault, forwarded to pay office, return to sender). (08-Dec-06)
							Other Review - Quarterly Review of check log	Data from incoming checks have been logged into the log book, and check have been routed to the appropriate department/site for processing. (20-Sep-06)
							Other Review - Quarterly review of check log	Data from incoming checks have been logged into the log book, and check have been routed to the appropriate department/site for processing. (05-Jul-06)
							Other Review - Quarterly Review of check log.	Data from incoming checks have been logged into the log book and checks have been properly routed to the appropriate entity (i.e. vault, forwarded to pay office, return to sender). (05-Apr-06)

15 ATTACHMENT 9

KOCH, STANLEY

From: WOODS, ANGELA
Sent: Tuesday, January 09, 2007 3:41 PM
To: RICCI, SHARON
Cc: WINN, RODNEY; NELSON, NEAL; DENMEADE, FRANKIE; LONGO, LORETTA
Subject: Internal control accountability action items 6, 7, and 8 FMFIA/Audit Support Report Card due January 12, 2007

Good afternoon Sharon,

Internal control accountability action items 6, 7, and 8 FMFIA/Audit Support Report Card completed on or prior to 30 December 2006. Actions taken included:

Action Item 6 - Validate that an appropriate number of transactions are tested in the current quarter to ensure that each element of the total internal control schema (e.g., transaction authentication and systems access) is working as intended:

Supervisors perform a review of 1% of all transactions processed. Transactions are systematically selected for review and are automatically routed to supervisor review inboxes contained in IGARN. Additionally, supervisors perform a random review of newly implemented and modified garnishment actions prior to mid month cut-off, and 100% post payment review. Supervisory review is falls under the purview of team attorneys and monthly findings are reported to the Director/Deputy Director of Garnishment Operations.

Action Item 7 - Ensure tracking system updated and receive briefings on outstanding process weaknesses, operational review findings and in-process management contract reviews.

Supervisory review of cases routed to review inboxes contained in IGARN is performed on a daily basis or as scheduling permits. The random sampling of newly implemented and modified garnishment actions is performed on a monthly basis. Findings are reported to management. If errors are discovered corrective action is taken before the action negatively impacts the member, employee, or customer. The Integrated Garnishment System has automated mechanisms in place to track and report all garnishment actions.

Action Item 8 - Walk through key functional processes to identify any "reportable conditions". Conducted walk through of key functional processes related to unmatched disbursements and collections, unliquidated travel obligations and accounts receivable during this quarter to verify data integrity, ensure compliance with internal/external reporting requirements and management controls of functional processes.

Garnishment Operations conducted a walk through of security, data integrity, and garnishment related transactions/processes to ensure the integrity of accountability, reporting requirements, and management control. No discrepancies or reportable conditions were identified.

In summary, Garnishment Operations' internal controls are being conducted in accordance with current applicable policies and procedures.

Regards,
Angela Woods
Financial Systems Specialist
DFAS-CL/Garnishment Operations

Submitted on behalf of Rod Winn and Neal Nelson, Director and Deputy Director of Garnishment Operations respectively.

1 /6 ATTACHMENT 9

Team Members

The Department of Defense Office of the Deputy Inspector General for Auditing, Defense Financial Auditing Service prepared this report. Personnel of the Department of Defense Office of Inspector General who contributed to the report are listed below.

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Inspector General Department of Defense

