

# Inspector General

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

March 28, 2007

MEMORANDUM FOR PRINCIPAL DEPUTY ASSISTANT SECRETARY OF THE  
ARMY ON MANPOWER AND RESERVE AFFAIRS  
DIRECTOR, DFAS-INDIANAPOLIS  
AUDITOR GENERAL OF THE ARMY

SUBJECT: Timeliness of Payments for Reenlistment Bonuses in the Army  
(Project No. D2006-D000FP-0253.000)

We are providing this audit memorandum for your information and use. The audit was initiated because the Army expressed concern about the timeliness of payments for reenlistment bonuses. We also addressed the concerns a soldier's widow had about the timeliness of his reenlistment bonus.

**Background.** DFAS-Indianapolis is responsible for paying more than \$104 billion annually. DFAS-Indianapolis provides services to more than 1.9 million people including Army active and Reserve Component soldiers, their families, former soldiers, and spouses. DFAS-Indianapolis also provides oversight for a network of eight operating locations and centralized accounting and reporting for other DoD agencies and the Air Force.

Military pay was a significant portion of the Army Budget for FY 2006. The Army budget for FY 2006 was approximately \$98.6 billion. In FY 2006, the Army spent approximately \$41.4 billion (42 percent of the budget) for Army military personnel.

According to DoD Instruction 1304.29, "Administration of Enlistment Bonuses, Accession Bonuses for New Officers in Critical Skills, Selective Reenlistment Bonuses, and Critical Skills Retention Bonuses for Active Member," December 15, 2004, bonuses are intended to influence personnel inventories in specific situations when less costly methods have proven inadequate or impractical. This instruction defines the Selective Reenlistment Bonus (SRB) as the principal monetary incentive employed for maintaining adequate numbers of enlisted personnel with critical skills needed to sustain the career force. Service members are eligible to receive an SRB if reenlisting for at least 3 years. To be eligible for an SRB, Service members must be qualified in a military specialty designated by the Secretary of the Military Department, serve in pay grade E-3 or higher, and reenlist within 3 months after separation from active duty.

The Army made 70,754 SRB payments, totaling approximately \$654 million, to its members in FY 2006. DFAS paid the SRB to the Service members in either a single lump sum or installments. DFAS normally paid the single lump sum or initial payment on the day of reenlistment or the date a member began serving in a qualifying extension.

**Results.** The Army requested our audit of the timeliness of reenlistment bonus payments. We determined that DFAS Indianapolis paid reenlistment bonuses to 28,569 Army Service members between January 2006 and July 2006. Of these, 27,927 Service members (97.75 percent of the 28,569 members paid) had properly received a reenlistment bonus within 30 days after their reenlistment date, as recorded in the Army's Reenlistment, Reclassification, and Assignment System (RETAIN).

In addition, the Army requested our assistance in determining why one Service member's bonus was not paid in a timely manner. This late reenlistment bonus payment resulted in his widow's not receiving an incremental part of his bonus. The deceased soldier's bonus should have been paid in March 2005. He died in June 2005, and DFAS paid the remainder of the reenlistment bonus in May 2006. This soldier's widow wrote the Secretary of Defense a letter stating that DFAS Indianapolis's late payment of her deceased husband's reenlistment bonus caused the payment to go to his designated beneficiary instead of her.

The widow's late husband was entitled to a Broken Service Selective Reenlistment Bonus (BSSRB) after his reenlistment in March 2004. According to Army Regulation 601-280, "Army Retention Program," January 31, 2006, the Army provides a BSSRB to prior Service members with a break in active duty of more than 3 months. The Army had established that the soldier's total BSSRB would be \$12,193.20, and DFAS had established an installment payment of \$1,219.32 for payment on March 14, 2005. Had the \$1,219.32 been paid on March 14, 2005, when the soldier was still alive, this payment would have been sent to his bank account and been assessable to his wife. Because DFAS paid the BSSRB bonus after the soldier's death, the unpaid part of the bonus became part of his unpaid pay and allowances and was paid to his beneficiary, as required by the DoD FMR, volume 7a, chapter 36, "Payments on Behalf of Deceased Members." The deceased soldier had not listed his current wife as his beneficiary on his DD Form 93 (Record of Emergency Data) so she did not receive the \$1,219.32.

