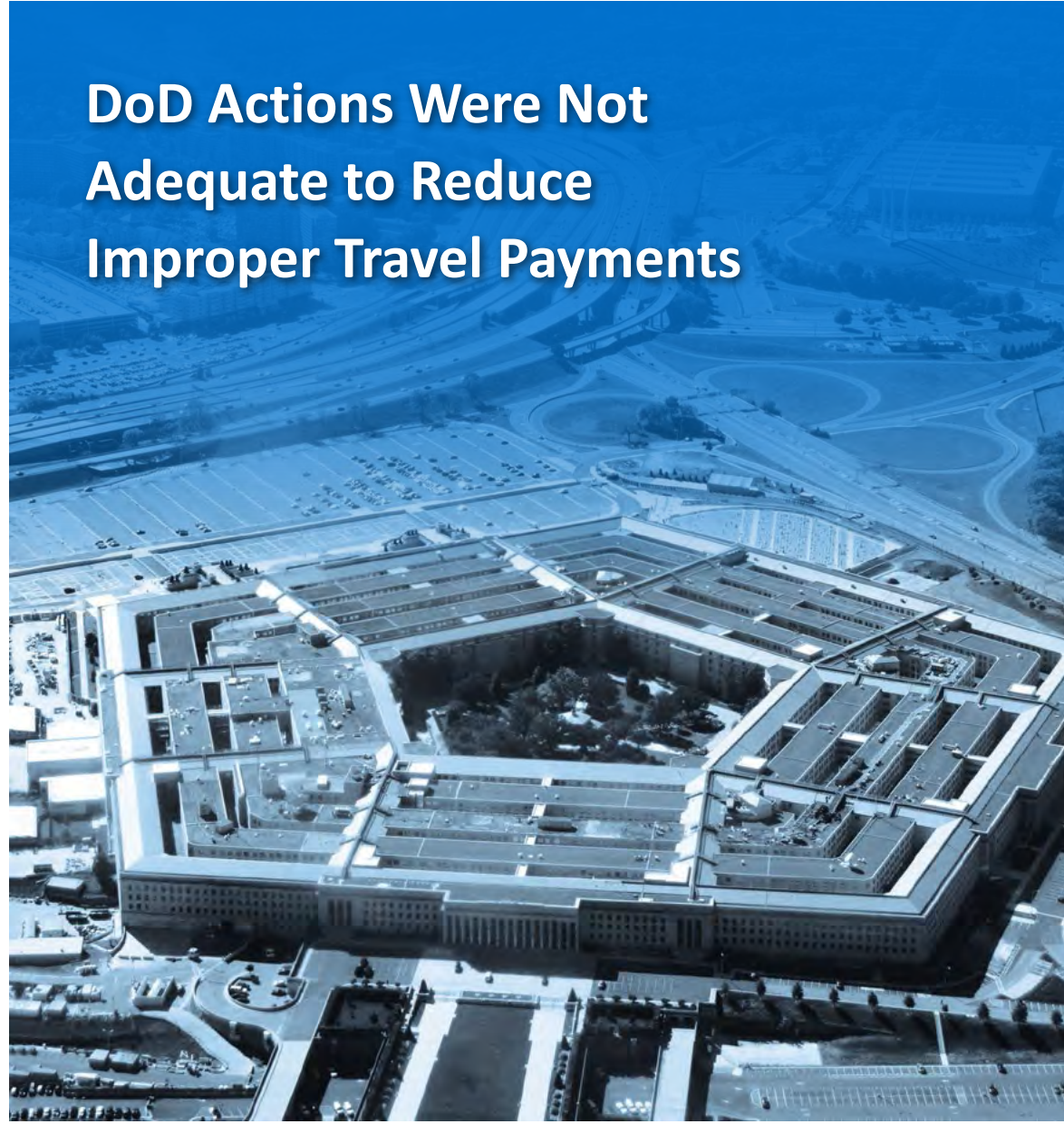




# INSPECTOR GENERAL

*U.S. Department of Defense*

MARCH 10, 2016



## DoD Actions Were Not Adequate to Reduce Improper Travel Payments

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

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# Results in Brief

## *DoD Actions Were Not Adequate to Reduce Improper Travel Payments*

**March 10, 2016**

### Objective

We determined whether DoD actions to reduce improper payments in the DoD Travel Pay program were effective.

### Finding

DoD Component actions were not adequate to reduce estimated improper payments in the DoD Travel Pay program. The Under Secretary of Defense (Comptroller)/Chief Financial Officer reported that estimated improper payment rates for the DoD Travel Pay program increased from 5.0 percent for FY 2012 to 6.5 percent for FY 2013 and 7.0 percent for 2014. The estimated rates missed the improper payment reduction goals for each of those years.

This occurred because the corrective actions that DoD Components developed did not include steps to identify the reasons that authorizing officials approved deficient vouchers for payment. In addition, the Defense Finance and Accounting Service did not provide error reports to all DoD Components that made improper payments.

As a result, DoD will continue to be at high risk for making improper payments for travel.

