

Inspector General

United States
Department of Defense



Active Duty Military Personnel Accounts Were
Generally Valid and Secure, but DoD May Have Made
Improper Payments

Additional Information and Copies

To obtain additional copies of this report, visit the Web site of the Department of Defense Inspector General at <http://www.dodig.mil/audit/reports> or contact the Secondary Reports Distribution Unit at (703) 604-8937 (DSN 664-8937) or fax (703) 604-8932.

Suggestions for Audits

To suggest or request audits, contact the Office of the Deputy Inspector General for Auditing by phone (703) 604-9142 (DSN 664-9142), by fax (703) 604-8932, or by mail:

ODIG-AUD (ATTN: Audit Suggestions)
Department of Defense Inspector General
400 Army Navy Drive (Room 801)
Arlington, VA 22202-4704



Acronyms and Abbreviations

CAC	Common Access Card
DFAS	Defense Finance and Accounting Service
DJMS-AC	Defense Joint Military Pay System–Active Component
DoD FMR	DoD Financial Management Regulation
MEPS	Military Entrance Processing Station
SSA	Social Security Administration
SSN	Social Security Number



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

July 27, 2011

MEMORANDUM FOR ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL
MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
NAVAL INSPECTOR GENERAL
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Active Duty Military Personnel Accounts Were Generally Valid and Secure, but
DoD May Have Made Improper Payments (Report No. D-2011-093)

We are providing this report for your information and use. From January 2005 through December 2009, the Defense Joint Military Pay System—Active Component contained nearly 2.1 million active duty military personnel accounts, with basic pay totaling more than \$232 billion. Although DoD generally made payments to valid accounts and ensured that they were adequately secured, it did not ensure that the Defense Joint Military Pay System—Active Component contained only valid active duty military personnel accounts.

We considered comments from the Chief, Current Operations Branch, Department of the Army; the Assistant Secretary of the Navy (Manpower and Reserve Affairs); the Deputy Director of Staff, U.S. Air Force Personnel Center; and the Deputy Director, Operations, Defense Finance and Accounting Service, on a draft of this report when preparing the final report. Comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, we do not require any additional comments.

We appreciate the courtesies extended to the staff. Please direct questions to me at (614) 751-2913.

A handwritten signature in cursive script, reading "Amy J. Frontz", is positioned above the printed name.

Amy J. Frontz, CPA
Principal Assistant Inspector General
for Auditing



Results in Brief: Active Duty Military Personnel Accounts Were Generally Valid and Secure, but DoD May Have Made Improper Payments

What We Did

Our objective was to determine whether DoD made payments to valid active duty military personnel accounts. Specifically, we validated selected military personnel accounts and determined whether account information was adequately secured. We did not verify the accuracy of the payments.

To address our objective, we reviewed nearly 2.1 million active duty military personnel accounts, with basic pay totaling more than \$232 billion, to identify potentially invalid accounts. We identified 1,159 potentially invalid active duty military personnel accounts, with basic pay totaling more than \$76.5 million. We defined potentially invalid accounts as those that contained

- invalid Social Security numbers,
- deceased military personnel that were paid after their reported date of death,
- military personnel that were never issued Common Access Cards, and
- multiple military personnel that shared the same bank account.

What We Found

DoD generally made payments to valid active duty military personnel accounts and adequately secured accounts by restricting access to classified information. However, DoD did not ensure that the Defense Joint Military Pay System–Active Component contained only valid active duty military personnel accounts. This occurred because the Military Services’ personnel offices and the Defense Finance and

Accounting Service (DFAS) Military Pay did not maintain personnel file documentation to substantiate the potentially invalid accounts reviewed. As a result, DFAS made potentially improper payments of \$4.2 million* from January 2005 through December 2009.

What We Recommend

The Commander, U.S. Army Human Resources Command; Chief of Naval Personnel; and Commander, U.S. Air Force Personnel Center, should review the remaining potentially invalid active duty military personnel accounts to ensure that they are valid, and if they are not, take appropriate corrective action. In addition, the Director, DFAS, should assist the Military Services in validating the remaining potentially invalid accounts, and if applicable, recover improper payments made to invalid active duty military personnel accounts.

Management Comments and Our Response

The Chief, Current Operations Branch, Department of the Army; the Assistant Secretary of the Navy (Manpower and Reserve Affairs); the Deputy Director of Staff, U.S. Air Force Personnel Center; and the Deputy Director, Operations, Defense Finance and Accounting Service, agreed with the recommendations in the report, and their comments were responsive. Please see the recommendations table on the back of this page.

