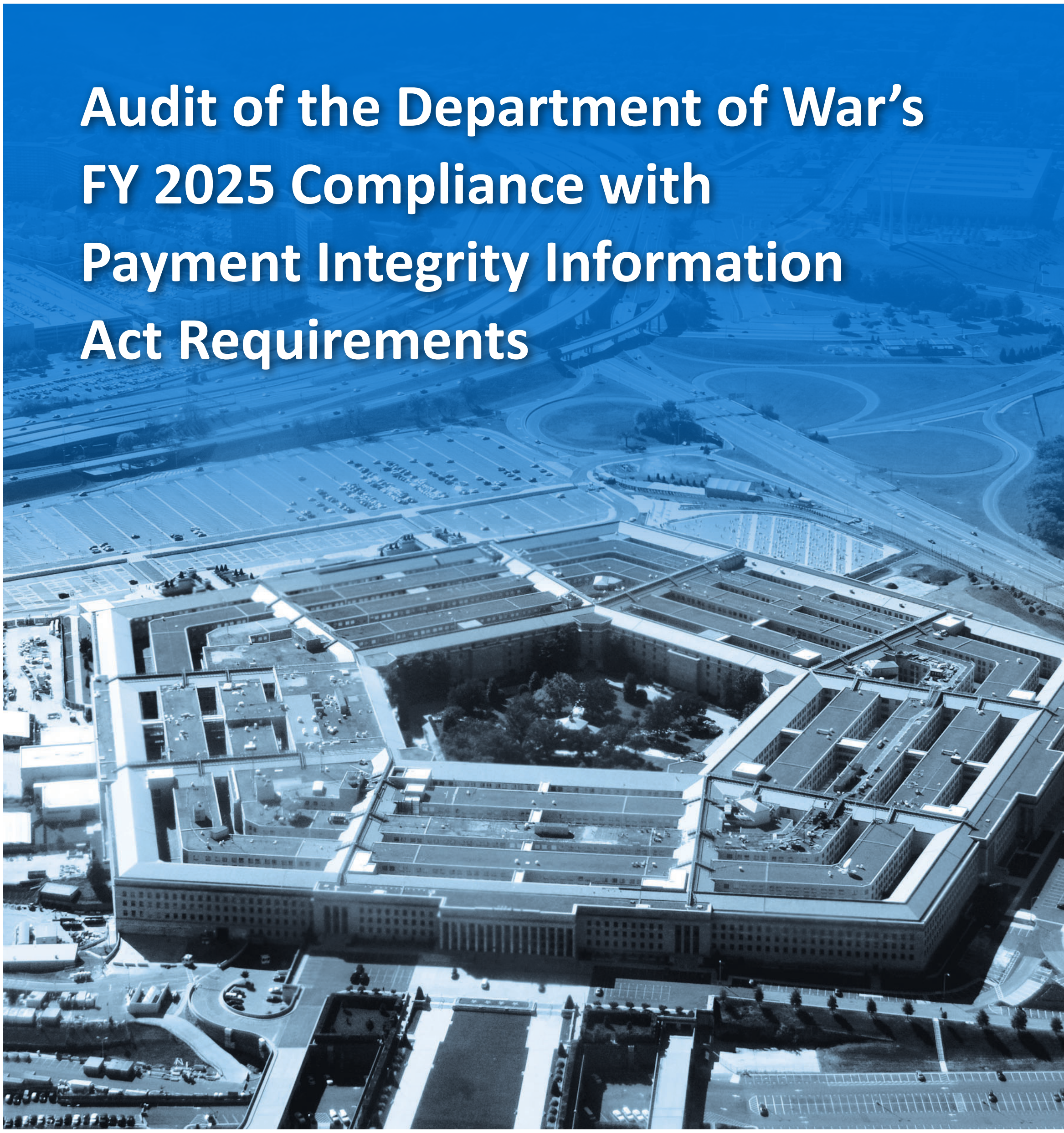
Report No. DOWIG-2026-105

INSPECTOR GENERAL

U.S. Department of War

JULY 31, 2026



Audit of the Department of War's FY 2025 Compliance with Payment Integrity Information Act Requirements

INDEPENDENCE ★ INTEGRITY ★ EXCELLENCE ★ TRANSPARENCY

Pursuant to Executive Order 14347, “Restoring the United States Department of War,” September 5, 2025, the Department of Defense Inspector General (DoD IG) and Office of Inspector General (DoD OIG) use the secondary titles of the Department of War Inspector General (DoW IG) and Office of Inspector General (DoW OIG), respectively. The use of these secondary titles does not in any way affect the primary statutory title or authorities of the DoD IG under The Inspector General Act of 1978, as amended (5 U.S.C. Chapter 4, Inspectors General), or the authorities or responsibilities of the DoD IG or DoD OIG pursuant to any laws, regulations, or policies.

Executive Summary

Why We Did This Audit

On March 2, 2020, Congress enacted Public Law 116-117, “Payment Integrity Information Act of 2019,” (PIIA) to improve efforts to identify and reduce government-wide improper payments. The PIIA requires Federal agencies to identify programs at risk for significant improper payments, report an estimated dollar amount of improper payments for those programs, and report what actions they plan to take to reduce improper payments. The Act also requires each agency’s Inspector General, including the DoW Office of Inspector General (DoW OIG), to evaluate compliance with the PIIA and issue an annual report.

What We Found and the Impact

The DoW did not comply with the PIIA requirements in its FY 2025 reporting of improper and unknown payments. Under PIIA requirements, an agency is considered noncompliant if any programs are noncompliant with any of the six PIIA requirements. Although the DoW complied with three of the six PIIA requirements, it did not comply with the requirements to: (1) prepare sufficient risk assessments for determining the risk of its improper and unknown payments and to adequately assess the risk of all of its programs, (2) publish reliable improper payment estimates, or (3) report improper and unknown payment estimates of less than 10 percent for required programs.

The DoW did not comply with PIIA requirements because DoW personnel did not:

- document or effectively demonstrate how specific risk factors affected each program’s risk for significant improper payments or implement corrective actions to identify all programs for risk assessment;
- implement corrective actions to determine the completeness of the DoW’s universes of payment transactions used to produce its improper and unknown payment estimates and did not properly define the scope of the universe used to calculate the improper payment rate for the DoD Travel Pay Other Defense Organizations (ODO)–Integrated Automated Travel System (IATS); or
- maintain improper and unknown payment rates under the 10-percent threshold mandated by PIIA.

By failing to conduct proper risk assessments and publish reliable data, the DoW cannot effectively prevent, mitigate, or detect improper and unknown payments. Additionally, reporting improper and unknown payment rates of 10 percent or more results in noncompliance, requiring increased oversight and mandatory remediation plans. As the DoW works to improve its Payment Integrity portfolio to meet PIIA requirements, the likelihood of improper and unknown payments will decrease and the DoW’s use of taxpayer funds will be more transparent.

Please see our recommendations on the next page.

Recommendations Table

Responsible Management Official	Recommendation	Implementation Status
1. Director of the Defense Information Systems Agency	1. Fully document the risks associated with the Commercial Pay–Financial Accounting and Budgeting System program, and the key controls relied upon when making payments.	**In Progress** (July 2026)
2. Director of the Defense Commissary Agency	2. Document how the key internal and third-party controls mitigate risks identified for the Commercial Pay–Standard Automated Voucher Examination System program.	**Closed**
3. Assistant Secretary of the Army (Financial Management and Comptroller)	3. Implement internal controls, such as the controls outlined in the corrective action plans, to decrease the DoD Travel Pay Army–Defense Travel System program's improper and unknown payment estimate to less than 10 percent.	**In Progress** (December 31, 2026)
4. Director of the Defense Intelligence Agency	4. Implement internal controls, such as the controls outlined in the corrective action plans, to decrease the DoD Travel Pay Other Defense Organizations–Defense Travel System program's improper and unknown payment estimate to less than 10 percent.	**In Progress** (September 30, 2026)
5. Director of the Defense Health Agency	5. Implement internal controls, such as the controls outlined in the corrective action plans, to decrease the DoD Travel Pay Other Defense Organizations–Defense Travel System program's improper and unknown payment estimate to less than 10 percent.	**In Progress** (October 31, 2026)
6. Director of the Defense Information Systems Agency	6. Implement internal controls, such as the controls outlined in the corrective action plans, to decrease the DoD Travel Pay Other Defense Organizations–Defense Travel System program's improper and unknown payment estimate to less than 10 percent.	**In Progress** (November 2026)
7. Director of the Defense Finance and Accounting Service–Rome	7. Implement internal controls, such as the controls outlined in the corrective action plans, to decrease the DoD Travel Pay Other Defense Organizations–Integrated Automated Travel System program's improper and unknown payment estimate to less than 10 percent.	**In Progress** (December 31, 2027)

Recommendations Table (cont'd)

Responsible Management Official	Recommendation	Implementation Status
8. Under Secretary of War (Comptroller)/Chief Financial Officer, DoW	8. Submit for the following programs to the Office of Management and Budget, the planned actions that the DoW will take to become compliant with both the Payment Integrity Information Act of 2019 and Office of Management and Budget Circular No. A-123, Appendix C requirements: Commercial Pay–Computerized Accounts Payable, Commercial Pay–Defense Agencies Initiative, Commercial Pay–Enterprise Business System, Commercial Pay–Financial Accounting and Budgeting System, Commercial Pay–Standard Automated Voucher Examination System, DoD Travel Pay Army–Integrated Automated Travel System, DoD Travel Pay Other Defense Organizations–Defense Travel System, and DoD Travel Pay Other Defense Organizations–Integrated Automated Travel System.	**In Progress** (November 30, 2026)
9. Under Secretary of War (Comptroller)/Chief Financial Officer, DoW	9. Submit for the following programs additional program integrity proposals that would help the programs become compliant to the Director of the Office of Management and Budget in its next Budget submission: the Civilian Pay–Other Defense Organizations, Commercial Pay–Mechanization of Contract Administration Services, and DoD Travel Pay Army–Defense Travel System programs.	**In Progress** (November 30, 2026)

NOTE: The estimated completion dates are included in parentheses in the Implementation Status column. Additionally, In Progress, Unresolved, and No Response recommendations are considered open recommendations.

Implementation Status

- **Closed** – The DoW OIG has verified that DoW management completed the corrective actions.
- **In Progress** – The DoW OIG and DoW management have agreed on corrective actions that will address the recommendation. This recommendation is considered resolved in accordance with M-25-01, "Revised OMB Circular A-50, Audit, Inspection, or Evaluation Follow-Up," November 7, 2024.
- **Unresolved** – The DoW OIG determined that the proposed actions described in DoW management comments do not address the recommendation.
- No Response – DoW management did not respond.

Contents

Background

The Payment Integrity Information Act of 2019 (PIIA) defines an improper payment as any payment that should not have been made or was made in an incorrect amount, including overpayments or underpayments, under a legally applicable requirement.[1] Improper payments also include payments made to ineligible recipients or for ineligible goods or services, duplicate payments, payments for a good or service not received, and payments that do not account for applicable discount credits. Additionally, the PIIA categorizes payments without sufficient supporting documentation as improper. The PIIA requires that each fiscal year the Inspector General of each executive agency determine whether the agency complied with the six PIIA requirements shown in Figure 1. Agencies must meet all PIIA requirements to be compliant.

Figure 1. Payment Integrity Information Act Requirements

Source: Public Law No. 116-117, "Payment Integrity Information Act of 2019," March 2, 2020.

[1] Public Law 116-117, "Payment Integrity Information Act of 2019," section 3351(4), March 2, 2020.

The PIIA requires the Director of the Office of Management and Budget (OMB) to develop guidance for executive agencies to implement PIIA requirements. OMB Circular No. A-123, Appendix C, requires that all programs with annual outlays (disbursements) over $10 million fall into one of two phases—risk assessments (Phase 1) or improper and unknown payment estimates (Phase 2).[2]

DoD Agency Financial Report

On December 18, 2025, the Secretary of War published the DoD Agency Financial Report (AFR) Fiscal Year 2025 (FY 2025 DoD AFR). The FY 2025 DoD AFR states that a reduction of improper payments and compliance with the PIIA continues to be a top financial management priority. According to the AFR, the DoW's compliance with the PIIA is supported through the activities of its Payment Integrity portfolio, which includes 49 separate programs. The AFR states that the DoW has undertaken a strategic reorganization of its Payment Integrity programs to address a significant deficiency preventing full compliance with the PIIA. Specifically, the DoW grouped its programs into smaller populations to streamline the risk assessment and remediation processes for each payment population. The AFR also states that, as a direct result of the reorganization, the number of programs designated for risk assessment (Phase 1) increased from 8 programs in FY 2023 to 41 programs in FY 2025. Appendix B shows a list of the DoW's programs and additional program information included in the DoW's Payment Integrity portfolio.

