

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

**RECONCILIATION OF AIR FORCE COMMON PAY
AND PERSONNEL DATA FOR CIVILIANS**

Report No. 96-078

February 26, 1996

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Department of Defense

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Acronyms

AFAA	Air Force Audit Agency
AFB	Air Force Base
AFPC	Air Force Personnel Center
AFRES	Air Force Reserve
AFSCAPS	Air Force Standard Civilian Automated Pay System
ANG	Air National Guard
ANGB	Air National Guard Base
COBOL	Common Business-Oriented Language
DCPDS	Defense Civilian Personnel Data System
DCPS	Defense Civilian Pay System
DFAS	Defense Finance and Accounting Service
DIS	Defense Investigative Service
DISA	Defense Information Systems Agency
DMDC	Defense Manpower Data Center
FMFIA	Federal Managers' Financial Integrity Act
FMR	Financial Management Regulation
GAO	General Accounting Office
IG	Inspector General
OPM	Office of Personnel Management
SSA	Social Security Administration
SSN	Social Security Number



INSPECTOR GENERAL
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February 26, 1996

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE
CHIEF, NATIONAL GUARD BUREAU

SUBJECT: Audit Report on the Reconciliation of Air Force Common Pay and Personnel Data for Civilians (Report No. 96-078)

We are providing this report for review and comments. Management comments on a draft of this report were considered in preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. The Under Secretary of Defense (Comptroller) nonconcurred with Recommendation A.1. The Air Force nonconcurred with Recommendations A.3.b. and B.2. and was nonresponsive to Recommendations A.3.a. and A.4. The National Guard Bureau did not comment on Recommendation A.5. We request that the Under Secretary of Defense (Comptroller), the Air Force, and the National Guard Bureau provide comments on the unresolved recommendations by April 26, 1996.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. David C. Funk, Audit Program Director, at (303) 676-7392 (DSN 926-7392). See Appendix G for the report distribution. The audit team members are listed inside the back cover.

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Office of the Inspector General, Department of Defense

Report No. 96-078
(Project No. 4FD-5009.01)

February 26, 1996

Reconciliation of Air Force Common Pay and Personnel Data for Civilians

Executive Summary

Introduction. This report deals with the processes used by the Defense Finance and Accounting Service (DFAS) and by Air Force, Air Force Reserve, and National Guard personnel offices to reconcile common pay and personnel data of their civilian employees. Reconciliations help detect payment errors and reduce the risk of fraud and abuse. A previous report addressed Air Force active-duty members. During FY 1994, DFAS used the Defense Civilian Pay System (the DoD Pay System) and the Air Force Standard Civilian Automated Pay System (the Air Force Pay System) to pay approximately 197,000 civilian employees almost \$9 billion. Payments were based on data recorded in personnel files at installation and regional locations and entered in the Defense Civilian Personnel Data System (the Personnel System).

Audit Objectives. The primary audit objective was to evaluate the effectiveness of the reconciliation process used by DFAS, Air Force, Air Force Reserve, and Air National Guard personnel offices to ensure agreement of data common to civilian pay and personnel systems at the end of pay period 14, 1994 (July 9, 1994), and to recover any inappropriate payments. We also reviewed applicable management controls for compliance with the DoD management control program.

Audit Results. Overall, payroll accuracy was excellent. We found a relatively small number and amount of payment errors and no fraud or abuse. However, the process of reconciling pay and personnel records of civilian employees could be improved to ensure the agreement of common data elements. Payments made from inactive pay records were not reconciled to source documents. The management control program for the Personnel System did not include the reconciliation process as part of an assessable unit. Also, DoD Regulation 7000.14-R, the "DoD Financial Management Regulation" (FMR), volume 8, "Civilian Pay Policy and Procedures," January 3, 1995, allows quarterly manual reconciliations without considering whether management controls in pay systems are adequate if they lack an automated pay and personnel interface. As a result, payment errors could go undetected, and the potential exists for fraud and abuse (Finding A).

Our reconciliation for pay period 14 identified payment errors, many not previously detected, which affected only 1/10th of 1 percent of the civilian pay records reviewed. Some overpayments could not be recovered due to circumstances that caused collection to be waived (Finding B).

We identified a material management control weakness in the reconciliation process in that critical pay data in the Air Force Pay System were not reconciled at required intervals (Appendix A). Both monetary and nonmonetary benefits can be achieved by implementing our recommendations, although the monetary benefits are not quantifiable. See Part I for details of the audit results and Appendix E for a summary of the potential benefits resulting from the audit.

Summary of Recommendations. We recommend that the FMR be amended to authorize quarterly manual reconciliations only when other management controls

designed to avoid payment errors and detect fraud and abuse are adequate; that biweekly reconciliations of critical data in the Air Force Pay System are done as required; that payments made on inactive pay records in the Air Force Pay System are validated against source documents; and that the reconciliation process is included as part of an assessable unit in the management control program of the Personnel System. We also recommend the expanded use of data retrievals to identify possible pay errors, and the development of a means to ensure that procedures are followed when paying reemployed annuitants.

Management Comments. The Under Secretary of Defense (Comptroller) nonconcurred with amending the FMR, stating that requiring biweekly reconciliations in the Air Force Pay System will achieve the objective of the recommendation. The Air Force concurred with requiring all personnel offices to complete biweekly reconciliations of critical data in the Air Force Pay System, stating that this was already required and is being done. The Air Force nonconcurred with establishing the reconciliation of pay and personnel data as an assessable unit, stating that reconciliations are not designed to prevent fraud and abuse, and that their absence is not a material weakness. The Air Force also nonconcurred with developing a means to ensure that procedures to pay reemployed annuitants are followed, stating that procedures already exist. The DFAS concurred with the recommendations, stating that DFAS has issued procedures to ensure that reconciliations will be accomplished; that supervisors will be required to review all payments on inactive records; and that data are being provided to the Defense Manpower Data Center to expand the use of data retrievals under Operation Mongoose. The National Guard Bureau did not comment on the draft report.

Although not required to comment, DFAS did not agree with the recommendation to the Under Secretary of Defense (Comptroller), stating that the FMR does not apply to payroll offices that use the Air Force Pay System. The DoD Civilian Personnel Management Service also provided unsolicited comments on Finding A, stating that management plans to take an active role in resolving problems with the reconciliation process. The Air Force also provided unsolicited comments on the findings. See Appendix D for a summary of the comments and our audit response. See Part I for a summary of management comments on the recommendations, and Part III for the complete text of management comments.

Audit Response. Requiring biweekly reconciliations of the Air Force Pay System will not achieve the objectives of the recommendation, because that requirement does not address other DoD pay systems. Although the Air Force concurred with requiring biweekly reconciliations, we do not consider its comments responsive. Employees were not following the existing procedures, and additional enforcement measures are necessary. Reconciliation of pay and personnel data does not have to be a separate assessable unit in the management control program. However, it is a management control and should be included as part of an assessable unit. Procedures for processing the records of reemployed annuitants were not always followed, and additional guidance is necessary. We request that the Under Secretary of Defense (Comptroller), the Air Force, and the National Guard Bureau provide comments in response to the final report by April 26, 1996.

We disagree with the unsolicited DFAS comments on the FMR. The FMR covers other payroll systems and contains provisions for payroll offices that do not have the capability for mechanized reconciliations. The Regulation should not authorize mere quarterly reconciliations of these systems without considering the adequacy of other management controls.

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Part I - Audit Results

Audit Background

This audit was performed in conjunction with a General Accounting Office (GAO) review of Navy civilian pay and personnel data. This report deals with the methods used by the Defense Finance and Accounting Service (DFAS) and the Air Force, the Air Force Reserve (AFRES), and State National Guard personnel offices to reconcile common pay and personnel data of Air Force, AFRES, and Air National Guard (ANG) civilian employees. The purposes of those reconciliations are to detect and correct payment errors and reduce the risk of fraud and abuse.

Personnel System. Regional and installation-level Air Force, AFRES, and ANG civilian personnel offices maintain pay-entitling source personnel information, such as support for new pay accounts, grades, and promotions, for Air Force civilian employees. This information is maintained in the Defense Civilian Personnel Data System (DCPDS). Similarly, AFRES and State National Guard personnel offices maintain the DCPDS for civilian employees. That information is provided to the two DFAS-maintained civilian pay systems serving Air Force employees. During the audit, the Air Force was consolidating installation-level civilian personnel offices at regional locations. The DCPDS received computer support from Defense Information System Agency (DISA) regional computer sites and Air Force-owned installation-level computer sites. On July 9, 1994, the end of pay period 14 and the time at which most audit tests were made, the Air Force employed over 200,000 civilians.