* See Appendix B for the statistical sample and projection plan.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Commander, U.S. Army Human Resources Command		1
Chief of Naval Personnel		2
Commander, U.S. Air Force Personnel Center		3
Director, Defense Finance and Accounting Service		4

Table of Contents

Introduction	1
Audit Objective	1
Background on Establishing Active Duty Military Payroll Accounts	1
Internal Controls Over Validating Active Duty Military Personnel Accounts	3
Finding. DoD Needs to Identify and Review Potentially Invalid Active Duty Military Personnel Accounts	4
DJMS-AC May Contain Invalid Accounts	4
DoD Could Not Substantiate the Validity of All Accounts	6
DFAS Made Potentially Improper Payments	7
Management Comments on the Finding, and Our Response	7
Recommendations, Management Comments, and Our Response	8
Appendices	
A. Scope and Methodology	10
Use of Computer-Processed Data	12
Use of Technical Assistance	12
B. Statistical Sample and Projection Plan	13
Management Comments	
Department of the Army	14
Department of the Navy	15
Department of the Air Force	18
Defense Finance and Accounting Service	20

Introduction

Audit Objective

Our objective was to determine whether DoD made payments to valid active duty military personnel accounts. Specifically, we validated selected military personnel accounts and determined whether account information was adequately secured. We did not verify the accuracy of the payments. See Appendix A for a discussion of the scope and methodology related to the objective.

Background on Establishing Active Duty Military Payroll Accounts

As of December 31, 2009, the U.S. Army, U.S. Navy, and U.S. Air Force included more than 1.2 million active duty military personnel. Active duty military personnel enter the U.S. Armed Forces as enlisted members or officers. Nearly one million of the active duty military personnel were enlistees, and the remaining were officers.

The enlistment process begins when a recruit meets with a recruiting officer. During the meeting, the recruiting officer reviews the recruit's original Social Security card and birth certificate and prepares a DD Form 1966, "Record of Military Processing—Armed Forces of the United States." The recruit and recruiting officer certify that the name, Social Security number (SSN), and date of birth are accurate. The recruiting officer uses the DD Form 1966 to establish a skeleton personnel account in the Military Service's electronic recruiting personnel system.

Each Military Service has its own electronic personnel recruiting system.

- The U.S. Army uses the Army Recruiting Information Support System.
- The U.S. Navy uses the Personalized Recruiting for Immediate and Delayed Enlistment System.
- The U.S. Air Force uses the Air Force Recruiting Information Support System.

The recruiting officer electronically forwards the recruit's personnel information to the designated Military Entrance Processing Station (MEPS) and schedules the new recruit for enlistment processing at the appropriate MEPS.

MEPS Enlistment Process

The Commander, U.S. Military Entrance Processing Command, oversees enlistment processing at 65 MEPSs across the country. The MEPSs receive electronic transfers of new recruit personnel information from the U.S. Army recruiting personnel systems into the U.S. Military Entrance Processing Command Integrated Resource System and from the U.S. Air Force recruiting personnel system through the Military Personnel Data System. MEPS personnel manually enter U.S. Navy recruiting personnel information into the U.S. Military Entrance Processing Command Integrated Resource System.

MEPS personnel conduct background screening for new recruits. They interview each recruit, review enlistment documents, and send SSNs to the Social Security Administration (SSA) for verification. They also send alien registration numbers to the U.S. Citizenship and Immigration Services for verification. MEPS personnel update the results of the evaluation and verification process in the U.S. Military Entrance Processing Command Integrated Resource System for the U.S. Army and U.S. Navy recruits, and in the Military Personnel Data System for Air Force recruits.

To complete the enlistment process, MEPS personnel administer the Oath of Enlistment, and the recruits sign the DD Form 4, “Enlistment/Reenlistment Document—Armed Forces of the United States.” The recruits then become active duty military members and officially part of the U.S. Armed Forces. The active duty military members then report to their respective Military Service recruit training center.

Military Services’ Process for Establishing Payroll Accounts

For enlistees, recruit training center personnel review the active duty military members’ enlistment paperwork and enter the complete personnel file information into the Military Service’s personnel system. The U.S. Army uses the Reception Battalion Automated Support System, the U.S. Navy uses the Navy Enlisted System, and the U.S. Air Force uses the Military Personnel Data System. Each Military Service also has its own electronic personnel system for officer appointments. These systems electronically transfer personnel files to the Defense Finance and Accounting Service (DFAS) Military Pay to establish an active duty military payroll account.

DFAS Military Pay Processing

DFAS Military Pay is responsible for paying all active duty U.S. Army, U.S. Navy, and U.S. Air Force military personnel. DFAS Military Pay personnel process the active duty military payroll at two locations: Cleveland, Ohio, for all active duty U.S. Navy personnel and Indianapolis, Indiana, for all active duty U.S. Army and U.S. Air Force personnel.

DFAS Military Pay personnel maintain two payroll systems: the Defense Joint Military Pay System—Active Component (DJMS-AC) and DJMS—Reserve Component.¹ DJMS-AC includes the active duty military member’s name, SSN, bank account information, and other military payroll account information and is designed to automatically process bimonthly payroll for active duty military personnel.