### Recommendations

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

- update the 2013 Remediation Plan to require DoD Components to determine why authorizing officials approved the improper payments and to develop corrective actions to address the identified root causes;
- include a summary of the root causes and associated corrective actions in the DoD Agency Financial Report; and
- require the Defense Finance and Accounting Service to submit quarterly voucher detail error reports to each DoD Component with identified improper payments.

### Management Comments and Our Response

The Deputy Chief Financial Officer, responding for the Under Secretary of Defense (Comptroller)/Chief Financial Officer, concurred with all recommendations. Comments from the Deputy Chief Financial Officer addressed all specifics of the recommendations, and no further comments are required. Please see the Recommendations Table on the next page.

## ***Recommendations Table***

<b>Management</b>	<b>Recommendations Requiring Comment</b>	<b>No Additional Comments Required</b>
Under Secretary of Defense (Comptroller)/ Chief Financial Officer, DoD		1.a, 1.b, and 1.c.



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

March 10, 2016

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/  
CHIEF FINANCIAL OFFICER, DoD

SUBJECT: DoD Actions Were Not Adequate to Reduce Improper Travel Payments  
(Report No. DODIG-2016-060)

We are providing this report for your information and use. DoD Component actions were not adequate to reduce estimated improper payments within the DoD Travel Pay program. We conducted this audit in accordance with generally accepted government auditing standards.

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

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9187.

A handwritten signature in blue ink, appearing to read "M. Roark", is positioned above the name of the signatory.

Michael J. Roark  
Assistant Inspector General  
Contract Management and Payments

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## Acronyms and Abbreviations

# Introduction

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## Objective

We determined whether DoD actions to reduce improper payments in the DoD Travel Pay program were effective. See Appendix A for the scope and methodology and prior audit coverage.

## Background

Public Law 111-204, the Improper Payments Elimination and Recovery Act of 2010 (IPERA), amended Public Law 107-300<sup>1</sup> to establish requirements for agencies to reduce improper payments. Specifically, IPERA requires agency heads to:

- review all programs and activities and identify all programs and activities that may be susceptible to significant improper payments;
- produce a statistically valid estimate, or an estimate that is otherwise appropriate using a methodology approved by the Office of Management and Budget, of the improper payments made by each program and activity and include those estimates in the accompanying materials to the agencies' annual financial statements;
- establish and meet improper payment reduction targets; and
- submit a report on actions taken to reduce improper payments including a description of the causes of the improper payments, actions planned or taken to correct those causes, and the planned or actual completion date of the actions.

The Under Secretary of Defense (Comptroller)/Chief Financial Officer (USD[C]/CFO) publishes the annual DoD Agency Financial Report (AFR)—an executive-level overview of DoD including mission, organization, performance, internal controls, and legal compliance. The AFR also includes IPERA reporting requirements, such as improper payment information for the DoD Travel Pay program.

In the DoD FY 2014 AFR, the USD(C)/CFO identified nine programs with combined outlays totaling \$578.75 billion: military health benefits; military pay; civilian pay; military retirement; DoD travel pay; Defense Finance and Accounting Service (DFAS) commercial pay; U.S. Army Corps of Engineers travel pay; U.S. Army Corps of Engineers commercial pay; and Navy Enterprise Resource Planning System commercial pay.

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<sup>1</sup> Public Law 111-204, "Improper Payments Elimination and Recovery Act of 2010" (IPERA), July 22, 2010, amended Public Law 107-300, "Improper Payments Information Act of 2002," November 26, 2002.

DoD uses two systems to record DoD travel payments for DoD Components (Military Services and DoD Agencies): the Defense Travel System (DTS) and the Integrated Automated Travel System for Windows. We focused on travel payment errors attributed to payments processed through DTS because DTS had the majority of payments and errors reported in the DoD FY 2014 AFR. According to USD(C)/CFO personnel, in FY 2014 DoD paid about \$4.7 billion in DTS travel payments, or 72 percent of the total DoD-reported travel payment outlays of \$6.5 billion. In addition, USD(C)/CFO personnel estimated that FY 2014 DTS payment errors accounted for \$415 million (91 percent) of the total travel payment errors of \$458 million.

## Review of Internal Controls

DoD Instruction 5010.40<sup>2</sup> requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified that DoD Components developed corrective actions that did not include steps to identify reasons that officials approved deficient vouchers for payment. In addition, DFAS did not provide error reports to all DoD Components that made improper payments. We will provide a copy of the report to the senior official responsible for internal controls for the USD(C)/CFO.

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<sup>2</sup> DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.



## Finding

### DoD Component Actions Were Not Adequate to Reduce Improper Payments in the DoD Travel Pay Program

DoD Component actions were not adequate to reduce estimated improper payments in the DoD Travel Pay program. The USD(C)/CFO reported that estimated improper payment rates for the DoD Travel Pay program increased from 5.0 percent for FY 2012 to 6.5 percent for FY 2013 and 7.0 percent for 2014. The estimated rates missed the improper payment reduction goals for each of those years.