Pay Systems. DFAS maintains two pay systems to serve Air Force civilian employees: the Defense Civilian Pay System (DCPS) and the Air Force Standard Civilian Automated Pay System (AFSCAPS). At the time of the audit, the DCPS, a centralized pay system controlled by the DFAS Financial Systems Activity at Pensacola, Florida, paid approximately 40,000 Air Force employees located in the United States through computer sites serving three DFAS locations: Charleston, South Carolina; Pensacola, Florida; and Denver, Colorado. Similarly, the AFSCAPS, a decentralized pay system managed by the DFAS Denver Center, paid approximately 136,000 Air Force employees located in the United States through 113 installation-level payroll offices, using the services of DISA regional and Air Force-owned computer sites. At the time of the audit, DISA was taking over the management of installation-level Air Force computer centers at regional sites, and DFAS was converting installation-level AFSCAPS operations to DCPS operations at the DFAS locations. DFAS pay managers stated that the AFSCAPS will cease operations when the last of 162 Air Force installation-level payroll operations is converted to the DCPS in March 1997. According to Air Force budget officials, the Air Force budgeted about \$9 billion in FY 1994 to pay an end strength of nearly 197,000 civilian employees.

Audit Objectives

The overall audit objective was to evaluate the effectiveness of the reconciliation processes that DFAS, Air Force, and ANG pay managers and Air Force, AFRES, and State National Guard personnel managers use to ensure the agreement of data common to Air Force civilian pay and personnel systems and to recover any inappropriate payments. We also examined management controls at DFAS and the Air Force Personnel Center (AFPC, formerly the Air Force Civilian Personnel Management Center) as they pertained to the audit objective. This report discusses the objective as it applies to civilian employees. In a previous report, we discussed the objective as it applied to Service members. See Finding A for a discussion of the material management control weakness we identified; Appendix A for the audit scope and methodology and the results of our review of management controls; and Appendix B for prior audits and other reviews.

Finding A. Effectiveness of Reconciliations

Pay and personnel reconciliation processes for Air Force, AFRES, and ANG civilian employees did not ensure the agreement of pay-affecting data elements common to the pay and personnel systems. The AFSCAPS did not have adequate management controls to detect payment errors, fraud, and abuse unless critical data were reconciled each pay period. For the decentralized AFSCAPS pay system:

- o Most Air Force, AFRES, and ANG locations did not make the required biweekly reconciliations of critical AFSCAPS pay data and DCPDS personnel data. Completing biweekly reconciliations eliminates the potential for duplicate payments arising from employee transfers or fraudulent payroll manipulations. The absence of these reconciliations for each pay period made AFSCAPS particularly vulnerable to fraud and abuse.

- o The AFSCAPS had no management controls over the reconciliation of payments made on temporarily activated inactive pay records to authenticating documents.

For the centralized DCPS pay system:

- o In February 1994, DFAS required that centralized DCPS pay data and decentralized DCPDS personnel data be reconciled every 4 months; however, as of September 1995, the process had not been implemented for Air Force civilians.

- o Management controls did not exist to detect erroneous multiple payments made to employees from DCPS pay files at different DFAS paying locations or from AFSCAPS pay files, and to correct invalid codes from servicing Air Force personnel offices when these codes might indicate the presence of manipulations or ghost employees.

- o Maintaining inactive payroll records for Air Force civilians on the DCPS file increases the risk of fraud.

Also, DoD Regulation 7000.14-R, the "DoD Financial Management Regulation" (FMR), volume 8, "Civilian Pay Policy and Procedures," January 3, 1995, did not consider the adequacy of management controls in pay systems before allowing manual quarterly reconciliations to be made when an automated pay and personnel interface did not exist.

As long as these management control weaknesses continue to exist, both pay systems, especially the AFSCAPS, are vulnerable to increased incidence of future payment errors, fraud and abuse. Although the

payment errors identified were not considered material (Finding B), many could have been promptly corrected and overpayments recovered if adequate reconciliations had been performed.

Background

Each pay system uses a different method to reconcile pay and personnel data for civilian employees.

DoD Requirements. The FMR requires civilian payroll and personnel offices with automated interfaces to make biweekly reconciliations of critical data elements. It states that civilian payroll offices that do not have the capability for automated reconciliations will perform quarterly reconciliations using locally-determined procedures that are agreeable to all parties involved.

AFSCAPS. Air Force Regulation 177-372, volume I, "Air Force Standard Civilian Automated Pay System User Manual," June 1, 1994, designates data elements in the AFSCAPS as critical or noncritical. DFAS Denver Center Regulation 177-104, "Civilian Pay Transactions at Base Level," August 30, 1993 (formerly Air Force Regulation 177-104), requires that the 26 data elements designated as critical (for example, Social Security number [SSN] and salary) be reconciled biweekly to comparable data elements in the DCPDS. Biweekly reconciliations of critical data are especially important because of the design of system access controls. Any clerk who can access this pay system can change entitlements on any account at any time (for example, both before and after the end of a biweekly pay period). Because the AFSCAPS is being converted to the DCPS, a system change to control this type of access for pay clerks is not feasible. Therefore, if pay and personnel data are not reconciled biweekly, the risk of system manipulation is very high. On January 20, 1995, the DFAS Denver Center directed all civilian payroll offices using AFSCAPS to certify each quarter that required reconciliations and corrections had been made. On August 18, 1995, the DFAS Denver Center reiterated the certification requirement to civilian payroll offices. The 42 data elements designated as noncritical (for example, date of birth) are reconciled each quarter.

Payroll offices begin the reconciliation process by sending pay data to the personnel function. The personnel function matches the pay information to data recorded in the DCPDS. Differences are listed and checked against source data in the hard copy personnel file. Correction of an error in the DCPDS produces a transaction that goes to the payroll office. If personnel data are correct, the automated listing of data differences is annotated and sent to the payroll office. Payroll supervisors then ensure that pay records are appropriately corrected. Payroll offices are required to complete the reconciliation within 5 days after receipt of data differences identified by the personnel functions.

DCPS. The DFAS Pensacola Financial Systems Activity's "DCPS Interface Specification Manual," DCPS-IS-01, February 5, 1995, identifies

Finding A. Effectiveness of Reconciliations

73 data elements, common to both the DCPS pay system and the DCPDS personnel system, for reconciliation. A memorandum issued by the DFAS Pensacola Financial Systems Activity on February 8, 1994, "Execution of Personnel/Payroll Reconciliation," required data elements to be reconciled three times a year. Current DFAS plans call for pay and personnel systems to capture data at the end of an agreed-upon processing cycle. Pay data are to be forwarded to the servicing personnel office, which will inform the servicing DFAS payroll offices of needed corrections. DFAS and personnel officials have not set time limits for completing the planned DCPS and DCPDS data reconciliations.

Reconciling AFSCAPS Pay Data and DCPDS Personnel Data

Although our tests identified significant management control weaknesses, we identified few payment errors and no instances of fraud or abuse (see Finding B for payment errors and Appendix C for the details of our test results). The errors found were not material, considering the number of payments made during the pay period reviewed. However, most Air Force, AFRES, and ANG locations did not make the required biweekly reconciliations of critical AFSCAPS pay data and DCPDS personnel data. The absence of biweekly reconciliations made AFSCAPS vulnerable to fraud and abuse.

In the ANG, a significant fraud totaling nearly \$291,000 occurred in pay periods before our review; that fraud would have been detected if the required biweekly reconciliations had been performed. Similar conditions could exist in other Air Force, AFRES, and ANG payroll activities in pay periods when biweekly pay and personnel reconciliations are not performed.

AFSCAPS Payroll Activities for the Air Force and AFRES. During pay period 14, 1994, 38 of 41 (93 percent) Air Force AFSCAPS payroll offices, and 1 AFRES AFSCAPS payroll office that served personnel at 14 locations, did not make biweekly reconciliations of critical pay and personnel data. Air Force payroll and personnel managers at the installations reviewed said that their work load and personnel shortages were the main reasons why the reconciliations were not completed. Similarly, AFRES activities did not perform biweekly reconciliations, although attempts had been made to correct the problem. For example, the DFAS Defense Accounting Officer serving the AFRES civilian payroll office reaffirmed the need for biweekly reconciliations and solicited cooperation in a June 3, 1994, letter sent to Headquarters, AFRES, and each AFRES personnel office.