DFAS Military Pay personnel conduct a prepayroll review the day before payroll is processed. They review leave and earnings statements as well as substantial changes in payroll from the previous month. Next, the certifying official reviews payroll totals and certifies the payroll. Once certified, the DFAS Military Pay personnel send an

¹ These are the official payroll systems for U.S. Army, U.S. Navy, and U.S. Air Force active and reserve personnel. The Marine Corps Total Force System, which we did not audit, contains the Marine Corps active and reserve personnel data.

authorization and voucher to the DFAS Disbursing Office requesting release of payment. Finally, DFAS Disbursing Office personnel disburse payroll to active duty military personnel.

Internal Controls Over Validating Active Duty Military Personnel Accounts

DoD Instruction 5010.40, “Managers’ Internal Control Program (MICP) Procedures,” July 29, 2010, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified an internal control weakness as it relates to the audit objective. The Military Services’ personnel offices and DFAS Military Pay could not provide us with personnel file documentation to substantiate potentially invalid accounts. We will provide a copy of the final report to the senior officials responsible for internal controls in the U.S. Army, U.S. Navy, U.S. Air Force, and DFAS.

Finding. DoD Needs to Identify and Review Potentially Invalid Active Duty Military Personnel Accounts

DoD generally made payments to valid active duty military personnel accounts and adequately secured accounts by restricting access to classified information. However, DoD did not ensure that DJMS-AC contained only valid active duty military personnel accounts. This occurred because the Military Services' personnel offices and DFAS Military Pay did not maintain personnel file documentation to substantiate the potentially invalid accounts reviewed. As a result, DFAS made potentially improper payments of \$4.2 million² from January 2005 through December 2009.

DJMS-AC May Contain Invalid Accounts

DoD generally made payments to valid active duty military personnel accounts and adequately secured accounts by restricting access to classified information. However, DoD did not ensure that DJMS-AC contained only valid active duty military personnel accounts. We reviewed nearly 2.1 million active duty military personnel accounts, with basic pay totaling more than \$232 billion, to identify potentially invalid accounts. We identified a universe of 1,159 potentially invalid active duty military personnel accounts, with basic pay totaling more than \$76.5 million. We defined potentially invalid accounts as accounts that contained invalid SSNs, deceased military personnel that were paid after their reported date of death, military personnel that were never issued Common Access Cards (CACs), and multiple military personnel that shared the same bank account. We identified a projected 46 active duty military personnel accounts, valued at \$4.2 million, that were potentially invalid.

DJMS-AC Contained Invalid SSNs

DJMS-AC contained active duty military personnel accounts with invalid SSNs. The SSA outlines the structure of the SSN and the sequence in which SSNs are issued. SSNs have nine digits. The first three digits are called the area number and are assigned by State. The next two digits are called the group number and are assigned for administrative purposes. The final four digits are called the serial number and are issued sequentially.

SSA guidelines specify the maximum values that have been used to create area and group number combinations as a way to help employers verify new employees' SSNs. According to the SSA, any SSN that exceeds the guidelines is considered invalid. For example, DJMS-AC contained an active duty military personnel account with an area number of "873" that was paid \$4,061. However, SSA has never issued an SSN with an area number greater than "772."

² See Appendix B for the statistical sample and projection plan.

DJMS-AC Contained Military Personnel Receiving Pay Who Were Deceased

DJMS-AC contained accounts of deceased military personnel that received payments after their reported date of death. Using the May 2010 SSA Death Master File, which contains more than 86 million death records and is updated weekly, the Defense Manpower Data Center identified 8,536 deceased military personnel accounts contained in DJMS-AC. We conducted further analysis to identify records for deceased military personnel that were paid after their reported date of death. For example, one active duty military member had a reported date of death of February 2009 but received more than \$48,099 in pay through December 2009.

The audit sample contained four accounts of deceased military personnel that were paid after their reported date of death. DoD provided support validating all four accounts. Although all four accounts sampled were validated, the possibility exists that invalid accounts are included in the remaining deceased military personnel accounts that the audit team did not review.

DJMS-AC Contained Military Personnel Who Were Never Issued CACs

DJMS-AC contained accounts of active duty military personnel that were never issued CACs. CACs are the standard identification card for active duty military personnel, DoD civilian employees, eligible contractor personnel, and eligible foreign nationals. They are the principal identification that allows access to buildings, facilities, installations, and controlled spaces. CACs are also used to access DoD computer networks and systems in the unclassified environment. To receive a CAC, eligible employees must be entered into the Defense Enrollment Eligibility Reporting System.

The Defense Manpower Data Center compared accounts in DJMS-AC to accounts in the Defense Enrollment Eligibility Reporting System and identified the accounts of personnel that were never issued CACs. For example, DJMS-AC contained an account for a military member who was never issued a CAC but received \$120,418 in basic pay during a 12-month period.

Multiple Active Duty Military Personnel Shared the Same Bank Account

DJMS-AC contained accounts where multiple active duty military personnel shared the same bank account. Each military personnel account is assigned one bank account type, account number, and routing number for net pay within DJMS-AC. Couples within the U.S. Armed Forces commonly share the same banking information for receiving their net pay. However, DJMS-AC included bank accounts to which at least three active duty military personnel were sending net pay. For example, seven unique active duty military members were depositing their net pay into one bank account for a total of \$731,861 from January 2005 through November 2009.