In FY 2025, the DoW completed 19 risk assessments (Phase 1) and 6 improper and unknown payment estimates (Phase 2) for the 49 programs. For the six Phase 2 programs, the FY 2025 DoD AFR identified $241.7 billion in outlays subject to testing and reported $2.1 billion in improper and unknown payments with an improper payment rate of 0.87 percent.[3] Table 1 shows the breakout of the six Phase 2 programs in the FY 2025 DoD AFR.

Table 1. FY 2025 DoD AFR Improper Payment Reporting of Improper and Unknown Payments

Program	Outlays (in Millions)	Improper and Unknown Payment Estimate Amount (in Millions)	Improper and Unknown Payment Rate Estimate (Percent)
Civilian Pay–ODO	$11,127.9	$192.4	1.73
DoD Travel Pay Army–DTS	2,533.2	284.6	11.23
DoD Travel Pay DAF–DTS	2,558.9	193.7	7.57
DoD Travel Pay ODO–DTS	415.0	45.6	10.99
DoD Travel Pay ODO–IATS	14.7	1.9	13.05
Commercial Pay–MOCAS	225,038.9	1,387.2	0.62
Total*	**$241,688.7**	**$2,105.4**	**0.87**

Note: See the Acronyms and Abbreviations list at the end of this report for full terms of acronyms.
* Some totals may not equal the actual sum because of rounding.
Source: The FY 2025 DoD AFR.

[2] OMB Circular No. A-123, "Management's Responsibility for Internal Control," Appendix C, "Requirements for Payment Integrity Improvement," March 5, 2021.

[3] This is an increase from the FY 2024 improper payment rate of 0.42 percent ($1,086.7 million).

Audit Results

The DoW Did Not Comply with PIIA Requirements

Although the DoW continues to improve its Payment Integrity portfolio, it did not comply with PIIA requirements for FY 2025 and, therefore, is not compliant with the PIIA for the 5th consecutive year. For FY 2025, the DoW complied with three of the six PIIA requirements. Table 2 shows the DoW's compliance status with the six PIIA requirements.

Table 2. The DoW's FY 2025 Compliance with PIIA Requirements

Payment Integrity Information Act Requirement	Compliance Status
1. Publish and post the DoW's FY 2025 Payment Integrity information in the AFR and any accompanying materials on the DoW's website.	✓
2. Conduct improper payment risk assessments for each applicable program and adequately conclude whether the program is likely to make improper payments.	✗
3. Publish improper and unknown payment estimates for programs susceptible to significant improper and unknown payments in the Payment Integrity information.	✗
4. Publish corrective action plans for each program determined to have significant improper payments.	✓
5. Publish improper and unknown payment reduction targets for each applicable program in the accompanying materials to the AFR, demonstrate improvements to Payment Integrity or reach tolerable improper and unknown payment rates, and develop a plan to meet the reduction targets.	✓
6. Report improper and unknown payment estimates of less than 10 percent for each program reporting estimates.	✗

LEGEND

✓ Compliant

✗ Not Compliant

Note: The DoW's compliance by program can be found in Appendix C.

Source: The DoW OIG.

Improvements to the DoW's Payment Integrity Portfolio

Although the DoW did not comply with the PIIA in FY 2025, it continued to improve its compliance by restructuring its Payment Integrity portfolio. In FY 2018, the DoW identified 8 Payment Integrity programs; however, as of FY 2025, the DoW has separated its portfolio into 49 Payment Integrity programs. The restructuring of the DoW's Payment Integrity portfolio into smaller populations has moved more of the responsibility for each program's reporting and corrective actions to the component level. For example, in FY 2018, Defense Finance and Accounting Service (DFAS) personnel reported estimates for the Civilian Pay program, which has now been separated into four separate programs administered by the Army, the Department of the Air Force (DAF), the Navy, and DFAS.

In addition, with the more defined populations, the DoW can focus more on the high-risk areas and more accurately identify improper payments. For example, in FY 2018, the DoW consolidated the DoD Travel Pay Other Defense Organizations (ODO)–Integrated Automated Travel System (IATS) program into the overall DoD Travel Pay program, which reported an improper payment rate of 4.59 percent with $8 billion in outlays. In FY 2025, the DoW separately reported the DoD Travel Pay ODO–IATS program, which reported $14.7 million in outlays with an improper payment rate of 13.1 percent. The DoW's more focused review of the ODO IATS payments in FY 2025 resulted in the DoW identifying a higher rate of improper payments.

Through a more focused lens, the DoW has better assessed the likelihood or probability of risk occurring within its programs.

Through a more focused lens, the DoW has better assessed the likelihood or probability of risk occurring within its programs. This has enabled the DoW to move programs with a higher risk of improper and unknown payments into Phase 2 for a more targeted review. As a result, more DoW programs comply with the requirements to produce a risk assessment or publish an improper payment estimate. Figure 2 shows the rate of the DoW's compliance with the requirements to produce a risk assessment, or publish an improper payment estimate, each fiscal year since FY 2018.

Figure 2. The DoW's Restructuring of Programs Increased Its Compliance Rate

Fiscal Year	Programs	Phase 1	Phase 2	Compliance
FY 2018	8 Programs – All Assessed for Compliance	Of the 8 Programs, zero reported in Phase 1.	Of the 8 Programs, all reported in Phase 2.	In FY 2018, 2 of the 8 Programs, or 25 percent, were compliant.
FY 2019	8 Programs – All Assessed for Compliance	Of the 8 Programs, zero reported in Phase 1.	Of the 8 Programs, all reported in Phase 2.	In FY 2019, 2 of the 8 Programs, or 25 percent, were compliant.
FY 2020	11 Programs – All Assessed for Compliance	Of the 11 Programs, zero reported in Phase 1.	Of the 11 Programs, all reported in Phase 2.	In FY 2020, 3 of the 11 Programs, or 27.3 percent, were compliant.
FY 2021	11 Programs – 9 Assessed for Compliance	Of the 9 Programs, zero reported in Phase 1.	Of the 9 Programs, all reported in Phase 2.	In FY 2021, of the 9 Programs, zero were compliant.
FY 2022	12 Programs – 9 Assessed for Compliance	Of the 9 Programs, zero reported in Phase 1.	Of the 9 Programs, all reported in Phase 2.	In FY 2022, of the 9 Programs, zero were compliant.
FY 2023	16 Programs – 11 Assessed for Compliance	Of the 11 Programs, 3 reported in Phase 1.	Of the 11 Programs, 8 reported in Phase 2.	In FY 2023, 3 of the 11 Programs, or 27.3 percent, were compliant.
FY 2024	48 Programs – 21 Assessed for Compliance	Of the 21 Programs, 15 reported in Phase 1.	Of the 21 Programs, 6 reported in Phase 2.	In FY 2024, 11 of the 21 Programs, or 52.4 percent, were compliant.
FY 2025	49 Programs – 28 Assessed for Compliance	Of the 28 Programs, 22 reported in Phase 1.	Of the 28 Programs, 6 reported in Phase 2.	In FY 2025, 17 of the 28 Programs, or 60.7 percent, were compliant.

* The percentage of compliant programs is based on the programs that the DoW OIG assessed for compliance. The DoW OIG did not assess Phase 1 programs that remained in the 3-year reporting cycle or Phase 1 programs that did not comply in the previous fiscal year.

Source: The DoW OIG.

Accuracy of PaymentAccuracy.gov

The DoW complied with the PIIA requirement to publish the FY 2025 DoD AFR. However, as of April 10, 2026, the Government's website for tracking and reporting on improper payments, PaymentAccuracy.gov, did not accurately reflect the DoW's accompanying materials to the financial statements. OMB Circular No. A-136 specifies the DoW's reporting requirements for the AFR, which includes the requirement for agencies to publish their Payment Integrity information on PaymentAccuracy.gov.[4] For FY 2025, the Office of the Under Secretary of War (Comptroller)/Chief Financial Officer, DoW (OUSW[C]/CFO) personnel submitted the DoW's Payment Integrity information to the OMB within the required time frame. However, the information reported on PaymentAccuracy.gov did not reflect the information the DoW submitted for reporting. For example, PaymentAccuracy.gov incorrectly reported the FY 2024 PIIA compliance of the DoW's programs.

The information reported on PaymentAccuracy.gov did not reflect the information the DoW submitted for reporting.

Specifically, PaymentAccuracy.gov incorrectly identified that the Commercial Pay–Mechanization of Contract Administration Services (MOCAS) and DoD Travel Pay DAF–Defense Travel System (DTS) programs were compliant, although both programs produced unreliable improper payment estimates. In addition, it lists that the Commercial Pay–Navy Enterprise and Resource Planning (NERP) and DoD Travel Pay DAF–Reserve Travel System (RTS) programs were noncompliant, although the Commercial Pay–NERP program did not produce a risk assessment in FY 2024, and the DoD Travel Pay DAF–RTS program was compliant.

According to PaymentAccuracy.gov, the website's goal is to provide a clear picture of where agencies are making progress and where challenges remain. By sharing improper payment information in one place, the PaymentAccuracy.gov website's goal is to provide policymakers, oversight bodies, and the American taxpayer with information on how the Government is working to improve outcomes and reduce waste over time, where Federal dollars are at the most risk, and where the most progress is being made in protecting those dollars.

Furthermore, the Government Accountability Office (GAO) relied on the information reported on PaymentAccuracy.gov when providing testimony before Congress.[5] When the information reported on PaymentAccuracy.gov is inaccurate, these entities do not have visibility into the correct status of the DoW's Payment Integrity portfolio. After we notified OUSW(C)/CFO personnel of the discrepancies on PaymentAccuracy.gov, they began coordination with the OMB to correct all the discrepancies reported. We are not making a recommendation because OUSW(C)/CFO personnel are collaborating with the OMB to correct each program's misreported information.

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[4] OMB Circular No. A-136 Revised, "Financial Reporting Requirements," July 14, 2025.
PaymentAccuracy.gov is the centralized location and complete source for all Federal Payment Integrity information.

[5] Report No. GAO-25-108500, "DoD Fraud Risk Management: DoD Should Expeditiously and Effectively Implement Fraud Risk Management Leading Practices," June 4, 2025.

The DoW Did Not Adequately Assess the Risk of Its Programs

The PIIA requires agencies to conduct improper payment risk assessments for each applicable program and adequately conclude whether the program is likely to make improper payments. As the DoW continues to build its Payment Integrity portfolio, it has yet to identify all programs that require risk assessment, report on all programs under risk assessment, or conduct adequate risk assessments.

The DoW Did Not Identify All of Its Programs

The DoW has not developed a methodology for identifying all outlays that it should assess as part of its Payment Integrity portfolio. In the FY 2024 PIIA compliance report, the DoW OIG found that OUSW(C)/CFO personnel had not developed a methodology to identify all programs with outlays over $10 million. The methodology is necessary to ensure that the DoW included all programs associated with outlays in its universe of payment transactions for FY 2024.[6] The DoW OIG recommended that the Under Secretary of War (Comptroller)/Chief Financial Officer, DoW (USW[C]/CFO), develop and implement a methodology to identify all DoW outlays and the associated programs. Because the DoW has not established this methodology, the DoW cannot ensure that it captures all outlays in its 49 programs or that it identifies all programs that are required to report. According to DoW personnel, the estimated completion date of the corrective actions is June 2027.

The DoW has not developed a methodology for identifying all outlays that it should assess as part of its Payment Integrity portfolio.

The DoW Did Not Report Every Program's Risk Assessment

Although required to report risk assessments in FY 2025, the DoW did not provide risk assessments for the DoD Travel Pay Army–IATS, Commercial Pay–Defense Agencies Initiative (DAI), and Commercial Pay–Computerized Accounts Payable System (CAPS) programs. The DoW established these three programs in FY 2024. According to OMB Circular No. A-123, Appendix C, newly established programs should complete an improper payment risk assessment after the first 12 months of the program.

The DoW did not complete risk assessments for these three programs for the following reasons.

- The Army needed to update its risk assessment methodology to capture significant payment types within the scope of the DoD Travel Pay Army–IATS program. The DoW will submit a risk assessment for the DoD Travel Pay Army–IATS program during the FY 2026 PIIA compliance audit.
- The DoW is restructuring the Commercial Pay–DAI and Commercial Pay–CAPS programs to assign responsibility of the assessments at the component level. The DoW plans to submit risk assessments for these programs for the FY 2027 PIIA compliance audit.

[6] Report No. DODIG-2025-105, "Audit of the Department of Defense's FY 2024 Compliance with Payment Integrity Information Act Requirements," May 27, 2025.