The AFRES payroll manager also said that the consolidation of personnel offices prevented the completion of reconciliations. The AFPC had not established the reconciliation of AFSCAPS pay data and DCPDS personnel data as part of an assessable unit in the DoD management control program. Consequently, a material management control weakness, failure to complete

Finding A. Effectiveness of Reconciliations

reconciliations at required intervals, had not been reported. As of September 30, 1995, 31 Air Force payroll offices and 1 AFRES payroll office were still using the AFSCAPS pay system.

AFSCAPS Payroll Activities for the ANG. AFSCAPS data at ANG payroll offices and DCPDS data at State National Guard offices were not reconciled, making the AFSCAPS vulnerable to payment errors and fraud. During FY 1994, the ANG paid about \$1.2 billion to an end strength of 25,749 civilian employees. At the end of pay period 14, 1994, 63 of the 89 ANG payroll offices used the AFSCAPS to pay civilian employees (26 ANG payroll offices had already been converted to the DCPS). Personnel in the ANG Financial Management and Comptroller Directorate said that shortly after the ANG personnel function was transferred to the DCPDS (about 5 years ago), management determined that installing new communication lines between State National Guard personnel offices and the ANG bases they served was too costly to facilitate reconciling pay and personnel data. The September 1991 selection of the Navy's pay system as the standard DoD pay system, to be known as DCPS, also influenced the decision not to reconcile pay and personnel data. Consequently, the need for an interim reconciliation process was ignored. None of the 89 payroll offices established any means other than a biweekly reconciliation to guard against the possibility of fraud and abuse or to identify and correct routine errors. Payroll fraud involving \$291,000 occurred at an ANG activity before pay period 14, 1994. If the AFSCAPS and DCPDS data had been reconciled biweekly as required, this fraud could have been detected. As of September 30, 1995, 39 ANG payroll offices will still be using the AFSCAPS pay system.

Inactive Pay Records. The AFSCAPS had no requirement to reconcile payments made on temporarily activated inactive pay records to authenticating source documents. At the end of pay period 14, 1994, the AFSCAPS had 20,607 inactive pay records for civilians transferred, separated, and deceased. During that pay period, payments had been made on 689 (3 percent) of the records. Although few overpayments occurred (5 employees were overpaid \$4,956), management controls to authenticate the validity of the payments were lacking. Authenticating these payments allows management to correct payment errors and detect fraud and abuse.

Reconciling DCPS Pay Data and DCPDS Personnel Data

Although the audit identified payment errors (see Finding B) and other management control weaknesses in the DCPS, we did not identify any instances of fraud or abuse. For the most part, our findings confirmed the existence of four observations made by the GAO concerning the DCPS in its Report No. AIMD-95-73 (B-258746), "Control Weaknesses Increase Risk of Improper Navy Civilian Payroll Payments," May 8, 1995 (see Appendix B for more information). Specifically, the GAO observed that few overpayments were made in the accounts tested, reconciliations between payroll and personnel systems were not routinely performed, the DCPS was not tested for duplicate

Finding A. Effectiveness of Reconciliations

payments, and maintaining inactive payroll records on the DCPS file increased the risk of fraud. We also found that no management controls had been developed to detect invalid identity codes for Air Force personnel offices.

Reconciliation Process. An extensive reconciliation of pay and personnel data occurs when DFAS converts installations using other civilian pay systems (for the Air Force, the system was primarily AFSCAPS) to the DCPS. However, recurring pay and personnel data reconciliations have not begun for Air Force civilians. DFAS officials said that the downsizing of pay and personnel offices delayed reconciliations. A memorandum from the Defense Civilian Personnel Management Service to the DFAS Civilian Pay Project Management Office, "Predetermined Schedule for Personnel/Payroll Reconciliation Processing," August 21, 1995, which referred to a DFAS memorandum dated July 11, 1995, gave tentative schedules for payroll and personnel reconciliation schedules for each Service. The Air Force was scheduled for February, June, and October of each year, and the National Guard Bureau was scheduled for April, August, and December. The memorandum stated that "... each of the components has indicated that they will require flexibility in their schedules due to circumstances driven by functional requirements beyond their control and may need to request additional reconciliations at other times to meet their needs. . . ." The memorandum did not give an implementation date.

Management Controls. DCPS management controls can be improved. One management control weakness had been previously identified by the GAO.

Multiple Payments. As the GAO observed, management controls did not exist to detect erroneous multiple payments made to employees from DCPS pay files at different paying locations or from AFSCAPS pay files. Although many records with multiple payments are correctly maintained, some are not. For example, an employee may have been paid for half of a pay period by one paying location or system, and for the other half of the same pay period by another paying location or system. During pay period 14, 1994, two Air Force employees, one of whom was overpaid, were paid by two different DCPS paying locations. Similarly, 3 of 25 Air Force employees were overpaid when paid by both the DCPS and the AFSCAPS during pay period 14, 1994.

Personnel Office Codes. Management controls had not been established to correct DCPS codes that incorrectly or invalidly identified servicing Air Force personnel offices. When the reconciliations begin, personnel offices will be able to identify and correct some of these incorrect codes when personnel records do not match pay records. However, when pay records purposely cite invalid personnel office codes in order to avoid a reconciliation with personnel records, such pay records could disguise the presence of ghost employees and pay manipulations. Although the DCPS can detect and capture invalid codes, no procedures have been developed to correct them. As a result of the audit, the DFAS Financial Systems Activity, Pensacola, Florida, requested a systems change to correct the problem.

Inactive Pay Records. At the end of pay period 14, 1994, 4,486 (10 percent) of the 45,000 Air Force pay records on the DCPS were inactive. This confirmed a GAO observation. Payments had been made on 326 of those

Finding A. Effectiveness of Reconciliations

records during the pay period. None of the payments had been validated by comparison to pay-authenticating source documents. Inactive records will be excluded from the planned process for pay and personnel reconciliation. The absence of validation allows fraud and abuse in these records.

Correcting Risks Associated With Duplicate Payments and Inactive Pay Records. Because DFAS generally agreed with the recommendations in GAO Report No. AIMD-95-73 on multiple payments and inactive pay records, we are not making recommendations to correct those problems.

DoD Financial Management Regulation

The requirement to reconcile civilian payroll and personnel data in the FMR can be strengthened to avoid payment errors. Currently, the regulation does not consider whether management controls in pay systems without an automated personnel system interface are adequate before allowing manual quarterly reconciliations. The regulation does not recognize that pay systems such as the AFSCAPS do not have adequate management controls to detect payment errors, fraud, and abuse unless critical data are reconciled each pay period. For example, ANG payroll offices use the AFSCAPS system, but do not have the capability for an automated reconciliation of pay and personnel data. Using AFSCAPS requires biweekly reconciliations of critical data because of the design of system access controls. If biweekly reconciliations of critical data are not done, no assurance exists that payment errors have been avoided and fraud has not been perpetrated.

Summary

The processes used to reconcile AFSCAPS and DCPS pay data and DCPDS personnel data were either ineffectively applied or were not implemented, and did not adequately guard against payment errors and fraud and abuse. The AFPC had not established the reconciliation of AFSCAPS pay data and DCPDS personnel data as part of an assessable unit in the DoD management control program for DCPDS, so the lack of reconciliation of pay and personnel data was not reported as a material control weakness. Both pay systems lacked controls over the validation of payments made on inactive pay records. The DCPS had a management control weakness relating to payments made from multiple pay records for the same individual, and did not have a procedure to correct invalid servicing personnel office codes entered on pay records. Those invalid codes could disguise fraudulent manipulations. The DFAS took action to correct the second condition during the audit. Reconciliation requirements in DoD Regulation 7000.14-R did not relate the frequency of reconciliations to management controls in DoD pay systems. In a recent report on the Navy's pay and personnel reconciliations, the GAO identified management control weaknesses in the DCPS for payments made from multiple pay records for an

Finding A. Effectiveness of Reconciliations

individual. The GAO also identified the potential for fraud caused by the manner in which inactive records were maintained in the DCPS. The DFAS has initiated action to correct those problems.

Management Comments on the Finding and Audit Response

Although not required to comment, the Air Force made additional comments on the finding. These comments were considered and changes made to the report as necessary. See Appendix D for a summary of management comments on the findings and the audit response. See Part III for the complete text of the comments.