DoD Could Not Substantiate the Validity of All Accounts

The Military Services' personnel offices and DFAS Military Pay could not provide us with personnel file documentation to substantiate the potentially invalid accounts reviewed. DoD Regulation 7000.14-R, "Financial Management Regulation" (DoD FMR), Volume 6A, Chapter 2, "Financial Reports Roles and Responsibilities," November 2008, requires the Military Services to ensure they maintain documentation supporting all data generated and input into finance and accounting systems or submitted to DFAS.

We requested personnel file documentation from the U.S. Army, U.S. Navy, and U.S. Air Force personnel offices for a statistical sample of 182 of the 1,159 potentially invalid active duty military personnel accounts. After 3 months, the Military Services' personnel were able to substantiate the validity of 120 of the 182 accounts. Specifically, the Military Services' personnel offices provided DD Forms 4 and 1966 to substantiate the validity of some of the sample accounts. The DD Forms 4 and 1966 validated the active duty military personnel's name and SSN.

We also obtained class rosters from the U.S. Military Academy at West Point and the U.S. Air Force Academy to validate foreign cadets. Foreign cadets are assigned temporary SSNs that were never issued by SSA. Once foreign cadets receive a valid SSN, the Military Services personnel update the account.

We asked DFAS Military Pay personnel to substantiate the validity of the remaining 62 accounts. DoD FMR 7000.14-R, volume 6A, chapter 2, requires DFAS to ensure complete and documented audit trails. DFAS Military Pay personnel provided military pay account information to substantiate the validity of 55 of the 62 accounts. For the 55 accounts:

- invalid SSNs had been corrected,
- payments made to deceased military personnel had been recovered, and
- short-term active duty military personnel were not issued CACs.

DFAS Military Pay personnel were not able to validate the remaining 7 accounts, resulting in 46 potentially invalid accounts.³ These accounts exist in the 1,159 potentially invalid active duty military personnel accounts. The Table summarizes the potentially invalid DJMS-AC accounts by Military Service.

³ See Appendix B for the statistical sample and projection plan.

Summary of Potentially Invalid DJMS-AC Accounts by Military Service

	Potentially Invalid Accounts		
Military Service	Initially Identified	Validated	Not Validated
U.S. Army	716	106	610
U.S. Navy	163	19	144
U.S. Air Force	280	50	230
Total	1,159	175	984*

*Includes the 7 of the 182 accounts that were reviewed and not validated during the audit.

The Military Services' personnel offices should review the remaining potentially invalid accounts to ensure that they are valid, and if they are not, take appropriate corrective action. DFAS Military Pay personnel should assist the Military Services in validating the remaining potentially invalid accounts.

DFAS Made Potentially Improper Payments

DFAS made potentially improper payments of \$4.2 million from January 2005 through December 2009. Public Law 111-204, "Improper Payments Elimination and Recovery Act of 2010," July 22, 2010,⁴ identifies payments made to ineligible recipients as improper payments. DFAS Military Pay personnel should make every effort to recover the improper payments made to invalid active duty military personnel accounts.

We requested that the Defense Criminal Investigative Service review the seven potentially invalid active duty military personnel accounts that were not validated.

Management Comments on the Finding and Our Response

Management Comments

The Assistant Secretary of the Navy (Manpower and Reserve Affairs) provided comments on the finding and internal control weakness. He agreed with the finding and stated that internal controls have been strengthened to ensure that adequate documentation exists within a new recruit's personnel files. For the full text of the Assistant Secretary of the Navy (Manpower and Reserve Affairs) comments, see the Management Comments section of the report.

Our Response

We appreciate the comments on the finding from the Assistant Secretary of the Navy (Manpower and Reserve Affairs).

⁴ Although the Improper Payments statute was revised, we did not identify any changes that would affect the results of the review.

Recommendations, Management Comments, and Our Response

1. We recommend that the Commander, U.S. Army Human Resources Command, review the remaining potentially invalid Army active duty military personnel accounts to ensure that they are valid, and if they are not, take appropriate corrective action.

Department of the Army Comments

The Chief, Current Operations Branch, responded for the Commander, U.S. Army Human Resources Command. He agreed and stated the Army Human Resources Command would coordinate with the Deputy Chief of Staff, Plans and Resources, to review the potentially invalid Army accounts. As of June 10, 2011, the Army Human Resources Command determined that approximately 200 of the 610 potentially invalid accounts could not be found and 43 of the accounts contained invalid SSNs. The review of these remaining potentially invalid accounts will be completed by July 8, 2011. We contacted Army officials after July 8, 2011 and received confirmation that it had completed the review of the remaining accounts.

2. We recommend that the Chief of Naval Personnel review the remaining potentially invalid Navy active duty military personnel accounts to ensure that they are valid, and if they are not, take appropriate corrective action.