We identified two reasons for this late BSSRB payment. Our examination of the DFAS process transaction file showed that the deceased soldier did not receive his bonus on March 14, 2005, because DFAS entered an incorrect transaction code into the Defense Joint Military Pay System (DJMS). If DFAS had properly coded this bonus into DJMS, the late soldier's bonus payment of \$1,219.32 would have been sent to his bank account in March 2005. The entry of this incorrect transaction code was not a systemic error; it was due to human error. The internal controls at DFAS-Indianapolis were not adequate to detect this error in a timely manner.

A second reason for the deceased soldier's late bonus payment was because DFAS's DJMS and the Army's RETAIN did not effectively interface when transmitting reenlistment bonus payment data. This required extensive manual processing, which delayed payments. Career counselors used the RETAIN system to enter Service members' reenlistment bonus data. Personnel at the Army RETAIN Headquarters captured the SRB data weekly and entered it into an Excel spreadsheet. Army personnel

sent the Excel spreadsheet with reenlistment bonus data to a DFAS pay technician. The DFAS pay technician computed the reenlistment bonuses, checked the accuracy of the bonus calculations, and then imported the bonus data to the Defense Military Pay Office (DMPO) system for processing. A DMO pay technician reviewed the bonus payment data and released it to DJMS for further processing and payment to Service members.

Without an effective interface between RETAIN and DJMS, a greater chance exists that reenlistment bonus data will not be transferred correctly or quickly. This lack of an interface continues to exist. The Army has recognized this problem. The Army and DFAS have conceptualized an interface for transmitting reenlistment bonus payment data between DJMS and RETAIN. However, formatting issues between the two systems have delayed the implementation of the interface. The Army and DFAS cannot provide an implementation date for the interface. In addition, the schedule for establishing the interface has continued to slip because of the formatting issues and DFAS's untimely analysis of the interface test file .

Because the Army had requested our assistance with only one soldier's late bonus payment, we did not examine in detail why the other 641 Service members received late reenlistment bonus payments. However, in our examination of this one late payment, we did examine practices and procedures required to pay any reenlistment bonus. Nothing came to our attention to indicate that there were causes other than improper coding and the lack of interface to explain the late payments. Nevertheless, we are continuing to examine why late reenlistment bonus payments occur. We have initiated another audit to examine internal controls currently in place and those necessary to ensure the proper and timely payment of reenlistment bonuses.

**Scope and Methodology.** We conducted this performance audit from September 2006 through December 2006, in accordance with generally accepted auditing standards. In order to obtain a complete understanding of Army policy related to this audit, we also interviewed personnel in the Office of the Assistant Secretary of the Army Manpower and Reserve Affairs, Casualty and Memorial Affairs Branch. In order to achieve the audit objective, we obtained data from the DJMS, Service member military pay files, and supporting documentation. We also reviewed a DFAS Indianapolis internal review draft report . We used data mining to determine how many SRB payments in DJMS were made more than 30 days after the Service member's reenlistment date as recorded in RETAIN. To determine procedures and controls, we interviewed DFAS personnel responsible for processing bonuses at DFAS-Indianapolis, Army reenlistment counselors responsible for entering data into the RETAIN system, and Army RETAIN Headquarters personnel.

We appreciate the courtesies extended to the staff. For additional information on this memorandum, please contact Mr. Douglas Neville at (703) 428-1061 (DSN 328-1061) or Mr. Joseph A. Powell at (703) 428-1052 (DSN 328-1052).

By direction of the Deputy Inspector General for Auditing:

A handwritten signature in black ink, appearing to read "Paul J. Granetto", followed by a horizontal line.

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

cc:

Army Inspector General





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