As the DoW continues to define its portfolio, it needs to ensure its methodology captures all program reporting requirements to ensure it is reporting them in a timely manner. Additionally, the DoW should consider the success it achieved in defining the Civilian Pay programs as an example to better define the Commercial Pay Programs. Specifically, after separating the Civilian Pay program into four more defined populations, the DoW has brought two of the four historically noncompliant Civilian Pay programs into compliance. In the FY 2024 PIIA compliance report, Report No. DODIG-2025-105, the DoW OIG recommended that the DoW needed to implement a tool to improve its oversight of the programs, including a method for establishing new programs.[7] This recommendation remains open, with an estimated completion date of August 2026.

The DoW Completed Inadequate Risk Assessments

The DoW completed inadequate risk assessments for 3 of its 19 reporting programs because DoW personnel did not document or effectively demonstrate how specific risk factors affected each program's susceptibility to significant improper payments. This occurred because the risk assessment did not:

- effectively demonstrate how key internal controls mitigated the risk, or
- have an adequate methodology for assessing risk.

DoW personnel did not document or effectively demonstrate how specific risk factors affected each program's susceptibility to significant improper payments.

OMB Circular No. A-123, Appendix C, requires OIGs to review the program's improper payment risk assessment and determine whether the assessment adequately concludes that the program is likely, or not likely, to make improper or unknown payments above the statutory threshold.[8] Figure 3 shows the specific areas that each of the three programs did not develop in their risk assessments.

[7] Report No. DODIG-2025-105, Recommendation 1.a.

[8] OMB Circular No. A-123, "Management's Responsibility for Internal Control," Appendix C, "Requirements for Payment Integrity Improvement," March 5, 2021.

Figure 3. DoW Programs with Inadequate Risk Assessments

Commercial Pay–Financial Accounting and Budgeting System (FABS) The Defense Information Systems Agency did not identify any risks or key controls that mitigated the risks throughout the risk assessment. In addition, the risk assessment did not identify and assess Defense Finance and Accounting Service (DFAS) internal controls over payments disbursed on behalf of the Components.	**Lack of Internal Control Assessment**
Inadequate Assessment Methodology	**Commercial Pay–Enterprise Business System (EBS)** The Defense Logistics Agency established a threshold that did not meet OMB requirements. Specifically, the methodology used to assess the risk inappropriately combined all payments, while the risk determination only considered a specific group of payments.
Commercial Pay–Standard Automated Voucher Examination System (SAVES) The Defense Commissary Agency did not include sufficient discussion or an understanding of the key internal controls and third-party controls that mitigated identified risks.	**Lack of Internal Control Assessment**

Source: The DoW OIG.

The Commercial Pay–EBS risk assessment did not meet PIIA compliance requirements because the methodology used to assess the risk combined all types of payments, while Defense Logistics Agency personnel assessed the risk based solely on one specific group of payments (as shown in Figure 3). Upon issuance of the discussion draft report, the Defense Logistics Agency provided a new risk assessment that reflected a methodology assessing all types of payments for the program for FY 2026. We will review the risk assessment for compliance during the FY 2026 compliance audit. Because Defense Logistics Agency personnel took corrective action during the audit to address the risk assessment, we are not making a recommendation.

Recommendation 1. We recommend that the Director of the Defense Information Systems Agency fully document the risks associated with the Commercial Pay–Financial Accounting and Budgeting System program and the key controls relied upon when making payments.

Recommendation 2. We recommend that the Director of the Defense Commissary Agency document how the key internal and third-party controls mitigate risks identified for the Commercial Pay–Standard Automated Voucher Examination System program.

The DoW Did Not Publish Reliable Improper and Unknown Payment Estimates

The DoW did not comply with the PIIA requirement to publish improper and unknown payment estimates. In the FY 2025 DoD AFR, the DoW published unreliable improper and unknown payment estimates for three of the six programs required to report estimates. In producing its improper and unknown payment estimates, the DoW did not develop adequate universes of payment transactions. Specifically, the DoW did not develop universes of payment transactions at the detailed transaction level.

In the FY 2024 PIIA compliance report, the DoW OIG reported that the DoW did not identify complete universes of payment transactions, as a continuation of the DoW OIG's finding in the FY 2023 PIIA compliance report.[9] This finding remains consistent for the Civilian Pay–ODO, DoD Travel Pay ODO–IATS, and Commercial Pay–MOCAS programs in FY 2025. For example, when developing the reconciliation for the DoD Travel Pay ODO–IATS program, DFAS personnel did not break out the payment universes at the detailed transaction level or by program and instead used a summary disbursement total. This level of comparison did not result in a reconciliation at the defined program level. Figure 4 shows the reconciliation conducted at the summary level by DFAS personnel.

Figure 4. DFAS' DoD Travel Pay ODO–IATS UoT Coverage

IATS - All Components			
	ODS/Disbursing	**IATS**	**UoT Coverage**
ODO		$ 14,729,484	
Army		$ 992,991,087	
DAF		$ 506,257	
USMC		$ 643,798	
USN		$ 9,939,680	
Total	$1,074,768,951	$1,018,810,306	
Exclusions	$ (52,704,388)	$ -	
Total	**$1,022,064,563**	**$1,018,810,306**	**99.7%**

Source: "Department of Defense Payment Integrity Information Act (PIIA) Sampling & Estimation Methodology Plan FY 2025," June 2025.

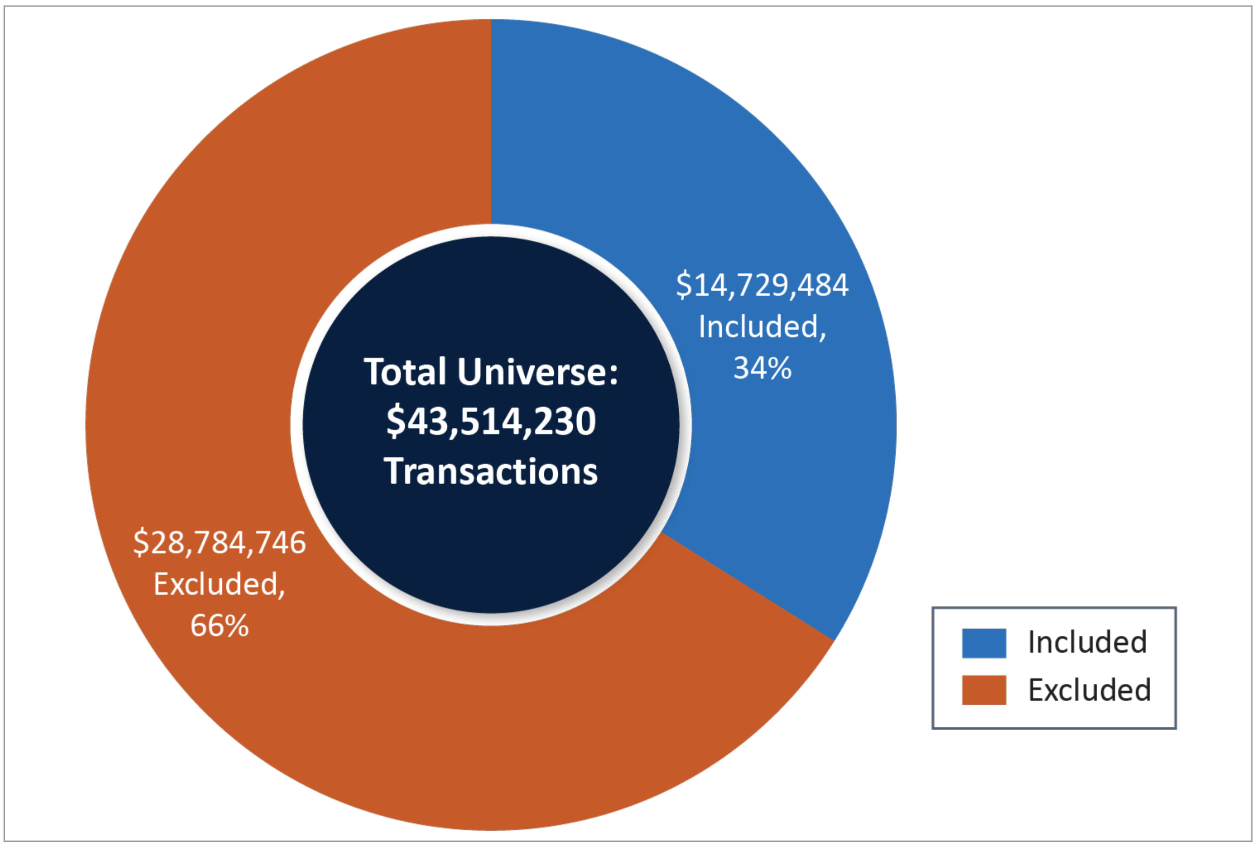
When reviewing the methodology DFAS used to identify the scope of its DoD Travel Pay ODO–IATS universe, we determined that the DoD Travel Pay ODO–IATS universe was not reconciled at either the program or transaction level. Although the DoD Travel Pay IATS payments are separated into

[9] Report No. DODIG-2025-105.

four programs, DFAS personnel reconciled the universe at the summary level. The reconciliation at the summary level resulted in a $52.7 million variance that DFAS did not include as part of the DoD Travel Pay ODO–IATS program. Upon further review, we determined that $28.8 million of the $52.7 million variance was related directly to the DoD Travel Pay ODO–IATS program. Because DFAS did not complete a reconciliation at the transaction level, it did not identify that the DoD Travel Pay ODO–IATS universe did not include all transactions representing the program's payment universe. The exclusion of the $28.8 million from the DoD Travel Pay ODO–IATS universe significantly affected the reliability of the DoD Travel Pay ODO–IATS improper payment estimate because it would have increased the universe of payment transactions from $14.7 million to $43.5 million. Figure 5 shows the breakout of the transactions included and excluded from the DoD Travel Pay ODO–IATS program.

The DoW did not develop universes of payment transactions at the detailed transaction level.

Figure 5. Breakout of the Universe of Transactions for the DoD Travel Pay ODO–IATS Program



Source: The DoW OIG and DFAS.

Because DFAS personnel excluded these transactions from the DoD Travel Pay ODO–IATS program, the DoW did not review these transactions in FY 2025. Therefore, as the DoW continues to modify its Payment Integrity portfolio into more defined programs, it is important that DFAS and other DoW Components accurately define each program's universe when determining the improper payment rate.

DFAS Did Not Adequately Define the Scope of the DoD Travel Pay ODO–IATS Program

Furthermore, in developing the universe for the DoD Travel Pay ODO–IATS program, DFAS personnel did not properly define the scope of the transactions included in the program's universe. DFAS personnel's exclusion of $52.7 million in payment transactions included 11,317 ODO payment transactions, totaling $28.8 million. Most of these transactions related to Security Assistance Training Field Activity (SATFA) travel funded by an ODO agency, the Defense Security Cooperation Agency (DSCA), using Department Code 97.[10]

According to the DoD Travel Pay ODO–IATS Sampling and Estimation Methodology Plan, the exclusion did not impact the DoD Travel Pay ODO–IATS universe for sample testing. DFAS personnel stated that they excluded the $52.7 million because the transactions did not reside in "Advana IATS" databases, for which DFAS is responsible. When asked about the exclusion of the ODO SATFA payment transactions, DFAS personnel stated that although the DSCA was the fund holder for the transactions, the type of travel that occurred on these transactions fell under the requirements of the DSCA's Security Assistance Management Manual (SAMM) and not the Joint Travel Regulation (JTR). Therefore, the transactions did not fall under the scope of the DoD Travel Pay ODO–IATS universe. Because DFAS personnel did not include the transactions in the scope of the DoD Travel Pay ODO–IATS program, the DoW did not review these transactions in FY 2025 as part of its Payment Integrity portfolio.

DFAS personnel did not use appropriate criteria to identify ODO related transactions.

When scoping the universe of payment transactions for the DoD Travel Pay ODO–IATS program, DFAS personnel did not use appropriate criteria to identify ODO related transactions. DFAS personnel confirmed that they used internal coding structures, such as the organization code, which do not align with official financial reporting structures. DFAS should have identified transactions for programs using the department codes necessary for external reporting to the U.S. Treasury. The practice of using nonstandard, summary-level data breaks the critical link between the DoW's Payment Integrity programs and its official financial reporting requirement and prevents the DoW from ensuring its reported data are accurate and complete. By cross-referencing transaction data with the department code, the DoW

[10] Of the $28.8 million excluded in ODO travel payments, $28,523,503 was related to SATFA, while the remaining $261,243 was related to other ODO travel. Note that summary amounts differ because of rounding.

The Department Code is the treasury account symbol (TAS) component that identifies the department, agency, or establishment of the Government that is responsible for the TAS. The "97" represents payments made from the DoW, Office of the Secretary of Defense, which includes ODOs.

OIG confirmed that $28.8 million of the payments DFAS excluded contained "Department Code 97," which identifies transactions belonging to the ODO program and, due to the exclusion, results in an unreliable estimate. In FY 2024, the DoW OIG recommended that the DoW develop and implement a methodology to verify that each program's universe of payments includes all outlays related to each respective program.[11] As the DoW continues to address this recommendation and modify its Payment Integrity portfolio, it is important that the OUSW(C)/CFO, in collaboration with DoW Components, define a scope for each program's universe when determining improper payment rates.