Department of the Navy Comments

The Assistant Secretary of the Navy (Manpower and Reserve Affairs), responded for the Chief of Naval Personnel. He agreed and stated the Navy Personnel Command would review the remaining 144 potentially invalid Navy active duty personnel accounts. The analysis of the remaining potentially invalid accounts will be completed by September 30, 2011. For those SSNs determined to be valid, the Navy Personnel Command will ensure that personnel file documentation is contained in the official master personnel file. If any Navy active duty personnel accounts are found to be invalid, the Navy will coordinate with the Director, DFAS, to recover improper payments. Corrective actions will be complete by June 30, 2012.

3. We recommend that the Commander, U.S. Air Force Personnel Center, review the remaining potentially invalid Air Force active duty military personnel accounts to ensure that they are valid, and if they are not, take appropriate corrective action.

Department of the Air Force Comments

The Deputy Director of Staff, U.S. Air Force Personnel Center, responded for the Commander, U.S. Air Force Personnel Center. He agreed and stated that the Air Force reviewed the list of 230 potentially invalid Air Force records and completed its investigation of records on June 9, 2011. His response included details from the Air Force review of accounts with invalid SSNs, deceased military personnel that were paid after their reported date of death, military personnel that were never issued Common Access Cards, and multiple military personnel that shared the same bank account. The

review found no discrepancies. The Deputy Director of Staff also stated that they perform a monthly reconciliation with the Defense Manpower Data Center to identify deceased members showing in a pay status in the personnel data system.

The Deputy Director of Staff noted that the Air Force Personnel Center relies on the U.S. Air Force Academy and DFAS for all information related to the international cadets attending the Academy, as foreign students are not in the Military Personnel Data System. He also noted that DFAS is the source for the information regarding multiple accounts, payments, and collections.

4. We recommend that the Director, Defense Finance and Accounting Service assist the Military Services in validating the remaining potentially invalid accounts, and if applicable, recover improper payments made to invalid active duty military personnel accounts.

Defense Finance and Accounting Service Comments

The Deputy Director, Operations, DFAS, responded for the Director, DFAS. He agreed and stated DFAS would assist the military services in validating the remaining potentially invalid accounts. If applicable, Military Pay Operations, DFAS will initiate action to recover any improper payments made to the invalid military pay accounts. Corrective actions will be completed by January 1, 2012.

Our Response

The comments from the Chief, Current Operations Branch, Department of the Army; the Assistant Secretary of the Navy (Manpower and Reserve Affairs); the Deputy Director of Staff, U.S. Air Force Personnel Center; and the Deputy Director, Operations, DFAS, were responsive, and the actions meet the intent of the recommendations.

Appendix A. Scope and Methodology

We conducted this performance audit from March 2010 through May 2011 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 validity and security of active duty military personnel accounts, we evaluated U.S. Army, U.S. Navy, and U.S. Air Force officer appointment and enlistment processes. We also evaluated DJMS-AC payroll processing and payroll disbursement procedures. In addition, we reviewed payroll data from DJMS-AC.

From January 2005 through December 2009, DJMS-AC contained nearly 2.1 million active duty military personnel accounts, with basic pay totaling more than \$232 billion. DJMS-AC does not include active duty military members from the U.S. Marine Corps.

Using Audit Command Language, we reviewed the nearly 2.1 million active duty military personnel accounts to identify accounts containing invalid SSNs and multiple military personnel that shared the same bank account. Additionally, we provided the nearly 2.1 million accounts to the Defense Manpower Data Center to identify accounts of military personnel that were never issued CACs and accounts that contained a date of death.

On the basis of these reviews, we identified 1,159 potentially invalid accounts, with basic pay totaling more than \$76.5 million. For this audit, we defined potentially invalid accounts as those that contained invalid SSNs, deceased military personnel that were paid after their reported date of death, military personnel that were never issued CACs, and multiple military personnel that shared the same bank account.

We identified numerous potentially invalid accounts that contained multiple invalid account indicators. For example, an active duty military personnel account could include an invalid SSN and no CAC issued. See Table A for a summary of accounts by invalid account indicator.

Table A. Summary of Accounts by Invalid Account Indicator

Invalid Account Indicator	Number of Accounts	Total Basic Pay
Invalid SSN	7	\$492,374
Paid After Date of Death	34	790,229
No CAC Issued	356	1,958,875
Shared Bank Account	580	72,792,433
Multiple Indicators	182*	473,106
Total	1,159	\$76,507,017

*The 182 accounts with multiple indicators are not the same accounts contained in the statistical sample of 182 potentially invalid accounts selected for the audit.

We selected a statistical sample of 182 potentially invalid accounts to determine whether they were valid. See Appendix B for the statistical sampling plan. We requested active duty military personnel file documentation from the Military Services and DFAS Military Pay to validate the sample selected. We reviewed all supporting documentation provided to determine the validity of the accounts; however, we did not verify the accuracy of any payments made to active duty military personnel accounts. We also evaluated the security of selected active duty military personnel accounts.