This occurred because the corrective actions that DoD Components developed did not include steps to identify the reasons that authorizing officials approved deficient vouchers for payment. In addition, DFAS did not provide error reports to all DoD Components that made improper payments. As a result, DoD will continue to be at high risk for making improper payments for travel.

### Improper Payment Rates for DoD Travel Increased

DoD Component actions were not adequate to reduce improper payments in the DoD Travel Pay program. DFAS reviewed a statistical sample of DTS payments to estimate improper payments and improper payment rates and then reported the estimates to the USD(C)/CFO. The USD(C)/CFO combined DTS estimates with non-DTS estimates to determine the total estimates for the DoD Travel Pay program and included the total estimates in the DoD AFR. The USD(C)/CFO reported that estimated improper payment rates for the DoD Travel Pay program increased from 5.0 percent for FY 2012 to 6.5 percent for FY 2013 and 7.0 percent for 2014. The estimated rates missed the improper payment reduction goals of 3.27 percent, 3.26 percent, and 3.25 percent for those years, respectively. Table 1 shows the estimated improper payment rates and estimated improper payments for the DoD Travel Pay program as reported in the DoD AFRs for FYs 2012 through 2014.

*Table 1. DoD Travel Pay Program Estimated Improper Payment Rates and Amounts (in millions)*

Fiscal Year	Outlays	Estimated Improper Payment Rate (percent)	Estimated Improper Payments	Estimated Overpayments	Estimated Underpayments
2012	\$8,400	5.0	\$419.3	\$363.9	\$55.4
2013	7,300	6.5	474.8	421.1	53.7
2014	6,600	7.0	458.2	424.7	33.5

Source: DoD Agency Financial Reports, FY 2012-2014

## DoD Components Did Not Identify Reasons for Improper Payments

DoD Components developed corrective actions that did not include steps to identify the reasons that officials approved deficient vouchers for payment. Corrective actions cited in the DoD AFR focused on distributing improper payment information to the DoD Components, establishing debt and recovery of improper payments, and implementing the Defense Travel Management Office (DTMO) Compliance Tool.<sup>3</sup> The USD(C)/CFO also submitted a remediation plan to Congress in June 2013 to reduce improper payments. The plan established accountability for officials approving improper payments and increased awareness of errors. The Military Services' actions included correcting payments identified as improper and increasing awareness of voucher requirements through training. However, these corrective actions did not identify the underlying reasons that improper payments were processed.

DoD Components developed corrective actions that did not include steps to identify the reasons that officials approved deficient vouchers for payment.

### ***Corrective Actions in the AFR Did Not Include Reasons for Improper Payments***

The corrective actions that the USD(C)/CFO published in the DoD AFR did not identify the underlying reasons for the improper payments. Although the USD(C)/CFO included in the AFR the root causes for improper payments, these root causes identified only the parts of the vouchers that were in error, not the reasons that the errors occurred. The USD(C)/CFO published corrective actions in the AFR that did not explain how DoD Components could prevent the identified payment errors. In addition, the USD(C)/CFO cited in the AFR that implementation of the DTMO Compliance Tool would reduce improper payments. Table 2 shows the root causes and corrective actions reported in the latest three DoD AFRs. The root causes for improper payments did not change over the three-year period, nor did the corrective actions, except for the addition of the DTMO Compliance Tool in 2013.

<sup>3</sup> The DTMO Compliance Tool uses an automated application that reviews DTS travel vouchers in near real time and identifies duplicate or incorrect payments.

Table 2. Root Causes and Corrective Actions for Improper Payments Reported in DoD AFRs for FYs 2012 through 2014

AFR	Root Causes for Improper Payments in DTS	Corrective Actions
2012	<ul style="list-style-type: none"> <li>• Per diem (40%)</li> <li>• Reimbursable expenses (35%): airfare, rental car, and so on</li> <li>• Missing documentation (25%): lodging, airfare, rental car, without receipts</li> </ul>	<ul style="list-style-type: none"> <li>• DFAS provides DTMO and DoD Components with quarterly error trend reports.</li> <li>• Improper payments identified are forwarded to appropriate debt management monitor for establishment of debt and recovery.</li> <li>• DFAS personnel give presentations at various DTS training sessions and brief service executives on post-payment review statistics, trends, and input errors.</li> </ul>
2013	<ul style="list-style-type: none"> <li>• Per diem (61%)</li> <li>• Reimbursable expenses (28%): airfare, rental car, and so on</li> <li>• Missing documentation (11%): lodging, airfare, rental car, without receipts</li> </ul>	<ul style="list-style-type: none"> <li>• DFAS provides DTMO and DoD Components with quarterly error trend reports.</li> <li>• DFAS personnel give presentations at various DTS training sessions and brief service executives on post-payment review statistics, trends, and input errors.</li> <li>• Improper payments identified are forwarded to appropriate debt management monitor for establishment of debt and recovery.</li> <li>• The Department implemented a DTMO Compliance Tool.</li> </ul>
2014	<ul style="list-style-type: none"> <li>• Per diem (51%)</li> <li>• Reimbursable expenses (24%): airfare, rental car, and so on</li> <li>• Missing documentation (25%): lodging, airfare, rental car, without receipts</li> </ul>	<ul style="list-style-type: none"> <li>• DFAS provides DTMO and DoD Components with quarterly error trend reports.</li> <li>• DFAS personnel give presentations at various DTS training sessions and brief service executives on post-payment review statistics, trends, and input errors.</li> <li>• Improper payments identified are forwarded to appropriate debt management monitor for establishment of debt and recovery.</li> <li>• The Department implemented a DTMO Compliance Tool.</li> </ul>