While not required to comment, the Defense Civilian Personnel Management Service provided comments on the finding, stating that it plans to take an active role in ensuring that the reconciliation schedule agreed to by the Services are maintained, and problems encountered in the reconciliation process are resolved. See Part III for the complete text of the comments.

Recommendations, Management Comments, and Audit Response

A.1. We recommend that the Under Secretary of Defense (Comptroller) revise DoD Regulation 7000.14-R, the "DoD Financial Management Regulation," volume 8, "Civilian Pay Policy and Procedures," January 3, 1995, to permit manual quarterly reconciliations of critical civilian payroll and personnel data only when other management controls designed to avoid payment errors and detect fraud and abuse in the affected systems are adequate.

Management Comments. The Under Secretary of Defense (Comptroller) nonconcurred, stating that adoption of Recommendation A.2., requiring biweekly recommendations in the AFSCAPS, will achieve the objective of the recommendation.

Defense Finance and Accounting Service Comments. DFAS, while not required to comment, disagreed with the recommendation, stating that the FMR does not apply to payroll offices that still use the AFSCAPS because these pay offices have not been transferred to the DFAS consolidated pay offices. Payroll offices still using AFSCAPS are subject to DFAS Denver Center Regulation 177-104.

Finding A. Effectiveness of Reconciliations

Audit Response. We disagree with the comments of the Under Secretary of Defense (Comptroller) and DFAS. The implementation of Recommendation A.2.a. will not address systems other than AFSCAPS. The FMR (paragraph 010201.A.2.) covers other payroll systems and contains provisions (paragraph 010407.B.) for payroll offices that do not have the capability for mechanized reconciliations. AFSCAPS is an example of one of these systems. The regulation authorizes quarterly reconciliations without considering the adequacy of other management controls in the affected pay system. If no other controls exist, quarterly reconciliations may not be adequate to detect pay errors, fraud, and abuse. Therefore, we believe that the regulations should be revised. We request that the Under Secretary of Defense reconsider his position and provide additional comments in response to the final report.

A.2. We recommend that the Director, Defense Finance and Accounting Service, require the Defense Finance and Accounting Service Denver Center to:

a. Implement a method of ensuring that critical data elements in the Air Force Standard Civilian Automated Pay System are reconciled biweekly, as required by current directives, at all affected activities of the Air Force, Air Force Reserve, and Air National Guard, for as long as that system operates.

Management Comments. The DFAS concurred, stating that the DFAS Denver Center has issued procedures requiring quarterly certifications that reconciliations are being done, and that at ANG activities, the DFAS Denver Center Directorate of Operations, and overseas commands, followup is performed at bases that do not comply. These procedures will be incorporated in DFAS Denver Center Regulation 177-104 by March 1996.

b. Require Air Force Standard Civilian Automated Pay System payroll offices to validate all payments made on inactive pay records.

Management Comments. The DFAS concurred, stating that procedures will be implemented to require the civilian pay supervisor, the Defense Accounting Officer, or the Financial Services Officer to verify all payments on inactive records. These procedures will be incorporated in DFAS Denver Center Regulation 177-104 by March 1996.

A.3. We recommend that the Deputy Chief of Staff of the Air Force, Personnel, require:

a. All Air Force personnel offices serving civilians paid by the Air Force Standard Civilian Automated Pay System to complete biweekly reconciliations of critical pay and personnel data for as long as that pay system operates.

Management Comments. The Air Force concurred with the recommendation, and stated that this was already a requirement in Air Force Manual 30-130, volume IV.

Finding A. Effectiveness of Reconciliations

Audit Response. Although the Air Force concurred with the recommendation, we do not consider its comments responsive. We agree that a requirement exists to perform biweekly reconciliations; however, employees at personnel offices were not following the requirement, and additional enforcement measures are necessary. In response to the final report, we request that the Air Force provide comments explaining the additional actions it will take to ensure that reconciliations are completed.

b. The Air Force Personnel Center to establish the reconciliation of pay data in the Air Force Standard Civilian Automated Pay System and personnel data in the Defense Civilian Personnel Data System as part of an assessable unit in the DoD management control program.

Management Comments. The Air Force nonconcurred with the recommendation, stating that reconciliations are not designed to prevent fraud and abuse and do not assure that fraud and abuse will not occur. The Air Force stated that it did not consider lack of reconciliations a material weakness in the DoD management control program.

Audit Response. The Air Force comments are not responsive. The FMR states that payroll and personnel systems shall interface and that data from the systems shall be reconciled promptly to keep information up-to-date and minimize the possibility of fraud, waste, and mismanagement. DFAS included the reconciliation process in its evaluation of the management controls in the AFSCAPS, and reported the lack of civilian pay and personnel data reconciliations as a material weakness in its Federal Managers' Financial Integrity Act (FMFIA) Annual Statement of Assurance for FY 1994. We agree with the DFAS position, and have revised our recommendation to state that the Air Force should establish the reconciliation of pay and personnel data as part of an assessable unit, not necessarily a separate unit, in its management control program. We request that the Air Force reconsider its position and provide comments on the revised recommendation.

A.4. We recommend that the Chief, Air Force Reserve, require Air Force Reserve personnel offices serving civilians paid by the Air Force Standard Civilian Automated Pay System to complete biweekly reconciliations of critical pay and personnel data for as long as that pay system operates.

Management Comments. The Comptroller, Air Force Reserve, concurred with the recommendation, and stated that corrective actions have been taken and reconciliations are ongoing.

Audit Response. The comments from the Comptroller, Air Force Reserve, were partially responsive. The comments did not state what corrective actions were taken to ensure that reconciliations are being accomplished, or when the actions were completed. We request that the Air Force Reserve provide clarification in response to the final report.

Finding A. Effectiveness of Reconciliations

A.5. We recommend that the Chief, National Guard Bureau, require personnel offices serving Air National Guard civilians who are paid by the Air Force Standard Civilian Automated Pay System to work with payroll offices to perform biweekly reconciliations of pay and personnel data for as long as that pay system operates.

Management Comments. The National Guard Bureau did not comment on the draft report.

Audit Response. We request comments from the National Guard Bureau in response to the final report.

Finding B. Identifying and Correcting Payment Errors

The audit of the reconciliation process for pay period 14, 1994, identified payment errors in only 1/10th of 1 percent of the civilian pay records reviewed. However, DCPS paying locations, AFSCAPS payroll offices, and Air Force DCPDS personnel offices can improve their methods of identifying and correcting payment errors, and can recover overpayments more promptly. Our tests identified 175 civilian employees who had been overpaid or underpaid \$123,000. During the 12 months following pay period 14, 1994, DFAS identified errors affecting 103 employees and took action to correct payment errors totaling \$52,000. The remaining payment errors, which totaled \$71,000 and affected 72 employees, were not detected. Some overpayments were not recovered because the DFAS Denver Center waived collection at the employee's request. The main causes of the payment errors included the following.

- o Pay and personnel reconciliation processes that could have detected most overpayments had either been ineffectively applied or had not been implemented (see Finding A).

- o AFSCAPS and DCPS pay managers did not have procedures to periodically test data in their pay systems for anomalous pay-affecting conditions. Use of such procedures would have established that:

- Air Force civilian personnel procedures did not assure that the pay of reemployed annuitants was offset by the amount of annuity paid by the Office of Personnel Management (OPM).

- The AFSCAPS pay system did not have any procedure for isolating and validating large annual leave balances in order to avoid overpayments.

By not completing reconciliations as required and not using other available means to validate payroll accuracy, DFAS and the Air Force allowed payment errors, fraud, and abuse to occur and go undetected.

Reconciliation-Related Payment Errors

Over \$85,000 of the \$123,000 in payment errors found during the audit of data in pay period 14, 1994, could have been more promptly identified by an effective reconciliation process. Prompt detection would have increased the likelihood of recovery. The effectiveness of reconciliations is addressed in Finding A. Table 1 shows the composition of those payment errors.