To accomplish the audit objective, we performed the following tasks.

- We contacted representatives from the Under Secretary of Defense (Comptroller)/Chief Financial Officer to identify their responsibilities for ensuring the validity of active duty military personnel accounts.
- We met with representatives from the U.S. Army, U.S. Navy, and U.S. Air Force personnel offices to determine the officer appointment and enlistment processes that resulted in DJMS-AC accounts. We reviewed DD Forms 4 and 1966 and other personnel file documentation to validate some of the sample. We also obtained class rosters from the U.S. Military Academy at West Point and the U.S. Air Force Academy to validate foreign cadets.
- We met with representatives from DFAS Military Pay, Cleveland, Ohio, and Indianapolis, Indiana, to determine the payroll process for active duty military personnel accounts. Specifically, we reviewed payroll processes, roles and responsibilities of payroll personnel, payroll standard operating procedures, and some system and access controls. Additionally, a DFAS Military Pay, Indianapolis, representative provided military pay account information to validate selected active duty military personnel accounts.
- We met with representatives from the DFAS Special Review Office, Indianapolis, to discuss the security of selected accounts in DJMS-AC. Specifically, we discussed how DJMS-AC restricts access to selected active duty military personnel account information.

- We met with representatives from DFAS Disbursing Operations to determine the disbursement process for active duty military personnel accounts. Specifically, we reviewed the active duty military disbursement process and roles and responsibilities of disbursing personnel.

Use of Computer-Processed Data

To perform this audit, we used data that originated in DJMS-AC, which is the official payroll system for active duty U.S. Army, U.S. Navy, and U.S. Air Force personnel. We determined data reliability by reviewing existing information about DJMS-AC and interviewing knowledgeable agency officials. Additionally, we assessed data reliability by comparing DD Forms 4 and 1966, class rosters, and other personnel file documentation to active duty military personnel accounts reported in DJMS-AC. On the basis of this work, we concluded that the data were sufficiently reliable for the purpose of our review.

Use of Technical Assistance

The DoD Office of Inspector General, Office of Auditing, Quantitative Methods and Analysis Division, assisted with identifying the SSNs never issued by SSA. It also assisted with the project sample and projection of results (see Appendix B).

Prior Coverage

No prior coverage has been conducted on determining the validity and security of active duty military personnel accounts during the last 5 years.

Appendix B. Statistical Sample and Projection Plan

Population

The population consisted of 1,159 potentially invalid active duty military personnel accounts that received more than \$76.5 million in basic pay from January 2005 through December 2009.

Sample Plan

The DoD Office of Inspector General, Office of Auditing, Quantitative Methods and Analysis Division, used a stratified sampling design for this project. It stratified the population into 3 strata and selected a statistical sample of 182 active duty military personnel accounts that received basic pay totaling almost \$6.7 million. See Table B-1 for the population and sample plan.

Table B-1. Population and Sample Plan

Stratum	Population Size	Sample Size	Sample Value
SSNs with three invalid account indicators	3	3	\$1,143
SSNs with two invalid account indicators	179	80	159,011
SSNs with one invalid account indicators	977	99	6,510,482
Total	1,159	182	\$6,670,636

Analysis and Interpretation

Through analysis of each active duty military personnel account contained in the random sample, we identified seven potentially invalid accounts with improper payments totaling \$436,248. Table B-2 provides our projection of these amounts across the population at a 90-percent confidence level.

Table B-2. Projection of Accounts and Potentially Improper Payments

	Potentially Invalid Accounts	Potentially Improper Payments
Upper bound	85	\$8,500,000
Point estimate	46	\$4,200,000
Lower bound	7	\$436,248

Department of the Army Comments



DEPARTMENT OF THE ARMY
U.S. ARMY HUMAN RESOURCES COMMAND
1600 SPEARHEAD DIVISION AVENUE
FORT KNOX, KY 40122


AHRC-PL

10 June 2011

MEMORANDUM FOR DOD OIG, (AUD-DBO), ATTN: [REDACTED]
Department of Defense, 400 Army Navy Drive, Arlington, VA 22202-4704

SUBJECT: Active Duty Military Personnel Accounts Were Generally Valid and Secure, but DoD May Have Made Improper Payments (Project No. D2010-D000FC-0164.000)

1. Army Human Resources Command (HRC) concurs with recommendation #1 to review the potentially invalid Army active duty military personnel accounts to ensure that they are valid and to coordinate with, Deputy Chief of Staff, Plans and Resources, DAPE-PR, to help resolve account numbers where the status could not be ascertained.
2. We project that tasker #110512170, *Active Duty Military Personnel Accounts Were Generally Valid and Secure, but DoD May Have Made Improper Payments* will be completed by 8 July 2011. This should allow the adequate time to process all 610 individual records and coordinate with DAPE-PR on the follow up for records that require further research.
3. We have completed the initial search of SSNs and have determined that approximately 200 of the 610 referenced SSNs could not be found and an additional 43 had invalid SSNs. We will need the additional time to coordinate with DAPE-PR to resolve account numbers where the status could not be ascertained.
4. Point of Contact this action is [REDACTED] and [REDACTED]