Source: DoD Agency Financial Reports, FY 2012-2014

### *Reported Root Causes Did Not Include Reasons for Payment Errors*

Although the USD(C)/CFO included a section in the AFR on root causes of improper payments, the root causes identified only the parts of the travel vouchers that were in error, not the reasons the errors occurred. For example, the FY 2014 AFR identified that per diem was a root cause for 51 percent of the improper payments. However, the USD(C)/CFO did not include any reasons for the per diem errors on the vouchers or for why the authorizing officials approved those per diem rates.

### *Reported Corrective Actions Did Not Focus on Preventing Errors*

The USD(C)/CFO published corrective actions in the AFR that did not provide details on how DoD Components would prevent the payment errors identified. The published corrective actions included distributing improper payment information to the DoD Components and recovering improper payments. Specifically, the corrective actions included:

- distributing quarterly error reports to DoD Components;
- providing presentations that detailed travel payment errors; and
- forwarding improper payment information to the appropriate debt management monitor to establish and recover the debt.

### *DTMO Compliance Tool Not Designed to Identify Errors Reported in the AFR*

Although DTMO designed the Compliance Tool to identify many types of improper payments, the tool could not identify or prevent the payment errors identified and reported during the IPERA review process. The Compliance Tool uses an automated application that reviews DTS travel vouchers to identify duplicate and incorrect payments. Although the Compliance Tool could identify when a duplicate voucher was paid, it could not identify when a voucher was missing appropriate documentation or when receipts did not agree with amounts claimed.

We evaluated the capabilities of DTS and the Compliance Tool, and any planned system upgrades and modernization initiatives, to identify recent improper payment errors. DTMO did not plan to modify DTS or the Compliance Tool to identify and prevent the most frequent DoD-wide errors identified during the DFAS review of DTS vouchers from July 2014 through December 2014, or the errors cited in the FY 2014 AFR. See Table 3 for the most frequent DoD-wide errors authorizing officials approved most often. The rates of these errors are based on highest dollar value.

Table 3. The Most Frequent Errors for Each Military Service and all DoD Components

Error	ARMY	NAVY	AIR FORCE	MARINE CORPS	DoD-Wide
	Percent				
Meals rate paid incorrectly	11	40	16	31	26
Airfare paid without receipt	21	8	22	10	15
Lodging paid without receipt	14	6	20	7	11
DTS entries made by authorized agents from submitted paper vouchers	19	12	6	7	11
Lodging receipt does not match amount claimed on voucher	3	12	8	9	9
Incomplete voucher, data missing, information does not match voucher	6	12	n/a	9	8
Rental car paid without receipt	5	2	5	9	4
Airfare not paid or paid incorrectly	4	1	4	6	3
Blanket and repeated travel not allowed or authorized in DTS for the National Capital Region	4	1	2	1	2
Rental car daily rate claimed different from rental receipt	n/a	2	2	4	2
Constructive cost for airfare or transportation paid incorrectly	3	n/a	4	n/a	n/a
Rental car fuel or government vehicle fuel not paid or paid incorrectly	n/a	n/a	n/a	2	n/a

Note: "n/a" indicates that the error was not in the top 10 most frequent errors for the Service or Component in that column.

Source: DFAS results of July 2014 through December 2014 travel voucher review.

DTMO enhanced its web-based training and checklists to assist authorizing officials to identify improper payment areas. For example, the training focused on common improper payments, such as lodging, and on verifying that amounts claimed matched all receipts. Although DTMO planned a modernization initiative to replace DTS, DTMO personnel could not demonstrate how the initiative would reduce the most frequent errors.

### ***Remediation Plan Did Not Require Identifying Reasons for Improper Payments***

Although the USD(C)/CFO developed a remediation plan to reduce improper travel payments, the plan did not include steps to identify the reasons that improper payments were approved. In response to recommendations from a 2013 DoD Office of Inspector General (DoD OIG) report,<sup>4</sup> and to comply with IPERA,<sup>5</sup> the USD(C)/CFO developed and submitted a remediation plan to Congress in June 2013. The plan stated that DoD would require training or retraining of all travelers and officials that certify or approve vouchers. According to the plan, effective in the first quarter of FY 2014, DoD would reestablish metrics for improper travel payments on a quarterly basis. These metrics would allow DoD to track progress toward the FY 2014 reduction target of 3.25 percent. The plan required all DoD Components to submit training plans for approval to the senior accountable official by September 30, 2013.