Reliability of the DoW's Travel Pay DTS Programs

The DoW's three Travel Pay DTS programs produced improper and unknown payment estimates that complied with the PIIA (as shown in Table 1). OMB Circular No. A-123, Appendix C, requires Offices of Inspector General to ensure that Sampling and Estimation Methodology Plans implemented by the agency produced an improper and unknown payment estimate that was representative of the program's annual improper and unknown payments. To ensure that the programs met OMB requirements, we reviewed the programs for:

- a Sampling and Estimation Methodology Plan that is appropriate given the program characteristics, including sample sizes;
- a complete and accurate (reliable) population to sample for improper payment testing; and
- adequate reviews of the samples to publish a reliable estimate.

After determining that DFAS produced adequate Sampling and Estimation Methodology Plans, the DoW OIG analyzed the reconciliations DFAS used to confirm the completeness of its universe of payment transactions for the DTS programs reporting estimates. Specifically, the DoW OIG reconciled transaction-level data from the Centralized Disbursing System (CDS) to DTS data by voucher number. The DoW OIG's analysis of the transaction-level data verified that although DFAS used summary-level control totals, the controls were sufficient to reconcile its payment universes for the DTS programs. The analysis also confirmed that transaction-level detail is available for DFAS to use in future reconciliations.

As the DoW transitions its Payment Integrity portfolio to more defined program levels, the continued use of a summary-level methodology by DFAS will prevent the accurate development and reconciliation of complete programs and payment universes. DFAS should use a transaction-level methodology by program to complete its reconciliations. In the FY 2024 PIIA compliance report, the DoW OIG made a recommendation for DoW Components to identify all DoW outlays and the

[11] Report No. DODIG-2025-105, Recommendation 2.

associated programs, as well as to verify that each program's universe of payment transactions includes all outlays related to each respective program. Until DFAS implements changes to its methodology, this recommendation will remain open.[12]

The DoW OIG reperformed payment reviews from the DoD Travel Pay DAF–DTS program to assess the accuracy of the DFAS post-pay reviews. The accuracy of the post-payment review is critical when assessing the reliability of a program's estimate, as breakdowns in internal controls within the post-payment process could directly contribute to an estimate being unreliable. We randomly selected a sample of 78 transactions for review. As a result of this review, we determined that the DoD Travel Pay DTS programs have complied with the requirement to publish reliable estimates.

The DoW Reported Improper Payment Rates Over 10 Percent

The PIIA requires agencies to report improper payment rates under 10 percent; therefore, the DoW did not comply with the PIIA when it reported improper payment rates of more than 10 percent for the following three of six programs required to report improper payment rates (as shown in Table 1).

- DoD Travel Pay Army–DTS
- DoD Travel Pay ODO–DTS
- DoD Travel Pay ODO–IATS

Although the DoW did not comply, it continues to produce more defined payment universes that lead to better identification of improper payments, which may result in higher improper payment rates.

The DoW continues to produce more defined payment universes that lead to better identification of improper payments, which may result in higher improper payment rates.

According to the FY 2025 DoD AFR, the DoD separated Phase 2 (improper and unknown payment estimates) programs into smaller and more defined groups of payments so that it could accurately assess the specific risks associated with each payment population and tailor its internal controls accordingly. The three programs that reported improper payment rates over 10 percent provided the following corrective actions to address and attempt to decrease their high improper payment rates.

DoD Travel Pay Army–DTS. The program reported an improper payment rate of 11.23 percent because of substantial unknown payment errors. Specifically, DTS authorizing officials or certifying officers did not perform their duties in accordance with the DoD Financial Management Regulation because they approved vouchers as pay ready without supporting documentation or valid receipts for expenses in the DTS. The Army identified corrective actions such as conducting training,

[12] Report No. DODIG-2025-105, Recommendation 2.

publishing standard operating procedures for the program, and establishing touchpoint meetings every 2 months between Army and OUSW(C)/CFO personnel. The Army plans to implement these corrective actions by the end of September 2026.

Recommendation 3. We recommend that the Assistant Secretary of the Army (Financial Management and Comptroller) implement internal controls, such as the controls outlined in the corrective action plans, to decrease the DoD Travel Pay Army–Defense Travel System program's improper and unknown payment estimate to less than 10 percent.

DoD Travel Pay ODO–DTS. The program reported an improper payment rate of 10.99 percent because of substantial technically improper payment errors.[13] According to OUSW(C)/CFO personnel, the Defense Intelligence Agency (DIA), Defense Health Agency (DHA), and Defense Information Systems Agency (DISA) are the primary contributors to the high improper payment rate. Specifically, the agencies listed deficiencies such as invalid DTS authorizations for travel prior to approval, missing information on travel authorizations, incorrect calculations, and unauthorized expenses. The agencies identified the following corrective actions for implementation.

- **Defense Intelligence Agency.** Define stakeholder roles and responsibilities by creating a detailed responsibility matrix, implement training requirements, and conduct touchpoint meetings every 2 months between DIA and OUSW(C)/CFO personnel. The DIA plans to implement these corrective actions by the end of September 2026.
- **Defense Health Agency–Military Medical Treatment Facilities.** Create standardized documentation with approving official information, establish meetings every 2 months to review access and training materials, and conduct touchpoint meetings every 2 months between DHA and OUSW(C)/CFO personnel. The DHA plans to implement these corrective actions by the end of September 2026.
- **Defense Information Systems Agency.** Ensure travel submissions contain proper supporting documentation, review corrective actions from monthly DFAS reports, and coordinate on identified monthly DTS transactions for correction. The DISA plans to implement these corrective actions by the end of FY 2026.

Recommendation 4. We recommend that the Director of the Defense Intelligence Agency implement internal controls, such as the controls outlined in the corrective action plans, to decrease the DoD Travel Pay Other Defense Organizations–Defense Travel System program's improper and unknown payment estimate to less than 10 percent.

[13] OMB Circular No. A-123, Appendix C, identifies four types of improper and unknown payments: overpayments, underpayments, technically improper payments, and unknown payments. A technically improper payment is a payment made to an otherwise qualified recipient for the right amount, but the payment failed to meet all statutory requirements.

Recommendation 5. We recommend that the Director of the Defense Health Agency implement internal controls, such as the controls outlined in the corrective action plans, to decrease the DoD Travel Pay Other Defense Organizations–Defense Travel System program's improper and unknown payment estimate to less than 10 percent.

Recommendation 6. We recommend that the Director of the Defense Information Systems Agency implement internal controls, such as the controls outlined in the corrective action plans, to decrease the DoD Travel Pay Other Defense Organizations–Defense Travel System program's improper and unknown payment estimate to less than 10 percent.

DoD Travel Pay ODO–IATS. The program reported an improper payment rate of 13.05 percent because of overpayment and underpayment errors. Specifically, DFAS personnel made calculation errors based on incorrect rates and reimbursed unauthorized entitlements. Furthermore, customers submitted incomplete travel claim packets. DFAS–Rome has identified corrective actions such as implementing an audit process to detect errors and analyze trends, deploying a smart voucher tool to eliminate common submission errors, conducting training on recurring errors, and conducting touchpoint meetings every 2 months between DFAS and OUSW(C)/CFO personnel. DFAS–Rome plans to implement these corrective actions by the end of FY 2028.

Recommendation 7. We recommend that the Director of the Defense Finance and Accounting Service–Rome implement internal controls, such as the controls outlined in the corrective action plans, to decrease the DoD Travel Pay Other Defense Organizations–Integrated Automated Travel System program's improper and unknown payment estimate to less than 10 percent.

The DoW's Payment Integrity Portfolio Shows Progress, but Significant Deficiencies Persist

The DoW complied with three of the six PIIA requirements in FY 2025; however, it conducted inadequate risk assessments, published unreliable improper payment estimates, and published improper payment estimates above the permitted 10-percent threshold.

Although the DoW did not comply with the PIIA in FY 2025, it has taken steps to improve its overall Payment Integrity portfolio. The DoW's restructuring of its portfolio resulted in more defined programs and more focus on the DoW Components' responsibility for the payments of those programs. With more defined programs, the DoW is better able to identify the internal control deficiencies that lead to improper payments and can hold the DoW Components accountable for correcting the internal control deficiencies. As the DoW continues to progress through its Payment Integrity portfolio, it should continue to address outstanding deficiencies identified in prior reports.

With more defined programs, the DoW is better able to identify the internal control deficiencies that lead to improper payments and can hold the DoW Components accountable for correcting the internal control deficiencies.

As a direct consequence of the compliance failures, the DoW cannot accurately determine the full extent of its improper and unknown payments and, therefore, cannot fully correct these errors within its financial records. As a result, funds that were disbursed incorrectly remain recorded as proper expenses. This practice inflates the "Gross Program Costs" on the Statement of Net Cost, ultimately overstating the costs of operations and undermining the overall accuracy and trustworthiness of the DoW's financial reports.

The PIIA requires that an agency initiate corrective action when it does not comply with the PIIA. If an agency is noncompliant in a fiscal year, the head of the executive agency must submit a plan to Congress describing the actions the agency will take to become compliant. OMB Circular No. A-123, Appendix C, further requires that for each program deemed noncompliant, the agency will describe the actions that the agency will take to become compliant, in the OMB Annual Data Call. This information will be published to PaymentAccuracy.gov and will serve as the plan that agencies are required to submit to the appropriate authorizing appropriations committees of Congress. In addition, if an agency is noncompliant for 2 consecutive fiscal years, the agency must provide the OMB Director with additional Program Integrity proposals, for each noncompliant program, that would help the program become compliant. If the OMB Director determines that additional funding would help the program become compliant, the agency must obligate an amount of additional funding determined by the OMB Director to intensify compliance efforts.

This is the first year of noncompliance for the Commercial Pay–CAPS, Commercial Pay–DAI, Commercial Pay–EBS, Commercial Pay–FABS, Commercial Pay–SAVES, DoD Travel Pay Army–IATS, DoD Travel Pay ODO–DTS, and DoD Travel Pay ODO–IATS programs. The DoW has been noncompliant for 2 consecutive fiscal years for the Civilian Pay–ODO, Commercial Pay–MOCAS, and DoD Travel Pay Army–DTS programs.

Recommendation 8. We recommend that the Under Secretary of War (Comptroller)/ Chief Financial Officer, DoW, submit for the following programs to the Office of Management and Budget, the planned actions that the DoW will take to become compliant with both the Payment Integrity Information Act of 2019 and Office of Management and Budget Circular No. A-123, Appendix C requirements: Commercial Pay–Computerized Accounts Payable, Commercial Pay–Defense Agencies Initiative, Commercial Pay–Enterprise Business System, Commercial Pay–Financial Accounting and Budgeting System, Commercial Pay–Standard Automated Voucher Examination System, DoD Travel Pay Army–Integrated Automated Travel System, DoD Travel Pay Other Defense Organizations–Defense Travel System, and DoD Travel Pay Other Defense Organizations–Integrated Automated Travel System.

Recommendation 9. We recommend that the Under Secretary of War (Comptroller)/ Chief Financial Officer, DoW, submit for the following programs additional program integrity proposals that would help the programs become compliant to the Director of the Office of Management and Budget in its next Budget submission: the Civilian Pay–Other Defense Organizations, Commercial Pay–Mechanization of Contract Administration Services, and DoD Travel Pay Army–Defense Travel System programs.

Recommendations and Management Comments

Under Secretary of War (Comptroller)/Chief Financial Officer, DoW

Recommendations 8 and 9

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

8. **Submit for the following programs to the Office of Management and Budget, the planned actions that the DoW will take to become compliant with both the Payment Integrity Information Act of 2019 and Office of Management and Budget Circular No. A-123, Appendix C requirements: Commercial Pay–Computerized Accounts Payable, Commercial Pay–Defense Agencies Initiative, Commercial Pay–Enterprise Business System, Commercial Pay–Financial Accounting and Budgeting System, Commercial Pay–Standard Automated Voucher Examination System, DoD Travel Pay Army–Integrated Automated Travel System, DoD Travel Pay Other Defense Organizations–Defense Travel System, and DoD Travel Pay Other Defense Organizations–Integrated Automated Travel System.**
9. **Submit for the following programs additional program integrity proposals that would help the programs become compliant to the Director of the Office of Management and Budget in its next Budget submission: the Civilian Pay–Other Defense Organizations, Commercial Pay–Mechanization of Contract Administration Services, and DoD Travel Pay Army–Defense Travel System programs.**

Management Comments

The Deputy Chief Financial Officer (CFO), responding for the Under Secretary of War (Comptroller)/Chief Financial Officer, DoW, agreed with the recommendations, stating that the DoW will submit planned actions to the OMB detailing how the Commercial Pay and Travel Pay programs specified in Recommendation 8 will achieve PIIA compliance. In addition, the DoW will submit targeted program integrity proposals for the Civilian Pay–ODO, Commercial Pay–MOCAS, and DoD Travel Pay Army–DTS programs in the next Budget submission. The DoW's upcoming AFR will explicitly list the statutory reports detailing these mitigation proposals and ensure they are published on PaymentAccuracy.gov. The Deputy CFO expects to complete these actions by November 30, 2026.