Finding B. Identifying and Correcting Payment Errors

Table 1. Composition of Reconciliation-Related Payment Errors for Pay Period 14, 1994

<u>Pay Condition</u>	<u>Total Errors</u>		<u>Detected</u>		<u>Undetected</u>	
	<u>Employees</u>	<u>Amount</u>	<u>Employees</u>	<u>Amount</u>	<u>Employees</u>	<u>Amount</u>
Mismatched SSN, salary, grade, or step						
Overpayments	91	\$45,246	53	\$27,580	38	\$17,666
Underpayments	63	27,500	41	15,294	22	12,206
Multiple payments (overpaid entitlements)	7	7,736	4	5,592	3	2,144
Incorrect payments (inactive records)	<u>6</u>	<u>4,966</u>	<u>5</u>	<u>4,259</u>	<u>1</u>	<u>707</u>
Totals	167	\$85,448	103	\$52,725	64	\$32,723

Testing for Anomalous Pay Conditions

AFSCAPS and DCPS pay managers have not established procedures to periodically test data in their pay systems to identify and resolve anomalous pay-affecting conditions through the use of self-generated data retrievals. This finding addresses the need to expand the use of edit and reasonableness checks. We designed and applied data retrievals to isolate a variety of pay-affecting conditions that might exist in both the AFSCAPS and DCPS and could have a potential for fraud or abuse. Also, under the provisions of Operation Mongoose, a DoD initiative to prevent fraud and abuse, we asked the Defense Manpower Data Center (DMDC) to compare SSNs in selected files of Air Force civilian employees to isolate situations that might have a potential for payment errors, fraud, or abuse. The results, summarized in Appendix C, did not identify fraud or abuse. However, the retrievals and file comparisons identified previously undetected overpayments totaling \$37,677. Table 2 shows the conditions, the number of employees affected, and the amount of overpayments.

Table 2. Overpayments Identified by Data Retrievals for Pay Period 14, 1994

<u>Pay Condition</u>	<u>Employees</u>	<u>Amount</u>
Overpaid Reemployed Annuitants	7	\$36,464
Unearned Leave Balances	<u>1</u>	<u>1,213</u>
Totals	8	\$37,677

DMDC file comparisons showed that Air Force civilian personnel procedures did not assure that the pay of reemployed annuitants was offset by the amount of annuity paid by OPM. Personnel managers at Air Force headquarters confirmed that procedures governing the annuity offset were not consistently

Finding B. Identifying and Correcting Payment Errors

followed at four personnel offices serving civilians. Those personnel offices were located at Hill Air Force Base (AFB), Utah; Edwards AFB and Onizuka AFB, California; and Scott AFB, Illinois.

Also, our retrievals isolated large annual leave balances in the DCPS and AFSCAPS pay systems and subjected those balances to validation. An employee who is now retired was allowed to incorrectly accumulate and was paid for 588 hours of unused annual leave at retirement. The large balance was attributed to overseas service, but was actually caused by clerical error. The balance, which should have been 520 hours, was overstated by 68 hours.

Management Comments on the Finding and Audit Response

Although not required to comment, the Air Force made additional comments on the finding. These comments were considered and changes made to the report as necessary. See Appendix D for a summary of management comments on the findings and the audit response. See Part III for the complete text of the comments.

Recommendations, Management Comments, and Audit Responses

B.1. We recommend that the Director, Defense Finance and Accounting Service, require Defense Finance and Accounting Service civilian pay locations to expand the use of data retrievals to test for potentially erroneous conditions in pay files of the Air Force Standard Civilian Automated Pay System and the Defense Civilian Pay System. (See Appendix C for examples of retrievals and file comparisons.)

Management Comments. DFAS concurred, and stated that by participating in Operation Mongoose, payroll offices will be able to test for erroneous conditions in the pay files. DMDC is currently receiving data from the DCPS, and should begin receiving data from the AFSCAPS in January 1996. The DMDC will perform the required matches and will forward discrepancies to the appropriate office or agency for action. The estimated completion date is March 31, 1996.

B.2. We recommend that the Deputy Chief of Staff of the Air Force, Personnel, develop a means of ensuring that all civilian personnel offices follow established procedures to appropriately offset the pay of reemployed annuitants by the amount of annuity paid by the Office of Personnel Management.

Finding B. Identifying and Correcting Payment Errors

Management Comments. The Air Force nonconcurred with the recommendation, and stated that the system has a built-in edit to ensure that the pay of reemployed annuitants is offset by the amount of the OPM annuity. The Air Force further stated that if the correct code is used when a reemployed annuitant is hired, the amount of the annuity must be entered into the personnel system.

Audit Response. The Air Force comments are not responsive. Although procedures exist to offset the pay of reemployed annuitants by the amount of the annuity, these procedures were not followed for the seven reemployed annuitants identified in the audit. Additional measures are necessary to ensure that employees are following established procedures. We request that the Air Force reconsider its position and provide additional comments in its response to the final report.

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Part II - Additional Information

Appendix A. Scope and Methodology

Scope

Our audit had three components. We evaluated the processes used to reconcile the pay and personnel data of civilians employed by the Air Force and the Air National Guard who were located in the United States. Second, we retrieved data from civilian pay records to isolate and validate conditions that may have the potential for fraud or abuse. Third, we asked the DMDC to compare files in its possession to isolate anomalous conditions that may have the potential for fraud or abuse.

Reconciliations. We evaluated the methods used by DFAS to reconcile pay data recorded in the DCPS and the AFSCAPS with civilian personnel data maintained by Air Force and AFRES personnel offices and State National Guard activities.

Methodology. To complete the evaluation as of the end of pay period 14, 1994 (July 9, 1994), we extracted pay data from decentralized AFSCAPS pay files, in coordination with personnel in the Air Force's Headquarters, Standard Systems Group; pay data from centralized DCPS pay files at the Charleston, Denver, and Pensacola paying locations of DFAS, in coordination with the DFAS Pensacola Financial Systems Activity; and decentralized personnel data, in coordination with the AFPC. We compiled the assembled data on the mainframe computer at the DISA Denver Megacenter and made data comparisons using the Department of Transportation's COBOL Architecture Program. (COBOL, or Common Business-Oriented Language, is a high-level programming language designed for business applications.) We isolated data differences and validated them using source personnel information at locations visited, and at other locations where we obtained the assistance of the Air Force Audit Agency.

Limitations. We evaluated the reconciliation processes for 4 pay-affecting data elements (SSN, grade, step, and annual salary) for 177,936 civilian employees located in the United States. The evaluation focused on the processes governing the reconciliation of pay and personnel data for 169,660 civilians at the end of pay period 14, 1994. Because of missing files or delayed

data processing, we used pay data from later pay periods for 4 AFSCAPS pay offices and 2 State National Guard personnel offices¹ serving 8,276 civilians.

Data Retrievals. We validated unusual conditions identified by extracting data from both DCPS and AFSCAPS civilian pay records. Those conditions included employees who possessed unissued SSNs; multiple payments to an employee during a single pay period; multiple paychecks sent to a single post office box; no leave taken by an employee during the previous 18 months; employees whose annual leave balances exceeded 465 hours; employees whose pay was fully allotted (no net paycheck); payments made on inactive pay records; active pay records with no gross pay entitlement; and multiple savings allotments to a single bank account. We also validated the pay status of employees with more than one personnel record.

DMDC File Comparisons. We asked the DMDC to compare SSNs in different data files to seek matches that might indicate fraud or abuse. Air Force civilians in the OPM civilian personnel data file were compared to the Social Security death file (November 1994), and Air Force civilians in the DoD civilian personnel data file (June 1994) were compared to both the Civil Service retired file and the Civil Service retired death file. All matching SSNs were then validated.

Use of Computer-Processed Data. We performed limited tests to ensure the completeness and reliability of computer-processed data from pay and personnel sources. Specifically, to ensure the completeness of data, we reconciled counts of personnel records from 143 DCPDS personnel offices with control record counts maintained at AFPC. To confirm the completeness of the pay files, we then compared the reconciled personnel records to pay records from 107 AFSCAPS pay offices and the 3 DFAS DCPS pay locations. The four pay-affecting data elements selected for review were then compared, and differences were validated on a judgmental basis against authorizing information in employee personnel files. Nothing came to our attention as a result of these procedures that caused us to doubt the reliability of the computer-processed data.

Audit Period, Standards, and Locations. We performed this financial-related audit from January 1994 through September 1995 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General (IG), DoD. We included such tests of management controls as were considered necessary. Appendix F lists the organizations we visited or contacted.

¹AFSCAPS pay offices at Andrews AFB and the Pentagon provided data for the pay period ended October 29, 1994. AFSCAPS pay offices at Vance AFB, Oklahoma, and Lambert ANG Base, Missouri, provided data for the pay period ended July 23, 1994. Those pay data were compared to personnel data for July 9, 1994. The Delaware National Guard provided personnel data for the pay period ended August 11, 1994, and the Alabama National Guard provided personnel data for the pay period ended September 16, 1994. Those personnel data were compared to pay data for July 9, 1994.