### ***Military Services Implemented Corrective Actions Without Identifying Reasons for Improper Payments***

Each Military Service submitted remediation plans in response to the USD(C)/CFO remediation plan. However, the Military Service plans did not include steps to identify the reasons that approving officials approved deficient travel vouchers for payment. In addition, implementing the remediation plans had minimal effect on reducing improper payments. For example, each Military Service voucher from July through December 2014 reviewed by DFAS contained at least one error<sup>6</sup> (see Appendix B for results of the DFAS review). Further, the Military Service plans did not reduce the most frequent errors identified during the DFAS review. Table 3 shows the most frequent errors by improper payment amount for each Service.

Each Military Service voucher from July through December 2014 reviewed by DFAS contained at least one error...

<sup>4</sup> DoD OIG Report No. DODIG-2013-054, "DoD Efforts to Meet the Requirements of the Improper Payments Elimination and Recovery Act in FY 2012," March 13, 2013.

<sup>5</sup> IPERA requires agencies that were determined not in compliance with IPERA requirements to submit a plan to Congress describing the actions the agency will take to comply.

<sup>6</sup> DFAS did not project the sample results to the population to determine an overall error rate because DFAS did not complete the sampling process during our review.

The Military Services included specific actions in their remediation plans to reduce these errors, such as increasing required training that emphasizes accuracy, but these actions were not effective in reducing errors. The Military Services recognized that many of the errors should have been detected in the voucher approval process. For example, voucher-certifying officials are required to verify that all required receipts are attached before approving the voucher for payment. Despite this requirement, three of the most frequent errors were for missing receipts. Additionally, Marine Corps officials centralized voucher approval authority in eight finance and disbursing offices. The voucher-certifying official should have detected most errors identified by DFAS from July through December 2014. However, each Military Service voucher reviewed by DFAS from those 6 months contained at least one error.

Without steps to identify the reasons that authorizing officials approved deficient vouchers, DoD's corrective actions may not address the root causes of the improper payments. The USD(C)/CFO should update the 2013 Remediation Plan to require DoD Components to determine the root cause for certifying officials' approval of improper travel payments identified by DFAS and develop corrective actions to address those root causes. In addition, the USD(C)/CFO should include in the DoD Agency Financial Report a summary of DoD Components' root causes and corrective actions for improper payments identified in Recommendation 1.a.

## **DFAS Did Not Distribute Error Reports to All DoD Components**

Although DFAS expended significant effort to review vouchers as required by IPERA, DFAS provided quarterly information on the type of errors to only a portion of DoD Components. DFAS reviewed a sample of travel payments for IPERA and developed two types of reports covering each fiscal year quarter to distribute to the DoD Components. In June 2015, we obtained the points of contact that DFAS Indianapolis used to distribute the two reports to the DoD Components.

DFAS did not send either type of quarterly report to all DoD Components for each Component to take corrective actions. DFAS developed one quarterly report that provided results for each voucher reviewed by DFAS during its statistical sampling of travel vouchers for IPERA. From this review, DFAS determined the type of error and dollar value associated with each error. However, DFAS personnel had points of contact for only 8 of the 58 DoD Components included in the review for that report. DFAS developed another quarterly report that consolidated the voucher review information and presented broad categories of the type of errors identified,

such as missing documents. However, DFAS had points of contact for only 25 of the 58 DoD Components included in the review for that report. DFAS had points of contact for the four Military Services for both reports, which accounted for the majority of the errors identified. See Appendix B for results of the DFAS voucher review and whether DFAS had points of contact for each DoD Component.

Although the Military Services comprised the majority of DoD improper travel payments, all DoD Components with errors identified by DFAS could benefit from feedback on types of errors to enable the Components to take systematic corrective actions. The USD(C)/CFO should require DFAS to provide the quarterly voucher detail error reports to all appropriate DoD Components for corrective actions.

## Conclusion

DoD made considerable efforts to identify, quantify, categorize, and correct improper travel payments made through DTS. Further, DoD developed corrective actions and remediation plans based on this effort. However, without first identifying the reasons that approving officials authorized deficient travel vouchers for payment, DoD had no assurance that corrective actions were directed to the root causes of improper payments. In addition, many of the payment errors were not preventable through real-time or post-payment automated validation checks; therefore, corrective actions must ensure that approving officials comply with travel regulations.

Although training may be part of the solution, other forms of command emphasis may be necessary to ensure compliance with travel regulations. In addition, oversight of corrective actions may be necessary at the DoD Component level, where the payments are authorized. Without identifying the reasons that authorizing officials approve improper vouchers for payment, DoD will continue to be at high risk for making improper payments for travel.



## Recommendation, Management Comments, and Our Response

### **Recommendation 1**

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

- a. **Update the 2013 Remediation Plan to require DoD Components to determine the root causes for certifying officials' approval of improper payments identified by the Defense Finance and Accounting Service and develop corrective actions to address those root causes.**

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

The Deputy Chief Financial Officer, responding for the USD(C)/CFO, agreed, stating that the 2013 Remediation Plan will be updated to include a requirement for DoD Components to determine actual root causes for certifying officials' approvals of improper payments and to develop corrective actions to address those root causes.