Our Response

Comments from the Deputy CFO addressed the specifics of the recommendations; therefore, the recommendations are open and resolved. We will close the recommendations when the Under Secretary of War (Comptroller)/Chief Financial Officer, DoW, provides the DoW OIG documentation verifying that the DoW submitted the information required by OMB Circular No. A-123, Appendix C, for each program in its first year of noncompliance and submitted additional program integrity proposals in the next Budget submission for the programs in their second year of noncompliance that would help them become compliant.

Under Secretary of War (Comptroller)/Chief Financial Officer, DoW

OFFICE OF THE UNDER SECRETARY OF WAR
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER

MEMORANDUM FOR PROGRAM DIRECTOR FOR AUDIT, FINANCIAL MANAGEMENT AND REPORTING, DEPARTMENT OF WAR OFFICE OF INSPECTOR GENERAL

SUBJECT: Department of War Inspector General Draft Report, "Audit of the Department of War's FY 2025 Compliance with Payment Integrity Information Act Requirements," Project No. D2025-D000FL-0134.000

My office has received the subject draft report on June 5, 2026, and our detailed responses to your recommendations are attached.

The Department of War (DoW) is dedicated to upholding the highest standards of fiscal stewardship, and we are proud to report significant and sustained progress in our journey toward full compliance with the Payment Integrity Information Act (PIIA). Our multi-year strategic effort to refine and restructure our payment integrity portfolio has yielded demonstrable results, transformed previously non-compliant programs, and fundamentally strengthened our internal control environment. Our three-year restructuring strategy successfully transitioned the Department from zero compliant legacy programs in Fiscal Year (FY) 2023 to 31 fully compliant segmented programs in FY 2025. Most notably, dividing the legacy Civilian Pay program enabled the Civilian Pay–Department of the Air Force and Civilian Pay–Navy portfolios to achieve PIIA compliance for the first time. This granular structure allows the Office of the Deputy Chief Financial Officer (ODCFO) to isolate high-risk transaction pipelines and deploy targeted, system-specific corrective actions.

We appreciate the Office of Inspector General's continued partnership and objective review of our payment integrity programs. My point of contact for this matter is [redacted], at [redacted] or [redacted]

Tom Harker
Deputy Chief Financial Officer

Attachment:
As stated

Under Secretary of War (Comptroller)/Chief Financial Officer, DoW (cont'd)

Audit of the Department of War's FY 2025 Compliance with Payment Integrity Information Act Requirements, Project No. D2025-D000FL-0134.000

Under Secretary of War (Comptroller)/Chief Financial Officer, DoW Recommendations

8. Submit for the following programs to the Office of Management and Budget, the planned actions that the DoW will take to become compliant with both the Payment Integrity Information Act of 2019 and Office of Management and Budget Circular No. A 123, Appendix C requirements: Commercial Pay–Computerized Accounts Payable, Commercial Pay–Defense Agencies Initiative, Commercial Pay–Enterprise Business System, Commercial Pay–Financial Accounting and Budgeting System, Commercial Pay–Standard Automated Voucher Examination System, DoD Travel Pay Army–Integrated Automated Travel System, DoD Travel Pay Other Defense Organization–Defense Travel System, and DoD Travel Pay Other Defense Organization–Integrated Automated Travel System.

Recommendation Response: **Concur**
Estimated Completion Date: **11/30/2026**

The DCFO concurs with this recommendation to submit planned actions to the Office of Management and Budget (OMB) detailing how the specified Commercial Pay and DoW Travel Pay programs will achieve PIIA compliance.

9. Submit for the following programs additional program integrity proposals that would help the programs become compliant to the Director of the Office of Management and Budget in its next Budget submission: the Civilian Pay–Other Defense Organization, Commercial Pay–Mechanization of Contract Administration Services, and DoD Travel Pay Army–Defense Travel System programs.

Recommendation Response: **Concur**
Estimated Completion Date: **11/30/2026**

The ODCFO will submit targeted program integrity proposals for Civilian Pay–ODO, Commercial Pay–MOCAS, and DoW Travel Pay Army–DTS in the next Budget submission. To comply with OMB Circular No. A-136, our upcoming AFR will explicitly list the statutory reports detailing these mitigation proposals and ensure they are published on PaymentAccuracy.gov, specifically including:

(i) The Annual Risk Assessment Report required under 31 U.S.C. § 3352(a)(3)(C);
(ii) The Annual Improper Payment Estimation Report required as accompanying materials under 31 U.S.C. § 3352(c);
(iii) The Annual Report on Actions to Reduce Improper Payments required as accompanying materials under 31 U.S.C. § 3352(d);
(iv) The Agency Compliance Plan required under 31 U.S.C. § 3353(b)(1); and
(v) The Agency Non-compliance Report required under 31 U.S.C. § 3353(b)(5).

2

Assistant Secretary of the Army (Financial Management and Comptroller)

Recommendation 3

We recommend that the Assistant Secretary of the Army (Financial Management and Comptroller) implement internal controls, such as the controls outlined in the corrective action plans, to decrease the DoD Travel Pay Army–Defense Travel System program's improper and unknown payment estimate to less than 10 percent.

Management Comments

The Director, Financial Operations and Accounting, responding for the Assistant Secretary of the Army (Financial Management and Comptroller), agreed with the recommendation, stating that they will develop and implement procedures, in coordination with the U.S. Army Financial Management Command, to periodically identify DTS approving officials, travelers, and lead defense travel administrators associated with improper payments. The Director also stated that they will require appropriate corrective actions such as refresher training, suspension or removal of approving official authorities, supervisor notification, temporary suspension of DTS travel, and suspension or removal of lead defense travel administration authorities. The Director expects to complete these actions by December 31, 2026.

Our Response

Comments from the Director of Financial Operations and Accounting addressed the specifics of the recommendation; therefore, this recommendation is open and resolved. We will close this recommendation when the Assistant Secretary of the Army (Financial Management and Comptroller) provides the DoW OIG documentation verifying that the Army implemented internal controls to decrease the DoD Travel Pay Army–DTS program's improper and unknown payment estimate to less than 10 percent.

Assistant Secretary of the Army (Financial Management and Comptroller)

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
FINANCIAL MANAGEMENT AND COMPTROLLER
109 ARMY PENTAGON
WASHINGTON DC 20310-0109

SAFM-FO

MEMORANDUM FOR Department of War Inspector General (DoW OIG), 4800 Mark Center Drive, Alexandria, VA 22350-1500 (ATTN: [redacted])

SUBJECT: Assistant Secretary of the Army (Financial Management and Comptroller) (ASA (FM&C)) Response to DoW OIG Draft Report, "Audit of the Department of War's FY 2025 Compliance with Payment Integrity Information Act Requirements," (Project No. 2025 D000FL 0134.000)

1. This is the ASA (FM&C) response to the DoW OIG draft report, "Audit of the Department of War's FY 2025 Compliance with Payment Integrity Information Act Requirements" (Project No. 2025 D000FL 0134.000). The ASA (FM&C) concurs with the draft report as written and welcomes the opportunity to comment on the report.

2. ASA (FM&C) will correct the issues identified in this report which involve the Army and develop and implement a corrective action plan which addresses the following draft report recommendation which has been directed to ASA (FM&C):

RECOMMENDATION 3: *The DoW OIG recommends that the Assistant Secretary of the Army (Financial Management and Comptroller) implement internal controls, such as the controls outlined in the corrective action plans, to decrease the DoD Travel Pay Army–Defense Travel System program's improper and unknown payment estimate to less than 10 percent.*

ASA (FM&C) RESPONSE: Concur. ASA (FM&C) agrees with the recommendation as written and will implement the following specific internal controls to correct the identified issues no later than December 31, 2026:

- In coordination with the U.S. Army Financial Management Command (USAFMCOM), ASA (FM&C) will develop and implement procedures to periodically identify Defense Travel System (DTS) Approving Officials who have approved improper travel vouchers in DTS and require related remedial action, potentially including completion of refresher training, suspension of DTS Approving Official authority, and removal of DTS Approving Official authority.

- In coordination with USAFMCOM, ASA (FM&C) will develop and implement procedures to periodically identify travelers associated with improper payments in DTS and require related remedial action, potentially including completion of refresher training, notification to the traveler's supervisor, and temporary suspension of authority to travel in DTS.

Assistant Secretary of the Army (Financial Management and Comptroller) (cont'd)

SUBJECT: ASA (FM&C) Response to DoW OIG Draft Report, "Audit of the Department of War's FY 2025 Compliance with Payment Integrity Information Act Requirements," (Project No. 2025 D000FL 0134.000)

- In coordination with USAFMCOM, ASA (FM&C) will develop and implement procedures to periodically identify Lead Defense Travel Administrators (LDTAs) at commands with higher than normal improper travel payment rates and require related remedial action, potentially including completion of refresher training, suspension of LDTA authority in DTS, and removal of LDTA authority in DTS.

3. The ASA (FM&C) point of contact for this waiver is [redacted], Chief, Army Risk Management (FO-M), who may be reached by phone at [redacted] or by e-mail at [redacted]

ANDERSON.NATASHA.NOEL.[redacted] [redacted]

Natasha N. Anderson
Director, Financial Operations and Accounting

2

Director of the Defense Information Systems Agency

Recommendations 1 and 6

We recommend that the Director of the Defense Information Systems Agency:

1. **Fully document the risks associated with the Commercial Pay–Financial Accounting and Budgeting System program and the key controls relied upon when making payments.**

6. **Implement internal controls, such as the controls outlined in the corrective action plans, to decrease the DoD Travel Pay Other Defense Organizations–Defense Travel System program's improper and unknown payment estimate to less than 10 percent.**

Management Comments

The Deputy CFO/Comptroller for the Defense Information Systems Agency (DISA), responding for the DISA Director, agreed with the recommendations, stating that DISA has crafted an additional risk assessment linking it to lines in the financial statements, including DFAS control activities. The Deputy CFO expects to complete this action by July 2026.

In addition, DISA is implementing and strengthening internal controls, as outlined in its corrective action plan, to decrease improper and unknown payments. The Deputy CFO expects to complete this action by November 2026.

Our Response

Although comments from the Deputy CFO did not address the specifics of Recommendation 1, the Deputy CFO agreed with the recommendation and has crafted a new risk assessment. Therefore, Recommendation 1 is open and resolved. We will close the recommendation when the DISA Director provides the DoW OIG documentation verifying that DISA has fully documented the risks associated with the Commercial Pay–FABS program and the key controls relied upon when making payments.

Comments from the Deputy CFO addressed the specifics of Recommendation 6; therefore, this recommendation is open and resolved. We will close this recommendation when the DISA Director provides the DoW OIG documentation verifying that DISA implemented internal controls to decrease the DoD Travel Pay ODO–DTS program's improper and unknown payment estimate to less than 10 percent.

Director of the Defense Information Systems Agency

DEFENSE INFORMATION SYSTEMS AGENCY
P. O. BOX 549
FORT MEADE, MARYLAND 20755-0549

MEMORANDUM FOR DEPARTMENT OF WAR OFFICE OF INSPECTOR GENERAL

SUBJECT: Director of the Defense Information Systems Agency Response to DoW Office of Inspector General Draft Report, "Audit of the Department of War's FY 2025 Compliance with Payment Integrity Information Act Requirements" (Project No. 2025-D000FL-0134.000)

This is the Director of the Defense Information Systems Agency's (DISA) response to the DoW Office of Inspector General (DoW OIG) draft report, "Audit of the Department of War's FY 2025 Compliance with Payment Integrity Information Act Requirements" (Project No. 2025-D000FL-0134.000). The Director of the DISA concurs with the report and welcomes the opportunity to correct issues identified in this report, and provide documentation to support the outlined recommendations:

RECOMMENDATION 1: The DoW OIG recommends that the Director of the Defense Information Systems Agency fully document the risks associated with the Commercial Pay–Financial Accounting and Budgeting System program, and the key controls relied upon when making payments.

RESPONSE: *Concur. DISA has crafted an additional risk assessment linking it to lines on the financial statements to include the Defense Finance and Accounting Service control activities. Estimated completion date (ECD) Delivered July 2026.*

RECOMMENDATION 6: The DoW OIG recommends that the Director of the Defense Information Systems Agency implement internal controls, such as the controls outlined in the corrective action plans, to decrease the DoD Travel Pay Other Defense Organizations–Defense Travel System program's improper and unknown payment estimate to less than 10 percent.