RYAN K. WORKMAN
MAJ, AR
Chief, Current Operations Branch

CF:
USAAA (SAAG-PMO-L)

Department of the Navy Comments



DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
1000 NAVY PENTAGON
WASHINGTON, D.C. 20350-1000


JUN 14 2011

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL (DoDIG)

SUBJECT: DoD AIG(A) Draft Report of May 12, 2011- Project Number D2010-D000FC-0164.000

I have reviewed the subject report "*Active Duty Military Personnel Accounts Were Generally Valid and Secure, but DoD May Have Made Improper Payments*" and concur without comment. Navy Personnel Command has reviewed the report and determined corrective action and established a management control plan to prevent future discrepancies. Navy comments on the report are attached.

Point of contact for this matter is Navy Personnel Command Action Officer, [REDACTED]


Juan M. Garcia III
Assistant Secretary of the Navy
(Manpower and Reserve Affairs)

Attachments:
(1) Navy response

**Department of the Navy Response to
DoD AIG(A) Draft Report of May 12, 2011 on
“Active Duty Military Personnel Accounts Were Generally Valid and Secure,
but DoD May Have Made Improper Payments”
Project No. D2010-D000FC-0164.000**

Summary of AIG(A) Findings and Recommendations

DoD generally made payments to valid active duty military personnel accounts and adequately secured accounts by restricting access to classified information. However, DoD did not ensure that DJMS-AC contained only valid active duty military personnel accounts. This occurred because the Military Services' personnel offices and DFAS Military Pay did not maintain personnel file documentation to substantiate the potentially invalid accounts reviewed. As a result, DFAS made potentially improper payments of \$4.2 million from January 2005 through December 2009. The audit defined potentially invalid accounts as accounts that contained invalid SSNs, deceased military personnel that were paid after their reported date of death, military personnel that were never issued Common Access Cards (CACs), and multiple military personnel that shared the same bank account.

DoD AIG(A) recommendation for Navy is that the Chief of Naval Personnel review the remaining potentially invalid active duty military personnel accounts to ensure that they are valid, and if they are not, take appropriate corrective action.

DOD AIG(A) identified an internal control weakness. The Military Services' (including Navy) personnel offices and DFAS Military Pay could not provide personnel file documentation to substantiate potentially invalid accounts.

Statement of the DON Position

Finding: DoD Needs to Identify and Review Potentially Invalid Active Duty Military Personnel Accounts.

Navy Management Position: Concur. The Records/Data Maintenance Quality Division (PERS-33), Personnel Information Management Department (PERS-3), Navy Personnel Command (NAVPERSCOM) Millington, Tennessee will validate military personnel accounts to determine whether account information was adequately secured. Internal controls have been developed to review enlistment documents, and to send SSN's to the Social Security Administration (SSA) for verification. In addition, various systems, both internal and external to the Department of the Navy personnel system will be utilized to identify deceased personnel that received payments after their reported date of death and accounts of active duty personnel that were never issued Common Access Cards (CACs).

Recommendation 2. That the Chief of Naval Personnel review the remaining potentially invalid Navy active duty military accounts to ensure that they are valid, and if they are not, take appropriate corrective action.

Navy Management Position: Concur. NAVPERSCOM (PERS-33) will review the remaining 144 potentially invalid Navy active duty personnel accounts identified during the audit. For those SSNs determined to be valid, NAVPERSCOM (PERS-33) will ensure personnel file documentation is contained in the Official Master Personnel File (OMPF), and no further actions will be taken. Navy active duty personnel accounts for those containing invalid SSNs, deceased military personnel that were paid after their reported date of death, military personnel that were never issued CACs, and multiple military personnel that shared the same bank accounts will be

Enclosure (1)

coordinated with the Director, Defense Finance and Accounting Service to recover improper payments made. The following plan of action and milestones is submitted:

09/30/11 - Complete analysis of remaining potentially invalid accounts

On-going - If applicable, DFAS assist in the recovery of improper payments

06/30/12 – All actions completed

Managers' Internal Control Weakness. The Military Services' (including Navy) personnel offices and DFAS Military Pay could not provide personnel file documentation to substantiate potentially invalid accounts.

Navy Management Position: To mitigate this weakness, internal controls have been strengthened to ensure required personnel file documentation has been received from the Military Entrance Processing Stations (MEPS) for new recruits reporting for active duty. Reports are being generated to identify new recruits and the OMPF is verified to make sure appropriate documentation is on file. If not, MEPS is contacted to obtain missing personnel file documentation. These procedures will guarantee Navy active duty personnel accounts are adequately secured.