Statistical Sampling Methodology

We did not use statistical sampling procedures in this audit.

Management Control Program

DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

Scope of Review of Management Control Program. We reviewed management controls that the AFPC, the National Guard Bureau, and DFAS used to govern the reconciliation of data elements common to Air Force civilian pay and personnel files. We also reviewed management's self-evaluation of those management controls.

Adequacy of Management Controls. We identified a material management control weakness, as defined by DoD Directive 5010.38, in the reconciliation of AFSCAPS pay data to DCPDS personnel data. At most Air Force, AFRES, and ANG activities, pay and personnel data elements that are critical to preventing fraud and abuse have not been reconciled biweekly. Consequently, no assurance existed that fraud and abuse would not occur in pay periods when the reconciliations were not made. Recommendation A.2.a., if implemented, will ensure that reconciliations are completed as frequently as required by controls in the AFSCAPS pay system. The amount of potential monetary benefits associated with the material weakness cannot be quantified because of the unknown degree, duration, and consequences of the nonreconciliation of critical data. See Appendix E for the potential benefits of the audit. A copy of the report will be provided to the senior official responsible for management controls in the Air Force and DFAS.

Adequacy of Self-Evaluation by DFAS Denver Center and AFPC. In October 1994, the DFAS Denver Center identified the inability to complete the biweekly reconciliation of AFSCAPS critical pay data and DCPDS personnel data as a material management control weakness. However, the AFPC did not identify the reconciliation of AFSCAPS and DCPDS data as part of an assessable unit, and therefore did not identify or report the material management control weakness identified by the audit. We could not determine why the AFPC overlooked the reconciliation process. Recommendation A.3.b. will correct this problem by establishing the reconciliation process as part of an assessable unit in the AFPC management control program.

Appendix B. Prior Audits and Other Reviews

During the last 5 years, the GAO and the AFAA have issued five reports that related to management controls over the reconciliation processes for civilian payroll and personnel systems of the uniformed services.

General Accounting Office

The GAO issued the following reports on the civilian payroll process.

GAO Report No. AIMD-95-73 (B-258746). This report, "Control Weaknesses Increase Risk of Improper Navy Civilian Payroll Payments," May 8, 1995, stated that although DFAS made few overpayments, reconciliations between personnel and payroll were inadequate, and DCPS did not test for multiple payments. GAO also observed that control weaknesses left DCPS vulnerable to improper payments because excess levels of computer access were granted, the DCPS audit trail was incomplete, and inactive payroll records remained on the system.

Recommendations. The GAO recommended that appropriate officials follow up on overpaid employees and determine the extent of the overpayments, collect amounts due, identify and correct systemic causes for the overpayments, and conduct and complete pay and personnel reconciliations. GAO also recommended that DFAS establish and implement automated procedures to detect and correct unauthorized multiple payments made to a single SSN; assess and control the need for individuals to possess supervisory computer access; develop and identify a DCPS audit trail that cannot be changed; and remove current and future inactive payroll records from the active payroll system, place them in a separate data base, and restrict access.

Management Comments. DFAS and Navy personnel officials generally agreed with the GAO recommendations. The GAO also acknowledged the DFAS concern that GAO did not recognize the extenuating circumstances caused by the rapid consolidation of DCPS processing locations.

GAO Report No. AFMD-92-12 (B-234326). This report, "Financial Audit: Aggressive Actions Needed for Air Force to Meet Objectives of the CFO Act," February 19, 1992, concluded that the Air Force and DoD had made only limited progress in implementing recommendations to correct the deficiencies discussed in a previous GAO report, "Financial Audit: Air Force Does Not Effectively Account for Billions of Dollars of Resources" (GAO/AFMD-90-23, B-234326, February 23, 1990). Three Air Force bases did not compare and reconcile master payroll files with master personnel records to ensure that the amounts paid were appropriate and accurate. DoD concurred with the finding, stating that in FY 1990, an automated civilian payroll system, which facilitated more effective and accurate reconciliations of payroll and personnel records,

Appendix B. Prior Audits and Other Reviews

was implemented at all Air Force bases. DoD also stated that Air Force directives have been revised to require more stringent reconciliations and that, as part of the FMFIA review process, compliance reviews will test the thoroughness and effectiveness of the new reconciliation requirements.

Air Force Audit Agency

The AFAA issued the following audit reports on the Air Force civilian payroll process.

Report of Audit for Project 94053035. This report, "Review of Military and Civilian Pay, Fiscal Year 1994 Air Force Consolidated Financial Statements," April 24, 1995, concluded that civilian personnel expenses, including accruals, were generally accurate and reliable at the installations reviewed, and management controls were generally effective when properly applied. The AFAA also reported substantial improvement in reconciling civilian pay and personnel records. No recommendations were made.

Report of Audit for Project 93053014. This report, "Review of Civilian Payroll, Fiscal Year 1993 Air Force Consolidated Financial Statements," June 6, 1994, concluded that civilian payroll amounts were generally accurate and supported in installation-level financial records for FY 1993; also the payroll process ensured that civilian payroll expenses in Air Force financial statements were reasonable. The AFAA also reported inaccurate accruals for civilian pay and unfunded civilian leave, and the required reconciliations between civilian pay records and personnel records had not been performed at approximately half of the installations reviewed.

Recommendations. The AFAA recommended that DFAS improve the accuracy of accrued amounts in the general ledger accounts, revise instructions for validating the general ledger, and train accounting personnel in the use of the instructions. The AFAA also repeated prior audit recommendations, but did not make new recommendations for improvements in reconciling pay and personnel records.

Management Comments. The DFAS management agreed with the overall audit results, except for disagreeing with the statement that failure to reconcile payroll and personnel records should be reported as a material weakness under the Federal Managers' Financial Integrity Act. DFAS agreed with the importance of management controls over the reconciliation of civilian pay and personnel records. However, because of other compensating controls to prevent errors or fictitious pay records, DFAS did not agree that the lack of base-level reconciliation between the pay and personnel functions constituted a reportable weakness under FMFIA. AFAA repeated its opinion that the area should be reported as a material management control weakness under FMFIA.

Report of Audit for Project 92053004. This report, "Review of the Civilian Payroll Process, Fiscal Year (FY) 1992 Air Force Consolidated Financial

Appendix B. Prior Audits and Other Reviews

Statements," January 12, 1993, concluded that civilian payroll amounts, after post-audit adjustments, were fairly presented in the Air Force's general fund installation-level financial records for FY 1992. However, the report stated that nearly one-third of the installations reviewed had not completed the required civilian pay and personnel reconciliations.

Recommendations. The AFAA made two recommendations to DFAS to ensure that reconciliations were performed and mismatched data were corrected.

Management Comments. DFAS partially concurred with the first recommendation and suggested alternative actions to increase oversight of the reconciliation process. AFAA considered the proposed DFAS actions responsive to the intent of the recommendation. DFAS disagreed with the second recommendation, that the DFAS Denver Center should randomly analyze reconciliation listings to determine whether changing the civilian payroll process might reduce the number of data mismatches. DFAS stated that such an analysis would be dated; that payroll processing and operations were being consolidated, and emphasis was being placed on avoiding record mismatches rather than on large-scale reconciliations; and that imposing new business process requirements on local payroll offices that are scheduled to close would be wasteful and misdirected. AFAA considered the DFAS position nonresponsive because DFAS did not address determining and correcting the causes of large numbers of data mismatches.

Appendix C. Audit Tests to Detect Fraud and Abuse

To validate reconciliation differences and anomalous situations identified by data retrievals and file comparisons, auditors from the IG, DoD, and AFAA examined source pay and personnel information. Validations occurred at locations where the AFAA had field offices and at sites visited by IG, DoD, auditors. Appendix F lists those locations.

Audit Reconciliation of Payroll and Personnel Data

We extracted four pay-affecting data elements for each Air Force civilian employee from pay records recorded in the DCPS and AFSCAPS pay systems, and compared the data to source information extracted from the DCPDS personnel system. We compared data in 177,936 employee personnel records to data in 203,110 pay records from the AFSCAPS and DCPS pay systems. The number of pay records exceeded the number of personnel records for several reasons, including, but not limited to, the following.

- o Inactive pay records were retained to provide income tax information to the Internal Revenue Service at the end of each year.

- o Employees who moved during a pay period may have had two pay records in one system or one pay record in each of two pay systems.

- o The personnel system had records for new employees for which pay records had not yet been established.