RESPONSE: *Concur. DISA is implementing and strengthening internal controls as outlined in its corrective action plan to decrease improper and unknown payments. ECD November 2026.*

The point of contact is [redacted], DISA, Chief Financial Reporting and Policy Division, [redacted] or via email at [redacted].

LAYNE.CALANDRA. [redacted]
DIXON.[redacted] [redacted]

CALANDRA D. LAYNE
Deputy Chief Financial Officer/Comptroller – J8
DISA

Attachments:
As stated

Director of the Defense Intelligence Agency

Recommendation 4

We recommend that the Director of the Defense Intelligence Agency implement internal controls, such as the controls outlined in the corrective action plans, to decrease the DoD Travel Pay Other Defense Organizations–Defense Travel System program's improper and unknown payment estimate to less than 10 percent.

Management Comments

The Chief, Office of Facilities, Logistics, and Services, responding for the Director of the Defense Intelligence Agency (DIA), agreed with the recommendation, stating that the DIA has initiated corrective action plans that incorporate internal controls to systematically address and reduce improper and unknown payments within the DoD Travel Pay ODO–DTS program. These plans emphasize enhanced oversight, automated validation processes, mandatory training for approving officials, and regular audits to ensure compliance with federal travel regulations and DoW financial management policies. The Chief, Office of Facilities, Logistics, and Services, expects to complete these actions by September 30, 2026.

Our Response

Comments from the Chief, Office of Facilities, Logistics, and Services, addressed the specifics of the recommendation; therefore, this recommendation is open and resolved. We will close this recommendation when the DIA Director provides the DoW OIG documentation verifying that the DIA implemented internal controls to decrease the DoD Travel Pay ODO–DTS program's improper and unknown payment estimate to less than 10 percent.

Director of the Defense Intelligence Agency

DEFENSE INTELLIGENCE AGENCY
WASHINGTON, D.C. 20340-5100

U-26-0115/FLS

MEMORANDUM FOR DEPARTMENT OF WAR INSPECTOR GENERAL

SUBJECT: Director of the Defense Intelligence Agency Response to Department of War Office of Inspector General Draft Report, "Audit of the Department of War's FY 2025 Compliance with Payment Integrity Information Act Requirements" (Project No. 2025-D000FL-0134.000)

This is the Chief of Facilities, Logistics, and Services (FLS) response to the Department of War (DoW) Office of Inspector General (OIG) draft report, "Audit of the Department of War's FY 2025 Compliance with Payment Integrity Information Act Requirements" (Project No. 2025-D000FL-0134.000). The Chief of FLS concurs with the report as written.

The Chief of FLS will correct issues identified in this report, and develop and implement a corrective action plan outlined in the following recommendations:

RECOMMENDATION 4: The DoW OIG recommends that the Chief of FLS implement internal controls, such as the controls outlined in the corrective action plans, to decrease the DoW Travel Pay Other Defense Organizations–Defense Travel System program's improper and unknown payment estimate to less than 10 percent.

RESPONSE: Concur. The Chief of FLS has initiated corrective action plans that incorporate internal controls to systematically address and reduce improper and unknown payments within the DoW Travel Pay Other Defense Organizations–Defense Travel System program. These plans emphasize enhanced oversight, automated validation processes, mandatory training for approving officials, and regular audits to ensure compliance with federal travel regulations and DoW financial management policies. Implementation of these measures is projected to decrease the improper and unknown payment estimate to less than 10 percent by the end of Fiscal Year 2026, with interim progress monitored quarterly through internal reporting mechanisms.

The point of contact is [redacted], Branch Chief, Travel Services Branch, FLS2C, Office of Facilities, Logistics, and Services, [redacted], or via email at [redacted].

FOR:
Michael W. Brobeck
Chief, Office of Facilities, Logistics, and Services

Director of the Defense Commissary Agency

Recommendation 2

We recommend that the Director of the Defense Commissary Agency document how the key internal and third-party controls mitigate risks identified for the Commercial Pay–Standard Automated Voucher Examination System program.

Management Comments

The Chief Financial Officer, Defense Commissary Agency, responding for the Director of the Defense Commissary Agency, agreed with the recommendation, stating that the Agency reviewed and refined its existing documentation and risk management frameworks to more clearly highlight how key internal and third-party controls mitigate identified risks for the Commercial Pay–SAVES program, ensuring alignment with current agency capabilities and resources. Specifically, the Director of the Defense Commissary Agency updated and signed a new risk assessment for the Commercial Pay–SAVES program.

Our Response

Comments from the Chief Financial Officer addressed the specifics of the recommendation. We verified that the updated risk assessment clearly documents how key internal and third-party controls mitigate the identified risks for the Commercial Pay–SAVES program; therefore, this recommendation is closed. We will review the risk assessment for compliance during the FY 2026 compliance audit.

Director of the Defense Commissary Agency

DEFENSE COMMISSARY AGENCY
HEADQUARTERS AND SUPPORT CENTER
1300 EISENHOWER AVENUE
FORT LEE, VIRGINIA 23801-1800

CCR July 10, 2026

MEMORANDUM FOR DEPARTMENT OF WAR INSPECTOR GENERAL

SUBJECT: Director of the Defense Commissary Agency Response to DoW Office of Inspector General Draft Report, "Audit of the Department of War's FY 2025 Compliance with Payment Integrity Information Act Requirements" (Project No. 2025 D000FL 0134.000)

This is the Director of the Defense Commissary Agency response to the DoW Office of Inspector General (DoW OIG) draft report, "Audit of the Department of War's FY 2025 Compliance with Payment Integrity Information Act Requirements" (Project No. 2025 D000FL 0134.000). The Director of the Defense Commissary Agency concurs with the report as written and provides the attachments to complete the recommendation.

The Director of the Defense Commissary Agency has corrected issues identified in this report, and developed and implemented corrective actions outlined in the following recommendations:

RECOMMENDATION 2: The DoW OIG recommends that the Director of the Defense Commissary Agency document how the key internal and third-party controls mitigate risks identified for the Commercial Pay–Standard Automated Voucher Examination System program.

RESPONSE: The Defense Commissary Agency (DeCA) DeCA concurs with the recommendation to ensure risk mitigation controls are properly understood and transparent. DeCA reviewed and refined its existing documentation and risk management frameworks to more clearly highlight how key internal and third-party controls mitigate identified risks for the SAVES Program, ensuring alignment with current agency capabilities and resources. DeCA completed these actions on June 30, 2026

The point of contact for this is [redacted] Chief Financial Officer, DeCA, [redacted] Extension [redacted], or via email at [redacted]

LEONARD-
GREER.ROSIE.MA
RIE.[redacted] [redacted]

Rosie Leonard-Greer
Chief Financial Officer

Attachments:
TAB A – SAVES Payment Risk Assessment
TAB B – FY25 PIIA Risk Assessment Map App B
TAB C – Audit of DoW FY25 Compliance PIIA
TAB E – OMB A-123, App. C, M-21-19

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Director of the Defense Finance and Accounting Service–Rome

Recommendation 7

We recommend that the Director of the Defense Finance and Accounting Service–Rome implement internal controls, such as the controls outlined in the corrective action plans, to decrease the DoD Travel Pay Other Defense Organizations–Integrated Automated Travel System program's improper and unknown payment estimate to less than 10 percent.

Management Comments

The Director of Total Force Pay for DFAS, responding for the Director of DFAS–Rome, agreed with the recommendation, stating that DFAS, in coordination with the Office of the Deputy Chief Financial Officer, has established a formal corrective action plan that includes a series of remediation milestones to reduce recurring errors, deploy automated tools, and improve overall processor performance. The Director of Total Force Pay expects to complete these actions by December 31, 2027.

Our Response

Comments from the Director of Total Force Pay addressed the specifics of the recommendation; therefore, the recommendation is open and resolved. We will close this recommendation when the DFAS–Rome Director provides the DoW OIG documentation verifying that DFAS implemented internal controls to decrease the DoD Travel Pay ODO–IATS program's improper and unknown payment estimate to less than 10 percent.

Director of the Defense Finance and Accounting Service–Rome

DEFENSE FINANCE AND ACCOUNTING SERVICE
8899 EAST 56TH STREET
INDIANAPOLIS, IN 46249-0201

DFAS-JJAPE June 22, 2026

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDIT, FINANCIAL MANAGEMENT AND REPORTING, DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR GENERAL,

SUBJECT: Management Comments to Audit of the Department of Defense's FY 2025 Compliance with Payment Integrity Information Act Requirements (Project No. D2025-D000FL-0134.000)

Attached are management comments to Recommendation 7 below.

Recommendation 7:
We recommend that the Director of the Defense Finance and Accounting Service–Rome implement internal controls, such as the controls outlined in the corrective action plans, to decrease the DoD Travel Pay Other Defense Organizations–Integrated Automated Travel System program's improper and unknown payment estimate to less than 10 percent.

For any additional information, my contact for this action is [redacted].

VAN
HOESEN.CATHERI
NE.J.[redacted] [redacted]

Cathy J. Van Hoesen
Director
Total Force Pay

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Director of the Defense Finance and Accounting Service–Rome (cont'd)

DFAS-JJAPE
SUBJECT: Management Comments to Audit of the Department of Defense's FY 2025 Compliance with Payment Integrity Information Act Requirements (Project No. D2025-D000FL-0134.000)

Management Comments to Audit of the Department of Defense's FY 2025 Compliance with Payment Integrity Information Act Requirements (Project No. D2025-D000FL-0134.000), dated June 4, 2026

Recommendation 7
We recommend that the Director of the Defense Finance and Accounting Service–Rome implement internal controls, such as the controls outlined in the corrective action plans, to decrease the DoD Travel Pay Other Defense Organizations–Integrated Automated Travel System program's improper and unknown payment estimate to less than 10 percent.

Management Comments: Concur. To address the root causes of the improper payments identified in the DoD Travel Pay ODO - IATS Program, DFAS, in coordination with the Office of the Deputy Chief Financial Officer, has established a formal Corrective Action Plan (CAP).

As outlined in the FY 2025 PIIA CAP, management has developed a series of remediation milestones to reduce recurring errors, deploy automated tools, and improve overall processor performance.

Please be advised that all CAP milestones with target dates that have already passed have been successfully implemented. Furthermore, the remaining corrective actions with future milestone target dates (spanning from June 30, 2026, through December 31, 2027) are currently on track and will be fully implemented prior to their respective milestone target dates.

Internal controls will be implemented by the Director, Defense Finance and Accounting Service – Travel Pay & Oversight. Additionally, Travel Pay has officially realigned from Defense Finance and Accounting Service – Rome to Defense Finance and Accounting Service – Total Force Pay.

Estimated Completion Date: December 31, 2027

Director of the Defense Health Agency

Recommendation 5

We recommend the Director of the Defense Health Agency implement internal controls, such as the controls outlined in the corrective action plans, to decrease the DoD Travel Pay Other Defense Organizations–Defense Travel System program's improper and unknown payment estimate to less than 10 percent.

Management Comments

The Director of the Defense Health Agency (DHA) agreed with the recommendation, stating that the DHA is implementing a corrective action plan focusing on policy standardization, documentation mandates, and enhanced system controls. These actions will be accomplished by developing a comprehensive enterprise-wide travel policy; implementing standardized travel documentation; and enhancing training, communication, and oversight. The DHA Director expects to complete this action by October 31, 2026.

Our Response

Comments from the DHA Director addressed the specifics of the recommendation; therefore, this recommendation is open and resolved. We will close this recommendation when the DHA Director provides the DoW OIG documentation verifying that the DHA implemented internal controls to decrease the DoD Travel Pay ODO–DTS program's improper and unknown payment estimate to less than 10 percent.

Director of the Defense Health Agency

DEFENSE HEALTH AGENCY
7700 ARLINGTON BOULEVARD, SUITE 5101
FALLS CHURCH, VIRGINIA 22042-5101

June 29, 2026

MEMORANDUM FOR DEPARTMENT OF WAR INSPECTOR GENERAL

SUBJECT: Response to Department of War Office of Inspector General Draft Report, "Audit of the Department of War's Fiscal Year 2025 Compliance with Payment Integrity Information Act Requirements" (Project No. 2025D000FL0134.000)

This is the Director, Defense Health Agency (DHA), response to the Department of War Office of Inspector General (DoW OIG) draft report, "Audit of the Department of War's FY 2025 Compliance with Payment Integrity Information Act Requirements" (Project No. 2025D000FL0134.000). The Director, DHA, concurs with the report as written and welcomes the opportunity correct issues identified in this report, and develop and implement a corrective action plan outlined in the following recommendation:

The comprehensive response narrative and the remaining corrective action measures are detailed below:

- RECOMMENDATION 5: The DoWIG recommends that the Director, DHA implement internal controls, such as the controls outlined in the corrective action plan to decrease the DoW Travel Pay Other Defense Organizations-Defense Travel System (ODO-DTS) program's improper and unknown payment estimate to less than 10 percent.