- b. **Include in the DoD Agency Financial Report a summary of DoD Components' root causes and corrective actions for improper payments identified in Recommendation 1.a.**

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

The Deputy Chief Financial Officer, responding for the USD(C)/CFO, agreed, stating that the DoD Agency Financial Report will include a summary of DoD Components' root causes and corrective actions.

- c. **Require the Defense Finance and Accounting Service to submit quarterly voucher detail error reports to each DoD Component with identified improper payments.**

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

The Deputy Chief Financial Officer, responding for the USD(C)/CFO, agreed, stating that the Defense Finance and Accounting Service will submit quarterly voucher detail error reports to each DoD Component with identified improper payments beginning in July 2016.

### *Our Response*

The Deputy Chief Financial Officer's comments addressed all specifics of the recommendations and no further comments are required.

## Appendix A

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### Scope and Methodology

We conducted this performance audit from May 2015 through January 2016 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.

DoD used two systems to record DoD travel payments: DTS and the Integrated Automated Travel System for Windows. We focused on travel payment errors attributed to payments processed through DTS. According to USD(C)/CFO personnel, DTS payment errors totaled about \$415 million (91 percent) of all travel payment errors reported in the DoD FY 2014 AFR.

### ***Review of Documentation and Interviews***

To determine if DoD actions to reduce improper payments in the DoD Travel Pay program were effective, we reviewed:

- DoD Travel Pay program target error rates, root causes of improper payments, and corrective actions as published in DoD FY 2012, 2013, and 2014 AFRs;
- Public Law 107-300, “Improper Payments Information Act of 2002,” November 26, 2002;
- Public Law 111-204, “Improper Payments Elimination and Recovery Act of 2010,” July 22, 2010;
- Public Law 112-81, “National Defense Authorization Act for FY 2012,” December 31, 2011;
- Office of Management Budget Circular No. A-123, Appendix C, Parts I and II, “Requirements for Effective Measurement and Remediation of Improper Payments,” April 14, 2011;
- Office of Management Budget Circular No. A-123, Appendix C, “Requirements for Effective Estimation and Remediation of Improper Payments,” October 20, 2014;
- DoD Financial Management Regulation 7000.14-R, Volume 4, Chapter 14: “Improper Payments,” October 2012;
- DoD Financial Management Regulation 7000.14-R, Volume 9, Chapter 2: “Defense Travel System (DTS),” August 2011; and
- Under Secretary of Defense (Comptroller) memorandum “Implementation of the Department of Defense Travel Remediation Plan,” July 18, 2013.

We visited the following locations:

- Office of the USD(C)/CFO, Pentagon, Washington, DC;
- DFAS Post-Pay Review and Analysis Division, Indianapolis, Indiana;
- DTMO, Alexandria, Virginia;
- Navy Financial Management Office, Washington Navy Yard, Washington, DC;
- Air Force Accounting and Finance Office, Banking Division, Joint Base Andrews, Maryland; and
- Marine Corps Office of Manpower and Reserve Affairs, Travel Management Section, Marine Corps Base, Quantico, Virginia.

We held a teleconference with personnel from the Army Financial Management Command, Indianapolis, Indiana and the Army Travel Card Program, Pentagon, Washington, DC.

We interviewed personnel from the Office of the USD(C)/CFO to discuss corrective action plans for travel pay as outlined in the FY 2014 DoD AFR. Additionally, we interviewed personnel from the Post Pay Review and Analysis division at DFAS Indianapolis to determine the root causes of improper payments, whether DFAS offered trainings or briefings to DoD personnel, and how DFAS distributed improper payment information to the Military Services and other DoD Components.

We interviewed DTMO personnel to discuss DTMO's role and responsibility for reducing improper payments and potential upgrades or modifications to DTS that could assist in future prevention of improper travel payments.

We visited or interviewed personnel from financial and travel management offices for each of the four Military Services to determine:

- each Military Service's role or responsibility for reducing improper payments;
- how DFAS error reports were used to reduce improper payments;
- the root causes of improper payments for each Military Service;
- whether the Military Services took appropriate corrective actions in response to the root causes identified;
- training requirements to reduce improper payments in the DoD Travel Pay program; and
- consequences for officials who approve improper travel vouchers.

## ***Improper Payment Analysis***

We reviewed the FY 2012, FY 2013, and FY 2014 AFRs to determine the amount of travel pay outlays and improper payments, the projected and actual target reduction rates, and the published root causes for improper travel payments. To substantiate the information published in the AFR, we obtained DTS data on improper travel payments from DFAS for July through December 2014 to determine the causes of the improper payments. This information represented the results of IPERA reviews that DFAS used to determine the improper payment rate for the FY 2015 AFR. We compared the primary reasons that the DFAS data indicated were the causes of the improper payments with the information obtained from the AFR and determined if the causes were the same from the two separate sources.