Department of the Air Force Comments



**DEPARTMENT OF THE AIR FORCE
HEADQUARTERS AIR FORCE PERSONNEL CENTER
RANDOLPH AIR FORCE BASE TEXAS**

13 June 2011

MEMORANDUM FOR DOD OIG [REDACTED]

FROM: AFPC/DS
550 C Street West Ste 01
Randolph AFB TX 78150-4748

SUBJECT: FW: "Active Duty Military Personnel Accounts Were Generally Valid and Secure, but DoD May Have Made Improper Payments (Project No. D2010-D000FC-0164.000)."

We've reviewed the draft report and the list of the 230 AF records that were identified, but not selected in sample, to find any discrepancies. We concur with your recommendation and completed our investigation of records and fixes on 9 June 2011.

Your report mentions (with the exception of 'Deceased Military Personnel Receiving Pay' category, that the selection criteria that was used only points to potentially invalid payments. We agree that the criteria used are excellent 'flags' and should be used as the basis of further investigation.

We were encouraged to know that the Air Force records from your sample had No Discrepancies.

We looked at the records in each of the four categories, and could find no discrepancies. More detailed information of our findings are provided below:

1. DECEASED MILITARY PERSONNEL RECEIVING PAY (3 RECORDS).
 - o One member was accessed at USAF Preparatory School under bad SSAN (since fixed), and is currently attending USAF Academy (Class of 2013). We verified MILPDS data against DMDC and DEERS databases as of 31-MAY-11.
 - o One member was erroneously paid, and DFAS informed us that the erroneous accession payments have already been collected.
 - o One member currently on active duty at Hill AFB. We verified MILPDS data against DMDC and DEERS databases as of 31-MAY-11.
2. INVALID SSANS (35 RECORDS):
 - o 33 were International Cadets attending USAF Academy who were given 'employee numbers' to begin pay while valid SSANS were processed by the Social Security Administration. All have since received valid SSANS
 - o One member accessed at OTS under bad SSAN; fixed the next day.
 - o One member was international cadet at the USAF Academy who self-eliminated one day after arrival. She never applied for or received a valid SSAN.
3. NO CAC CARD ISSUED (56 RECORDS):
 - o 35 Members were the same as identified under the invalid SSANS. All

were issued CACs. 34 of these were USAFA International Cadets.

- o One member was international cadet at the USAF Academy who self-eliminated one day after arrival. She was never given a CAC.
- o One member was erroneously accessed; never issued a CAC
- o 17 Members were discharged prior to being issued a CAC

4. MULTIPLE ACCOUNTS (172 RECORDS):

- o 40 Members were verified as Military Member married to Military Member:
- o 28 Members separated and direct deposit info was on record upon Date of Separation:
- o One member with two SSANs: USAFA International Cadet who was paid under temp SSAN & new SSAN to the same acct. Payments did not overlap.
- o One Member paid under temp SSAN and new SSAN to the same acct. Payments did not overlap.
- o 16 Members share an account with only one other.
- o 85 Members do not share accounts with any other SSAN.

Although I think that you already know this, I should tell you that we Relied on the USAF Academy and DFAS for all information related to the International cadets attending the Academy, since foreign students aren't in our Military Personnel Data System. Also, DFAS was the source for the information regarding multiple accounts, payments, and collections.

With regard to any deceased military personnel receiving payments, we Perform a monthly reconciliation with the Defense Manpower Data Center to identify deceased members showing in a pay status in our personnel data system.

Randy A. Tillery
 RANDY G. TILLERY, CIV, DAF
 Deputy Director
 Directorate of Staff
 HQ AFPC/DS

Defense Finance and Accounting Service Comments



**DEFENSE FINANCE AND ACCOUNTING SERVICE
ARLINGTON
1851 SOUTH BELL STREET
ARLINGTON, VA 22240-5291**

JUN 13 2011

DFAS-J

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCIAL AUDITING SERVICE,
OFFICE OF THE INSPECTOR GENERAL, DoD

SUBJECT: Management Comments to Draft Report, "Validity and Security of Active Duty
Military Personnel Accounts," Project D2010-D000FC-0164.000, Dated May 12,
2011

Attached are management comments to recommendation 4 for subject report.

Questions your staff may have concerning these matters may be directed to [REDACTED]
[REDACTED] or [REDACTED]

A handwritten signature in black ink, appearing to read "David E. McDermott".

David E. McDermott
Deputy Director, Operations

Attachment:
As stated

www.dod.mil/dfas
Your Financial Partner @ Work

Management Comments to Draft Report, "Validity and Security of Active Duty Military Personnel Accounts," Project D2010-D000FC-0164.000, Dated May 12, 2011

Recommendation 4: We recommend that the Director, Defense Finance and Accounting Service assist the Military Services in validating the remaining potentially invalid accounts, and if applicable, recover improper payments made to invalid active duty military personnel accounts.

Management Comments: Defense Finance and Accounting Service, Military Pay Operations (MilPay Ops), agrees to assist the Military Services. The Military Services will provide MilPay Ops with a list of the accounts identified as invalid. If applicable, MilPay Ops will initiate action to recover any improper payments made to the invalid military pay accounts.

Estimated Completion Date: January 1, 2012



Inspector General Department of Defense