After all adjustments for these circumstances, 176,318 pay and personnel records were compared. Table 3 summarizes the comparison and the number of record differences identified and validated. Results of the validation are presented in Findings A and B.

Appendix C. Audit Tests to Detect Fraud and Abuse

Employee Pay Records Reconciled to Personnel Records

<u>Pay System and Employer</u>	<u>Total</u>	<u>Employee Records</u>		<u>Number Reviewed</u>
		<u>Matched</u>	<u>Unmatched</u>	
<u>DCPS</u>				
Air Force	32,474	30,760	1,714	1,473
Air National Guard	7,574	7,320	254	0
Air Force Reserve	<u>7</u>	<u>7</u>	<u>0</u>	<u>0</u>
Subtotals	40,055	38,087	1,968	1,473
<u>AFSCAPS</u>				
Air Force	111,838	108,240	3,598	2,769
Air National Guard	16,925	15,593	1,332	405
Air Force Reserve	<u>7,500</u>	<u>7,123</u>	<u>377</u>	<u>217</u>
Subtotals	136,263	130,956	5,307	3,391
 Air Force	 144,312	 139,000	 5,312	 4,242
Air National Guard	24,499	22,913	1,586	405
Air Force Reserve	<u>7,507</u>	<u>7,130</u>	<u>377</u>	<u>217</u>
Totals	176,318	169,043	7,275	4,864

Data Retrieved from DFAS Pay Files

We designed retrievals to test the following conditions, which included methods of identifying nonexistent (ghost) employees. Audit-validated test results did not identify any instances of fraud or abuse, but disclosed unusual situations and errors made by employees and payroll and personnel offices.

Unissued SSNs. Two SSNs in the July 1994 Air Force pay and personnel files had not been not issued by the Social Security Administration (SSA). We confirmed the existence of both employees. One of the employees had multiple SSNs in source pay and personnel records. Both individuals had been granted security clearances. AFPC managers said they do not attempt to ensure that SSNs in the DCPDS have been issued by the SSA; therefore, SSA criteria for issuing SSNs have not been incorporated as an edit in the DCPDS.

In a January 6, 1995, memorandum to the Defense Investigative Service (DIS), the security clearance investigating authority, we expressed our concern that the investigative process for security clearances may have a weakness. In a response dated February 27, 1995, the Director, DIS, stated that the "... SSN is not considered a positive source of information for establishing an individual's identity because of the ease in obtaining a valid SSN using counterfeit documents." The Director added:

Appendix C. Audit Tests to Detect Fraud and Abuse

... it is the opinion of DIS that those current PSI (personnel security investigation) investigative requirements established by DoD are sufficient and present a minimal risk to the integrity of the security clearance process. DIS is also of the opinion that if a DoD agency chooses to maintain a system of records by SSN to verify the identity of their employees, the responsibility for validation should rest with that agency.

In response to our questions, the SSA advised that employer and employee contributions under the Federal Indemnity Compensation Act are not credited to nonexistent accounts. Those amounts are held in a suspense account pending possible receipt of future claims.

Multiple Payments to an Employee During a Pay Period. Thirty-five employees received multiple payments during pay period 14, 1994. Of the 31 payments reviewed, payments made to 24 employees were correct. The remaining seven employees were overpaid \$7,736 (see Finding B).

Multiple Paychecks Sent to a Single Post Office Box. Ten post office boxes received checks from two or more individuals. All of the addresses were confirmed by employees.

No Leave Taken by an Employee During the Previous 18 Months. Five employees had not taken leave during the previous 18 months. We confirmed the existence of each employee.

Employees With Annual Leave Balances Exceeding 465 Hours. Pay records of 377 employees met the selection criteria. Of the 287 employees reviewed, 283 employees (all firefighters) were authorized the large annual leave balances. However, four annual leave balances were incorrect. The DFAS had previously detected and corrected the leave balances for three employees, but one employee was incorrectly paid for 68 hours of annual leave at retirement (see Finding B).

Employees Whose Pay Was Fully Allotted (No Net Paycheck). Forty employees were entitled to be paid, but did not receive a net paycheck. All of the 32 employees reviewed had recently died or had separated while owing money to the Government.

Payments Made on Inactive Pay Records. 1,015 payments were made from inactive pay records. Of the 548 pay records reviewed, all were temporarily activated to make the payments, and 542 payments were correct. However, 6 payments totaling \$4,966 were made in error (see Finding B).

Active Pay Records With No Gross Pay Entitlement. The AFSCAPS and DCPS pay systems contained active 2,541 pay records that had no gross pay entitlement. We reviewed 1,679 of those records and confirmed the existence of the employees. Most employees were either on leave without pay or were employed on a seasonal basis.

Multiple Savings Allotments to a Single Bank Account. Of 877 allotments that met the selection criteria, all 730 reviewed were correct. Most allotments

were payments to insurance companies, credit unions, and bank clearing accounts.

Employees With More Than One Personnel Record. For 71 employees, more than 1 personnel record had been entered in DCPDS. Reviews of records for 66 employees showed that all were in the process of moving.

Comparisons of DMDC File Data

Under the provisions of Operation Mongoose, we asked the DMDC to compare SSNs in different data files to identify situations where the potential for overpayment or fraud might exist. The audit-validated SSN matches done by DMDC did not identify any fraud or abuse, but did identify anomalous situations, erroneous SSNs, and previously undetected overpayments of \$36,500. The results of each comparison follow.

DoD Civilian Personnel Data File Compared to the Civil Service Retired File. SSNs of 45 Air Force employees also appeared in the Civil Service retired file dated June 30, 1994. Eight of the 31 matches reviewed were either administrative errors or unusual but valid circumstances. The remaining 23 matches pertained to reemployed annuitants. For 7 of the 23 reemployed annuitants, their active pay had not been offset by the amount of their annuity pay. Overpayments ranged between \$4,000 and \$16,000 and totaled about \$36,500. Pay and personnel officials took action to correct the files. The 14 matches not examined during the audit were sent to DFAS for review and correction where appropriate.

DoD Civilian Personnel Data File Compared to the Civil Service Retired Death File. Of the 16 matching SSNs, none were in the Air Force civilian pay or personnel files examined during our review. They may be employed by other Services. All were sent to the Air Force for review.

OPM Civilian Personnel Data Files Compared to the SSA Death File. The SSNs of seven Air Force employees appeared in both the OPM file and the SSA death file. Four active employees used incorrect SSNs, and three entries in the SSA death file were incorrect.

Appendix D. Additional Management Comments on the Findings and Audit Response

Although not required to comment, the Air Force made additional comments on the findings. See Part III for the complete text of the comments.

Finding A. Effectiveness of Reconciliations

Management Comments, References 3, 4, and 10. While early attempts to accomplish reconciliations between the DCPS and DCPDS were unsuccessful, they have been successfully completed on three occasions since August 1994.

Audit Response. Matches between DCPS and DCPDS data occurred during the period; however, DFAS Denver Center personnel could not confirm that data had been reconciled with all personnel offices. Matching data elements in the two systems does not constitute a reconciliation. Until mismatches of critical data elements are researched and all errors corrected, reconciliations are not complete.

Management Comments, Reference 8. The process developed for reconciling pay and personnel data ensures agreement of pay-affecting data elements in the systems. Critical data elements in AFSCAPS are matched every pay period, and noncritical elements are matched every quarter. DCPS reconciliations include both critical and noncritical elements.

Audit Response. Matching data elements does not constitute an effective reconciliation. Mismatched data elements must be researched and errors corrected. The process used by the Air Force and DFAS did not ensure agreement between pay and personnel systems, as shown by the many employees who had been over- and underpaid because pay and personnel systems had contained erroneous data for multiple pay periods.

Management Comments, References 9 and 12. Reconciliations are not designed to prevent fraud and abuse, but to identify inconsistencies in data between the two systems. The absence of reconciliation processing, therefore, does not contribute to fraud. A reconciliation process might help in detecting fraud, but it is not specifically designed to identify fraud.

Audit Response. According to the FMR (paragraph 010203.C.), pay and personnel systems should include interfaces in order to obtain accurate information, and should reconcile information in a timely manner to minimize fraud, waste, and mismanagement.

Appendix D. Additional Management Comments on the Findings and Audit Response

Management Comments, Reference 11. The report stated that payroll offices did not accomplish the reconciliations; personnel offices must initiate the reconciliation process and provide lists of mismatches to the payroll office after validation to source records.