Additionally, for each Military Service, we compiled data from the quarterly DFAS voucher reviews to determine the most common monetary errors as a percentage of the total dollar volume and the most common errors by count. We also determined which DoD Components had the highest and lowest percentage of errors for FY 2014.

We reviewed background information from the DTMO website on the DTMO Compliance Tool that was implemented to reduce improper DoD travel payments. We requested supporting documentation from DTMO to review query results and analyze whether the DTMO Compliance Tool functioned appropriately.

## **Use of Computer-Processed Data**

We did not use computer-processed data to perform this audit.

## **Prior Coverage**

During the last 5 years, the Government Accountability Office (GAO) and the DoD OIG issued seven reports discussing compliance with improper payment requirements. Unrestricted GAO reports can be accessed at <http://www.gao.gov>. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/pubs/index.cfm>.

## **GAO**

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

**DoD OIG**

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

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

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

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

Report No. DODIG-2012-065, "DoD Compliance With the Requirements of the Improper Payments Elimination and Recovery Act," March 15, 2012

Report No. D-2011-050, "DoD Needs to Improve High Dollar Overpayment Review and Reporting," March 16, 2011

## Appendix B

### Results of DFAS Sampling Review of DTS Vouchers for July through December 2014

DoD Component	Vouchers Reviewed	Vouchers With Errors	Total Errors <sup>1</sup>	DFAS POC for Consolidated Reports	DFAS POC for Results of Voucher Review <sup>3</sup>
Air Force	1,444	1,444	2,337	Yes	Yes
Allied Command Atlantic	4	4	4	No	No
American Forces Information Service	9	9	21	No	No
Army	1,369	1,369	1,958	Yes	Yes
Court of Appeals for the Armed Forces	1	0	0	Yes	No <sup>3</sup>
Defense Acquisition University	38	18	21	No	No <sup>3</sup>
Defense Advanced Research Projects Agency	10	4	4	Yes	No <sup>3</sup>
Defense Commissary Agency	14	10	16	Yes	No <sup>3</sup>
Defense Contract Audit Agency	78	33	39	Yes	No <sup>3</sup>
Defense Contract Management Agency	259	122	176	Yes	No <sup>3</sup>
Defense Courier Service	1	1	1	No	No
Defense Finance and Accounting Service	38	18	29	Yes	Yes
Defense Human Resource Activity	25	19	29	Yes	Yes
Defense Information Systems Agency	65	45	79	No	No <sup>3</sup>
Defense Intelligence Agency	160	101	178	Yes	No <sup>3</sup>
Defense Language Institute	3	2	3	No	No
Defense Legal Services Agency	3	1	1	No	No
Defense Logistics Agency	138	87	143	Yes	Yes
Defense Microelectronics Activity	2	1	2	Yes	No <sup>3</sup>
Defense Military Pay Office	5	4	9	No	No
Defense Security Assistance Agency	1	1	1	No	No
Defense Security Cooperation Agency	21	14	29	Yes	No <sup>3</sup>
Defense Security Service	28	15	21	Yes	No <sup>3</sup>
Defense Systems Management College	1	1	1	No	No

## Results of DFAS Sampling Review of DTS Vouchers for July through December 2014 (cont'd)

DoD Component	Vouchers Reviewed	Vouchers With Errors	Total Errors <sup>1</sup>	DFAS POC for Consolidated Reports	DFAS POC for Results of Voucher Review <sup>3</sup>
Director, Test Resource Management Center	1	1	1	Yes	No <sup>3</sup>
Defense Technology Security Administration	6	5	9	Yes	No <sup>3</sup>
Defense Threat Reduction Agency	50	37	63	Yes	No <sup>3</sup>
DoD Education Activity	47	37	48	Yes	No <sup>3</sup>
Inspector General, DoD	33	10	21	No	No <sup>3</sup>
Inter-American Defense Board	1	0	0	No	No
Joint Chiefs of Staff	31	18	28	No	No
Joint Forces Command	1	1	2	No	No
Joint Program Executive Office	4	3	6	No	No
Marine Corps	1,073	1,073	1,546	Yes	Yes
Military Entrance Processing Command	20	7	11	No	No <sup>3</sup>
Missile Defense Agency	54	34	63	Yes	No <sup>3</sup>
National Defense University	20	17	23	Yes	No <sup>3</sup>
National Geospatial-Intelligence Agency	184	125	231	Yes	No <sup>3</sup>
National Security Agency	1	1	4	No	No
Navy	1,341	1,341	2,035	Yes	Yes
North American Aerospace Defense Command	4	2	5	No	No
North Atlantic Treaty Organization	9	8	13	No	No <sup>3</sup>
Office of the Secretary of Defense	73	40	68	No	No <sup>3</sup>
Supreme Headquarters Allied Powers Europe	1	1	2	No	No
TRICARE Management Activity	21	17	32	Yes	No <sup>3</sup>
Uniformed Services University of the Health Sciences	61	42	57	Yes	No <sup>3</sup>
Unknown <sup>2</sup>	164	109	149	N/A	N/A
U.S. Africa Command	42	27	45	No	No <sup>3</sup>
U.S. Central Command	32	21	28	No	No <sup>3</sup>
U.S. Europe Command	42	24	41	No	No <sup>3</sup>
U.S. Forces, Korea	7	6	6	No	No <sup>3</sup>
U.S. Northern Command	35	14	23	No	No <sup>3</sup>