- The DHA Response to Recommendation 5: The Director, DHA, concurs with Recommendation 5.

  - The DHA acknowledges that the DoW Travel Pay ODO-DTS program exceeded the 10 percent threshold due to process deficiencies, specifically regarding invalid DTS authorizations and missing critical information (such as approver names and dates) on Verbal Orders of a Competent Authority (VOCO) used during medical travel.

  - To reduce improper and unknown payment estimates for the DoW Travel Pay ODO-DTS program below 10 percent, DHA is implementing a Corrective Action Plan focused on policy standardization, documentation mandates, and enhanced system controls. These actions will be accomplished through the following measures:

    a. Development of a Comprehensive Enterprise-Wide Travel Policy: DHA will draft and publish a single, comprehensive travel guide for all DHA personnel. This policy will eliminate existing inconsistencies between different travel types (e.g., Direct Care vs. Patient Travel) and establish standardized procedures for documenting and legitimizing VOCO travel.

b. Implementation of Standardized Travel Documentation: The DHA will implement standardized travel authorization and documentation templates across the enterprise. These templates will mandate the inclusion of the authorizing official's name and the specific date of the verbal authorization, directly addressing the missing information deficiencies cited by the auditors. These templates will be validated in coordination with the Defense Finance and Accounting Service and the Defense Travel Management Office.

c. Enhanced Training, Communication, and Oversight: The DHA will establish quarterly training town halls with military medical treatment facility (MTF) leaders and travel preparers to train personnel on the new standardized documentation templates and enterprise policy. Furthermore, DHA will institute bimonthly review meetings between the DHA-MTF Travel Pay Team and the Office of the under Secretary of War (Comptroller) Payment Integrity Team to monitor post-payment review results and validate that the new controls are effectively reducing errors.

Estimated Completion Date: Initial training rollout and meeting cadence established by October 30, 2026.

Point of contact for this is [redacted], Director, J-8/Chief Financial Officer, at [redacted].

DARIN VIA
Vice Admiral, Medical Corps, United States Navy
Director, Defense Health Agency

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Appendix A: Project Overview

Objective

The objective of this audit was to determine whether, in FY 2025, the DoW complied with the Payment Integrity Information Act of 2019.

Project Timeline and Professional Standards

We conducted this performance audit from July 2025 through June 2026 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.

Scope and Methodology

To obtain information and source documents on PIIA compliance, as well as to understand their roles for compiling and reporting the FY 2025 DoD AFR, we interviewed personnel from the following organizations.

- OUSW(C)/CFO
- Army
- Navy
- U.S. Marine Corps (USMC)
- Air Force
- ODOs

We discussed with DoW personnel the process they used to compile their testing universes of payment transactions. We reviewed their processes for creating the sampling universes of payment transactions to determine whether DoW personnel calculated accurate and complete improper payment estimates.

We reviewed the following guidance for FY 2025 PIIA reporting requirements.

- Public Law No. 116-117, "Payment Integrity Information Act of 2019," March 2, 2020
- OMB Circular No. A-136, "Financial Reporting Requirements," July 14, 2025
- OMB Circular No. A-123, Appendix C, "Requirements for Payment Integrity Improvement," March 5, 2021
- DoD Regulation 7000.14-R, "DoD Financial Management Regulation"

Sampling Methodology

To evaluate the effectiveness of the DFAS post-payment review process and its internal controls, we reviewed a random sample of 78 transactions. The DoW OIG Data Services Directorate selected this sample from a population of 2,704 previously reviewed DFAS transactions, which represented a total value of $4.9 million.

Our methodology consisted of reviewing the supporting documentation for each transaction in our sample to ensure the accuracy of the initial DFAS review. Specifically, we verified whether:

- the correct payment amount was disbursed by examining expenses for lodging, meals and incidentals, mileage, and airfare;
- the payment was made to the correct individual;
- all required signatures were obtained before the travel commenced; and
- sufficient supporting documentation was available to justify the payment.

Using Results from a Nonstatistical Sample

With assistance from our Data Services Directorate, we selected a simple random sample of 78 previously reviewed DFAS Air Force DTS travel pay payment transactions valued at $178,000 from a population of 2,704 previously reviewed DFAS Air Force DTS payment transactions valued at $4.9 million. We used the following rationale and criteria in selecting our sample. We used a compliance-based attribute sampling approach in accordance with the Financial Audit Manual (FAM). Due to prior DoW OIG audits identifying DFAS review errors, we applied the FAM Table II to select a statistically valid sample of 78 DTS transactions with an allowable deviation rate of 4.[14] This ensured the sample size was appropriate for assessing whether DFAS' post-payment reviews met required standards. Our results are based on a nonstatistical sampling methodology and, therefore, cannot be used to calculate estimates (projections) for the population.

Use of Computer-Processed Data

We relied on computer-processed data included in the Payment Integrity Information Act section of the FY 2025 DoD AFR and supporting documents to perform this audit. The FY 2025 DoD Statement of Assurance stated that the DoD was unable to provide assurance of the effectiveness of internal controls in place to support reliable financial reporting as of December 18, 2025. We concluded that the financial data within the FY 2025 DoD AFR may not be reliable. However, we implemented controls to ensure the data we used to support our conclusions were reliable.

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[14] Report No. DODIG-2023-075, "Audit of the Department of Defense's FY 2022 Compliance with Payment Integrity Information Act Requirements," May 22, 2023.

Internal Control Assessment and Compliance

We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objective. We assessed OUSW(C)/CFO reporting processes, determinations of the program universes of payment transactions, development of improper payment estimates, development and execution of corrective action plans, and publishing of risk assessments. However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

Security Review Considerations

This report does not contain information that the DoW has identified as classified or Controlled Unclassified Information (CUI).[15] As we prepared this final report, we requested that the DoW Components associated with this oversight project review our draft report to identify any mismarked information that should be safeguarded and marked as classified or CUI. We considered any comments the DoW Components provided. If the DoW Components did not provide sufficient details about how to mark or handle their information, we handled the information as unclassified based on the available information and DoW- and Government-wide policies.

Report Contact Information

The DoW OIG Audit Component, Financial Management and Reporting Directorate, produced this report. For questions, please contact Ms. Lorin Venable at [redacted] or at [redacted].

[15] Classified information is information that, if disclosed, could reasonably be expected to cause damage, serious damage, or exceptionally grave damage to national security. It is marked and handled in accordance with laws, regulations, or DoW- and Government-wide policies.

CUI is Government-created or owned unclassified information that allows for, or requires, safeguarding and dissemination controls in accordance with laws, regulations, or Government-wide policies.

Appendix B: Additional Background Information

Payment Integrity Guidance

According to OMB Circular No. A-123, Appendix C, and the PIIA, agencies should assess all programs with annual outlays greater than $10 million for improper payment risk at least once every 3 years (Phase 1). OMB Circular No. A-123, Appendix C, states that the purpose of the risk assessment is to determine whether the total annual improper and unknown payments for a program are collectively likely to be above or below the statutory threshold for the year. The PIIA adds that agencies should consider risk factors that apply to the program, such as maturity, complexity, volume, funding, and audit findings, when determining the susceptibility of significant improper payments.

OMB Circular No. A-123, Appendix C, states that Phase 1 programs are not likely to have an annual amount of improper and unknown payments above the statutory threshold. It describes the statutory threshold as improper payments that are either: (1) $100 million, or (2) both 1.5 percent of program outlays and $10 million of all program payments made during the fiscal year. If a program in Phase 1 determines that it is likely to make annual improper and unknown payments above the statutory threshold, then the program will move into Phase 2 the following year. Phase 2 programs are likely to have annual improper and unknown payments above the statutory threshold. Once in Phase 2, a program gains additional requirements, such as reporting an annual improper and unknown payment estimate. OMB Circular No. A-123, Appendix C, also states that the main purpose of an improper payment estimate is to reflect the annual estimated known improper payments made by the program.

The DoW's Restructure of Programs

According to the FY 2025 DoD AFR, the DoD's reorganization of the programs was designed to facilitate the demonstration of incremental progress toward full PIIA compliance. The FY 2025 DoD AFR further explains that instead of attempting concurrent review and assessment of all Phase 2 programs, the DoW will focus on achieving compliance within smaller, more defined segments. Figure 6 shows the status of the DoW's 49 programs (41 in Phase 1 and 8 in Phase 2) during the FY 2025 reporting cycle.

Figure 6. List of the 49 DoW Payment Integrity Programs for the FY 2025 Reporting Cycle

Phase 1
Programs That Reported in FY 2025

- Civilian Pay–DAF
- Commercial Pay–DEAMS
- Commercial Pay–EBS
- Commercial Pay–FABS
- Commercial Pay–GFEBS
- Commercial Pay–IAPS
- Commercial Pay–NERP
- Commercial Pay–One Pay
- Commercial Pay–SAVES
- Commercial Pay–TFMS
- DoD Travel Pay USMC–DTS
- Military Pay Army–Active Duty
- Military Pay Army–Reserve
- Military Pay DAF–Active Duty
- Military Pay DAF–Air National Guard
- Military Pay DAF–Reserve
- Military Retirement–Annuitant Pay
- Military Retirement–CRSC
- Military Retirement–Retired Pay

Phase 1
Programs Not Required to Report in FY 2025

- Civilian Pay–Navy
- Commercial Pay–USACE
- DoD Travel Pay DAF–RTS
- DoD Travel Pay Navy–DTS
- DoD Travel Pay Navy–IATS
- DoD Travel Pay–USACE
- DoD Travel Pay USMC–IATS
- DoD Travel Pay USMC–MCTFS
- MHB–Administrative
- MHB–East Region
- MHB–TMEP
- MHB–TOP
- MHB–TPharm
- MHB–West Region
- Military Pay Navy–Active Duty
- Military Pay Navy–Reserve
- Military Pay USMC–Active Duty
- Military Pay USMC–Reserve
- NSA Grants

Phase 1
Programs Not Reported as Required in FY 2025

- Commercial Pay–CAPS
- Commercial Pay–DAI
- DoD Travel Pay Army–IATS

Phase 2
Programs in FY 2025

- Civilian Pay–Army*
- Civilian Pay–ODO
- Commercial Pay–MOCAS
- DoD Travel Pay Army–DTS
- DoD Travel Pay DAF–DTS
- DoD Travel Pay ODO–DTS
- DoD Travel Pay ODO–IATS
- Military Pay Army–National Guard*

Note: See the Acronyms and Abbreviations list at the end of this report for full terms of acronyms.

* With the OMB's permission, the DoW did not report estimates for the Civilian Pay–Army and Military Pay Army–National Guard programs in FY 2025, as they are moving to Phase 1 in FY 2026.

Source: The DoW OIG.

The DoW's FY 2025 Compliance with PIIA Requirements

We determined that the DoW did not comply with PIIA requirements when conducting its risk assessments, publishing unreliable improper and unknown estimates, and reporting improper and unknown payments under 10 percent. Table 3 shows the DoW's compliance with the PIIA requirements at the program level.

Table 3. The DoW's FY 2025 Compliance with PIIA Requirements at the Program Level

PIIA Requirements	DoW Overall Compliance	Civilian Pay–ODO	Commercial Pay–MOCAS	DoD Travel Pay Army–DTS	DoD Travel Pay DAF–DTS	DoD Travel Pay ODO–DTS	DoD Travel Pay ODO–IATS
AFR Published in Accordance with OMB Guidance	✓						
Conducted Risk Assessments[1]	✗						
Published Reliable Estimates	✗	✗	✗	✓	✓	✓	✗
Published Corrective Action Plans	✓	✓	✓	✓	✓	✓	✓
Published Reduction Targets	✓	✓	✓	✓	✓	✓	✓
Reported Rate Under 10 Percent	✗	✓	✓	✗	✓	✗	✗

LEGEND

✓ Compliant

✗ Not Compliant

Note: See the Acronyms and Abbreviations list at the end of this report for full terms of acronyms.

[1] See Figure 7 for a list of the Phase 1 programs that produced a risk assessment this year and their compliance status.

Source: The DoW OIG.

We determined that the DoW did not comply with the PIIA requirement to conduct improper payment risk assessments as the DoW did not adequately conclude on the likelihood of six programs making improper payments. Figure 7 shows which of the 19 programs that produced a risk assessment (Phase 1) are compliant and noncompliant with the requirement.