## Results of DFAS Sampling Review of DTS Vouchers for July through December 2014 (cont'd)

DoD Component	Vouchers Reviewed	Vouchers With Errors	Total Errors <sup>1</sup>	DFAS POC for Consolidated Reports	DFAS POC for Results of Voucher Review <sup>3</sup>
U.S. Pacific Command	30	17	30	No	No <sup>3</sup>
U.S. Southern Command	67	45	70	No	No <sup>3</sup>
U.S. Space Command	2	0	0	No	No
U.S. Special Operations Command	201	147	245	No	No <sup>3</sup>
U.S. Strategic Command	22	12	29	No	No <sup>3</sup>
U.S. Transportation Command	20	12	18	No	No <sup>3</sup>
Washington Headquarters Services	9	8	18	No	Yes
<b>Total</b>	<b>7,426</b>	<b>6,585</b>	<b>10,221</b>	<b>Yes 25</b>	<b>Yes 8</b>
				<b>No 33</b>	<b>No 50</b>

<sup>1</sup> More than one error may occur in a single voucher; therefore, total errors may be larger than the number of vouchers with errors.

<sup>2</sup> The DoD Component was unknown when the voucher was selected for review; however, DFAS determined the DoD Component during the review.

<sup>3</sup> DFAS provided additional points of contact after site visit but the results of the voucher review sent to these points of contacts was outside our scope.

Note: Not all errors resulted in money lost to the government.



## Management Comments

### Under Secretary of Defense (Comptroller)/ Chief Financial Officer



COMPTROLLER

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

FEB 22 2016

MEMORANDUM FOR PROGRAM DIRECTOR, CONTRACT MANAGEMENT AND  
PAYMENT, DEPARTMENT OF DEFENSE OFFICE OF  
INSPECTOR GENERAL

SUBJECT: Department of Defense Inspector General Draft Audit Report,  
"DoD Actions Were Not Adequate to Reduce Improper Travel Payments"  
(Project No. D2015-D000CJ-0184.000)

We received the subject draft report, dated January 27, 2016, and reviewed your recommendations to the Under Secretary of Defense (Comptroller)/Chief Financial Officer. Responses to your recommendations are attached.

Thank you for the opportunity to review and comment on the draft audit report. My staff point of contact is [REDACTED]. Reach her at [REDACTED] or [REDACTED].

A handwritten signature in black ink, appearing to read "Mark E. Easton".

Mark E. Easton  
Deputy Chief Financial Officer

Attachment:  
As stated

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

DOD IG DRAFT REPORT – DATED JANUARY 27, 2016  
DOD IG PROJECT NO. D2015-D000CJ-0184.000

“DOD ACTIONS WERE NOT ADEQUATE TO REDUCE IMPROPER TRAVEL  
PAYMENTS”

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

RECOMMENDATION 1.a.: Update the 2013 Remediation Plan to require DoD Components to determine the root causes for certifying officials’ approval of improper payments identified by the Defense Finance and Accounting Service and develop corrective actions to address those root causes.

OUSD(C) RESPONSE: Concur. The 2013 Remediation Plan will be updated to include a requirement for DoD Components to determine the actual root causes for certifying officials’ approvals of improper payments identified by the Defense Finance and Accounting Service and develop corrective actions to address those root causes. Estimated completion date: 31 Dec 2016

RECOMMENDATION 1.b.: Include in the DoD Agency Financial Report a summary of DoD Components’ root causes and corrective actions for improper payments identified in Recommendation 1.a.

OUSD(C) RESPONSE: Concur. The DoD Agency Financial Report will include a summary of DoD components’ root causes and corrective actions for improper payments identified in Recommendation 1.a.

RECOMMENDATION 1.c.: Require the Defense Finance and Accounting Service to submit quarterly voucher detail error reports to each DoD Component with identified improper payments.

OUSD(C) RESPONSE: Concur. The Defense Finance and Accounting Service will submit quarterly voucher detail error report to each DoD component with identified improper payments beginning July 2016. OUSD(C)/Deputy Chief Financial Officer (DCFO) will retain a copy for quality review purposes.

Attachment

## Acronyms and Abbreviations

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<b>AFR</b>	Agency Financial Report
<b>DFAS</b>	Defense Finance and Accounting Service
<b>DoD OIG</b>	Department of Defense Office of the Inspector General
<b>DTMO</b>	Defense Travel Management Office
<b>DTS</b>	Defense Travel System
<b>GAO</b>	Government Accountability Office
<b>IPERA</b>	Improper Payments Elimination and Recovery Act
<b>USD(C)/CFO</b>	Under Secretary of Defense (Comptroller)/Chief Financial Officer



# **Whistleblower Protection**

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

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