Figure 7. FY 2025 Compliance of Phase 1 Programs

Noncompliant

- Commercial Pay–CAPS
- Commercial Pay–DAI
- Commercial Pay–EBS
- Commercial Pay–FABS
- Commercial Pay–SAVES
- DoD Travel Pay Army–IATS

Compliant

- Civilian Pay–DAF
- Commercial Pay–DEAMS
- Commercial Pay–GFEBS
- Commercial Pay–IAPS
- Commercial Pay–NERP
- Commercial Pay–One Pay
- Commercial Pay–TFMS
- DoD Travel Pay USMC–DTS
- Military Pay Army–Active Duty
- Military Pay Army–Reserve
- Military Pay DAF–Active Duty
- Military Pay DAF–Air National Guard
- Military Pay DAF–Reserve
- Military Retirement–Annuitant Pay
- Military Retirement–CRSC
- Military Retirement–Retired Pay

Note: See the Acronyms and Abbreviations list at the end of this report for full terms of acronyms. Figure 7 includes the 22 programs that the DoW was required to report in FY 2025, 19 programs that reported under risk assessments, and the 3 additional programs that did not report: Commercial Pay–CAPS, Commercial Pay–DAI, and DoD Travel Pay Army–IATS.

Source: The DoW OIG.

Appendix C: Payment Integrity Recommendations

Status of DoW OIG Payment Integrity Audit Recommendations

As of May 2025, the DoW had 11 open recommendations from 5 prior improper payment compliance audit reports. Table 4 shows an overview of DoW OIG Payment Integrity audit recommendations that were open as of May 27, 2025, and recommendations that have since been closed.

Table 4. Number of Open Recommendations Closed After May 27, 2025

Report Number	Open Recommendations as of May 27, 2025	Recommendations Closed After May 27, 2025
DODIG-2022-052	1	1
DODIG-2022-108	1	1
DODIG-2023-075	1	0
DODIG-2024-088	1	0
DODIG-2025-105	7	1
Total	**11**	**3**

Source: The DoW OIG.

Since May 2025, the DoW OIG closed three recommendations. Eight recommendations remain open. Table 5 shows the detailed status of all 11 recommendations that were open as of May 27, 2025, and their status as of June 2026.

Table 5. Status of Open DoW OIG Payment Integrity Recommendations Reported in Report No. DODIG-2025-105, as of June 2026

Recommendation		Status
Report No. DODIG-2022-052		
1.b	We recommended that the Defense Health Agency Director update sampling methodology to consider data characteristics and ensure the sampling methodology is appropriate, including a reasonable number of sample items.	**Closed:** The original intent of the recommendation was to ensure the sampling methodology for the Military Health Benefits (MHB) program was appropriate by considering data characteristics, which is a requirement for programs in Phase 2. As of FY 2025, all the MHB programs reported in Phase 1. Because the MHB programs are no longer in Phase 2 and are within the Phase 1 Risk Assessment cycle, the original recommendation is now overcome by events and will be administratively closed.
Report No. DODIG-2022-108		
2.a	We recommended that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, in coordination with the Deputy Director of Enterprise Accounting and Audit Support for the Defense Finance and Accounting Service, use a sufficient sample size to support the improper payment estimate by calculating the sample size based on improper payment amounts instead of only using the paid amount. To reduce the required sample size, we recommended considering alternative improper payment estimation methodology and conducting risk assessments of the payment types for each program.	**Closed:** OUSW(C)/CFO personnel stated that the Department is engaged in ongoing discussion to determine the optimal program structure for payments under two Commercial Pay programs: Commercial Pay–DAI and Commercial Pay–CAPS. The DoW has not yet completed the risk assessments for both Commercial Pay programs in Phase 1. The DoW restructured its Phase 1 and Phase 2 PIIA programs, including its Commercial Pay programs, between FY 2024 and FY 2026 to improve oversight. Because these programs are separated into smaller, more concise populations and will be further separated, the original recommendation is now overcome by events and will be administratively closed, as the Commercial Pay program is no longer mainly in Phase 2 and is in the process of drafting Phase 1 Risk Assessments for more programs.
Report No. DODIG-2023-075		
2.b	We recommended that the Director, Defense Finance and Accounting Service, develop and implement additional controls to identify and review high-risk payments and make certain that the post-pay reviews are adequately identifying improper payment amounts.	**Open and Resolved:** DFAS has implemented a risk-based strategy and enhanced the review process for all Phase 2 programs. However, DFAS is awaiting review of the implemented risk-based strategy and review process and has updated the estimated completion date in anticipation of the reviews being conducted. We will consider closing this recommendation once we verify that the DFAS Director has implemented additional controls to identify and review high-risk payments and make certain that the post-pay reviews adequately identify improper payment amounts. **Estimated completion date:** June 2027

Table 5. Status of Open DoW OIG Payment Integrity Recommendations Reported in Report No. DODIG-2025-105, as of June 2026 (cont'd)

Recommendation		Status
Report No. DODIG-2024-088		
1.a	We recommended that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, ensures DoD Components develop and implement a process to identify the characteristics of the data included in the variances from the universe of transactions.	**Open and Resolved:** The DoW maintains regular monthly touchpoints with the DoW OIG to facilitate ongoing communication and collaboration. However, OUSW(C)/CFO personnel stated that the Department continues to target a June 2027 completion date for this recommendation, the earliest date when the open audit recommendations related to the reliability of improper payment and unknown payment estimates can be implemented and reviewed by the DoW OIG. We will close this recommendation once we verify that the USW(C)/CFO has ensured that DoW Components develop and implement a process to identify the characteristics of the data included in the variances from the universe of transactions. **Estimated completion date:** June 2027
Report No. DODIG-2025-105		
1.a	We recommended that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, develop and implement a tool to improve the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD's oversight of the programs that includes a method for establishing new programs, including how it determines the date of establishment.	**Open and Resolved:** The OUSW(C)/CFO is actively working to solidify their methodology and are developing Phase 1 and Phase 2 guidance along with restructuring the Payment Integrity program. The OUSW(C)/CFO personnel provided an updated estimated completion date, due to the recent government shutdown. We will close this recommendation once we verify that the DoW has implemented a tool to improve the OUSW(C)/CFO's oversight that includes a method for establishing new programs and determining their date of establishment. **Estimated completion date:** August 2026

Table 5. Status of Open DoW OIG Payment Integrity Recommendations Reported in Report No. DODIG-2025-105, as of June 2026 (cont'd)

Recommendation		Status
1.b	We recommended that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, determine whether payments associated with disaster emergency funds should be considered as a high-risk payment type identified within the DoD's Payment Integrity portfolio. If so, develop a methodology to publicly report the improper payments associated with the DoD's use of disaster emergency funds.	**Open and Resolved:** The OUSW(C)/CFO stated that the DoW will include in its methodology a process to determine whether payments associated with disaster emergency funds should be considered high-risk payment types within the DoW's Payment Integrity portfolio. If such a determination is made, the DoW will develop a methodology to publicly report said improper payments. The OUSW(C)/CFO provided an updated estimated completion date for this recommendation. We will close this recommendation once we verify that the USW(C)/CFO provided documentation and we verify that the DoW has determined whether payments associated with disaster emergency funds should be considered high-risk payments, and, if necessary, the DoW has developed a methodology to publicly report the improper payments associated with the DoW's use of disaster emergency funds. **Estimated completion date:** June 2027
1.c	We recommended that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, submit for the Military Health Benefits–TRICARE East Region Program; Military Health Benefits–TRICARE West Region Program; Military Health Benefits–TRICARE Medicare Eligible Program; Military Pay Army–National Guard, Civilian Pay–Army, Civilian Pay–Other Defense Organization, DoD Travel Pay Army–Defense Travel System, DoD Travel Pay Navy–Defense Travel System, DoD Travel Pay Department of the Air Force–Defense Travel System, and Commercial Pay–Mechanization of Contract Administration Services programs to the Office of Management and Budget, the planned actions that the DoD will take to come into compliance, including actions to: • Develop measurable milestones to achieve compliance for each program or activity. • Designate a senior executive who will be accountable for the progress of the DoD to come into compliance for each program in this recommendation. • Establish an accountability mechanism, such as a performance agreement, with appropriate incentives and consequences tied to the success of the official designated to lead the efforts of the DoD to come into compliance for each program.	**Closed:** The USW(C)/CFO addressed the recommendation by developing measurable milestones to achieve compliance for each program or activity; designating a senior executive responsible for the DoW's progress toward compliance in each of the programs subject to this recommendation; and establishing accountability mechanisms such as a performance agreement, with appropriate incentives and consequences tied to the success of the official designated to lead the DoW's compliance efforts in each program in the annual data call.

Table 5. Status of Open DoW OIG Payment Integrity Recommendations Reported in Report No. DODIG-2025-105, as of June 2026 (cont'd)

Recommendation		Status
2	We recommended that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, in coordination with DoD Components, develop and implement a methodology to: • Identify all DoD outlays and the programs with which they are associated. • Verify that the programs' universes of payment transactions include all outlays related to each respective program.	**Open and Resolved:** OUSW(C)/CFO personnel stated that they are still in the process of implementing this recommendation. The USW(C)/CFO now targets an estimated completion date in June 2027. We will close this recommendation once we verify that the USW(C)/CFO has identified all DoW outlays and the programs with which they are associated and has verified that each program's universe of payment transactions includes all outlays related to each respective program. **Estimated completion date:** June 2027
3	We recommended that the Assistant Secretary of the Navy (Financial Management and Comptroller) reevaluate the DoD Travel Pay Navy–Defense Travel System program and report the program's estimates in the appropriate Payment Integrity Information Act reporting phase.	**Open and Resolved:** The Department of the Navy stated that they will begin the sampling process for the DoD Travel Pay Navy–Defense Travel System program and provided an estimated completion date of August 2026. We will close this recommendation once we verify that the Assistant Secretary of the Navy (Financial Management and Comptroller) has reevaluated the DoD Travel Pay Navy–Defense Travel System program and has reported the program's estimates in the appropriate Payment Integrity Information Act reporting phase. **Estimated completion date:** August 2026
4.a	We recommended that the Director of the Defense Health Agency, in future risk assessment methodologies, reassess the Military Health Benefits–TRICARE East Region Program, Military Health Benefits–TRICARE West Region Program, and Military Health Benefits–TRICARE Medicare Eligible Program to fully document and support the specific information it relied on, including the internal controls.	**Open and Resolved:** The DHA stated that they would provide updated risk assessments that included additional information in the last quarter of FY 2026. We will close this recommendation once we verify that the DHA Director has reassessed the Military Health Benefits–TRICARE East Region Program, Military Health Benefits–TRICARE West Region Program, and Military Health Benefits–TRICARE Medicare Eligible Program to fully document and support the specific information it relied on, including the internal controls. **Estimated completion date:** September 2026

Table 5. Status of Open DoW OIG Payment Integrity Recommendations Reported in Report No. DODIG-2025-105, as of June 2026 (cont'd)

Recommendation		Status
4.b	We recommended that the Director of the Defense Health Agency, in future risk assessment methodologies, reassess the risk of the TRICARE programs if the Government Accountability Office requires public reporting of the results of the medical records reviews to close its recommendation.	**Open and Resolved:** The DHA continues to work with the Office of the Under Secretary of War (Comptroller)/Chief Financial Officer and the Government Accountability Office to address their prior recommendation from the Government Accountability Office. In addition, the DHA stated that they would provide updated risk assessments that included additional information in the last quarter of FY 2026. We will close this recommendation once we verify that the DHA Director has reassessed the risk of the TRICARE programs and whether the Government Accountability Office requires public reporting of the results of the medical records reviews to close its recommendation. **Estimated completion date:** September 2026

Source: The DoW OIG.

Acronyms and Abbreviations

AFR	Agency Financial Report
CAPS	Computerized Accounts Payable System
CFO	Chief Financial Officer
CRSC	Combat-Related Special Compensation
DAF	Department of the Air Force
DAI	Defense Agencies Initiative
DEAMS	Defense Enterprise Accounting and Management System
DFAS	Defense Finance and Accounting Service
DHA	Defense Health Agency
DIA	Defense Intelligence Agency
DISA	Defense Information Systems Agency
DTS	Defense Travel System
EBS	Enterprise Business System
FABS	Financial Accounting and Budgeting System
GAO	Government Accountability Office
GFEBS	General Fund Enterprise Business System
IAPS	Integrated Accounts Payable System
IATS	Integrated Automated Travel System
MCTFS	Marine Corps Total Force System
MHB	Military Health Benefits
MOCAS	Mechanization of Contract Administration Services
NERP	Navy Enterprise and Resource Planning
NSA	National Security Agency
ODO	Other Defense Organizations
OMB	Office of Management and Budget
OUSW(C)/CFO	Office of the Under Secretary of War (Comptroller)/Chief Financial Officer, DoW
PIIA	Payment Integrity Information Act of 2019
RTS	Reserve Travel System
SATFA	Security Assistance Training Field Activity
SAVES	Standard Automated Voucher Examination System
TFMS	Transportation Financial Management System
TMEP	TRICARE Medicare Eligible Program
TOP	TRICARE Overseas Program
TPharm	TRICARE Pharmacy
USACE	U.S. Army Corps of Engineers
USMC	U.S. Marine Corps

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