Audit Response. The report named the payroll offices because, to complete a reconciliation, the payroll office must receive lists of mismatches to determine whether all data elements have been corrected. The reconciliation process must begin with the transfer of data from the pay system to the personnel system, where data elements should be matched. After validation and correction of mismatched data by employees in the personnel office, reports should be transferred to the payroll office for validation and correction of any remaining mismatched elements. The payroll supervisor should retain the listings for subsequent review.

Management Comments, References 5 and 13. Having inactive pay records on a payroll data base is not an erroneous condition, because the system must maintain pay records of separated employees until end-of-year processing of W-2 forms is completed. In addition, inactive records are not subject to reconciliation because they are removed from the personnel data base after the employee separates.

Audit Response. When a payroll system contains inactive records that are not subject to any reconciliation, this constitutes a management control weakness. This weakness was also identified in a recent GAO report on the Navy pay and personnel reconciliation process (GAO Report No. AIMD-95-73, B-258746). We realize, however, that these records must be maintained for end-of-year processing. Our report stated that no requirement existed to reconcile payments made on temporarily activated inactive pay records to authenticating source documents. Therefore, we recommended that DFAS validate payments on inactive records.

Finding B. Identifying and Correcting Payment Errors

Management Comments, Reference 14. The report is inconsistent in that it states that not completing reconciliations allowed payment errors, fraud, and abuse to occur, but also stated that fraud and abuses were not found.

Audit Response. The report states that "not completing reconciliations and not using other available means to validate payroll accuracy allowed payment errors, fraud, and abuse to occur and go undetected." Although the report stated that we did not detect any fraud or abuse in our review, it also stated that fraud had occurred at an ANG location before our review; this fraud could have been detected if reconciliations had been done as required.

Appendix E. Summary of Potential Benefits Resulting From Audit

Recommendation Reference	Description of Benefits	Amount and/or Type of Benefit
A.1.	Management controls. Amend regulation to reduce DoD exposure to payroll fraud and abuse.	Nonmonetary.
A.2.a., A.3.a., A.4., A.5.	Management controls. Reconcile AFSCAPS pay system to DCPDS personnel system biweekly at Air Force, AFRES, and ANG activities; promptly correct all differences.	Monetary. Amounts, incidence, collectibility, or payability of over- and underpayments cannot be determined.
A.2.b.	Management controls. On a biweekly basis, validate payments made on AFSCAPS inactive pay records.	Monetary. Amounts, incidence, collectibility, or payability of over- and underpayments cannot be determined.
A.3.b.	Management controls. Include the reconciliation process as part of an assessable unit.	Nonmonetary.
B.1.	Economy and efficiency. Strengthen DFAS procedures to test for fraud and abuse and prevent over- and underpayments.	Nonmonetary.
B.2.	Compliance with laws and regulations. Enforce procedures to offset pay of retired annuitants with annuity paid by OPM.	Monetary. Amounts, incidence, collectibility, or payability of over- and underpayments cannot be determined.

Appendix F. Organizations Visited or Contacted

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller), Washington, DC
Directorate for Accounting Policy

National Guard Bureau, Departments of the Army and the Air Force

Human Resources Directorate, Alexandria, VA
Civilian Personnel Office, Massachusetts National Guard, Natick, MA
Civilian Personnel Office, Michigan National Guard, Lansing, MI
Civilian Personnel Office, New Hampshire National Guard, Concord, NH
Civilian Personnel Office, Ohio National Guard, Columbus, OH
Air National Guard Directorate for Financial Management and Comptroller,
Andrews Air Force Base, MD
Civilian Pay Office, Barnes Municipal Airport, MA
Civilian Pay Office, March Air Force Base, CA
Civilian Pay Office, McConnell Air Force Base, KS
Civilian Pay Office, Otis Air National Guard Base, MA
Civilian Pay Office, Pease Air National Guard Base, NH
Civilian Pay Office, Rickenbacker Air National Guard Base, OH
Civilian Pay Office, Selfridge Air National Guard Base, MI
Civilian Pay Office, Springfield Air National Guard Base, OH
Civilian Pay Office, Toledo Air National Guard Base, OH

Department of the Air Force

Deputy Assistant Secretary of the Air Force (Budget), Washington, DC
Director, Budget Operations
Deputy Chief of Staff of the Air Force (Personnel), Washington, DC
Personnel Plans Directorate
Headquarters, Air Force Reserve, Robins Air Force Base, GA
Financial Services Office, Dobbins Air Force Reserve Base, GA
Civilian Personnel Office, Westover Air Force Reserve Base, MA
Air Force Civilian Personnel Management Center, Randolph Air Force Base, TX
Integrated Systems Division
Headquarters, Standard Systems Group, Maxwell Air Force Base - Gunter Annex, AL
11th Support Wing, Department of the Air Force, Washington, DC
Financial Services Office, Bolling Air Force Base, Washington, DC

Department of the Air Force (cont'd)

Air Force Audit Agency, Washington, DC

Operations Directorate

Field Activities Directorate

Area Audit Office, Andrews Air Force Base, MD
Area Audit Office, Barksdale Air Force Base, LA
Area Audit Office, Cannon Air Force Base, NM
Area Audit Office, Charleston Air Force Base, SC
Area Audit Office, Davis-Monthan Air Force Base, AZ
Area Audit Office, Dover Air Force Base, DE
Area Audit Office, Dyess Air Force Base, TX
Area Audit Office, Edwards Air Force Base, CA
Area Audit Office, Eglin Air Force Base, FL
Area Audit Office, Ellsworth Air Force Base, SD
Area Audit Office, Fairchild Air Force Base, WA
Area Audit Office, Grand Forks Air Force Base, ND
Area Audit Office, Hanscom Air Force Base, MA
Area Audit Office, Hickam Air Force Base, HI
Area Audit Office, Hill Air Force Base, UT
Area Audit Office, Holloman Air Force Base, NM
Area Audit Office, Keesler Air Force Base, MS
Area Audit Office, Kelly Air Force Base, TX
Area Audit Office, Kirtland Air Force Base, NM
Area Audit Office, Langley Air Force Base, VA
Area Audit Office, Little Rock Air Force Base, AR
Area Audit Office, Los Angeles Air Force Base, CA
Area Audit Office, Luke Air Force Base, AZ
Area Audit Office, March Air Force Base, CA
Area Audit Office, Maxwell Air Force Base, AL
Area Audit Office, McChord Air Force Base, WA
Area Audit Office, McClellan Air Force Base, CA
Area Audit Office, McConnell Air Force Base, KS
Area Audit Office, McGuire Air Force Base, NJ
Area Audit Office, Minot Air Force Base, ND
Area Audit Office, Mountain Home Air Force Base, ID
Area Audit Office, Nellis Air Force Base, NV
Area Audit Office, Offutt Air Force Base, NE
Area Audit Office, Patrick Air Force Base, FL
Area Audit Office, Peterson Air Force Base, CO
Area Audit Office, Randolph Air Force Base, TX
Area Audit Office, Robins Air Force Base, GA
Area Audit Office, Scott Air Force Base, IL
Area Audit Office, Seymour Johnson Air Force Base, NC
Area Audit Office, Shaw Air Force Base, SC
Area Audit Office, Sheppard Air Force Base, TX
Area Audit Office, Tinker Air Force Base, OK
Area Audit Office, Travis Air Force Base, CA
Area Audit Office, Vandenberg Air Force Base, CA
Area Audit Office, Wright-Patterson Air Force Base, OH

Other Defense Organizations

Defense Finance and Accounting Service, Washington, DC
 Directorate of Civilian Pay
Defense Finance and Accounting Service Denver Center, Denver, CO
 Directorate of Civilian Pay
 Directorate of Debt and Claims Management
 Directorate of Field Operations
Defense Finance and Accounting Service Financial Systems Activity,
 Pensacola, FL
Defense Manpower Data Center, Monterey, CA
 Financial Management Support Division
Defense Investigative Service, Alexandria, VA
 Freedom of Information Act Office
Defense Civilian Personnel Management Service, Washington, DC
 Information Systems Division
Defense Information Systems Agency
 Western Hemisphere, Denver, CO
 Defense Megacenters, Denver, CO
Air Force Information Service Center, Wright-Patterson Air Force Base, OH
Office of the Assistant Inspector General for Investigations, Defense Criminal
 Investigative Service
 Atlanta Field Office, Smyrna, GA
 Denver Resident Agency, Englewood, CO

Non-Defense Federal Organizations

Social Security Administration, Baltimore, MD
 Office of Systems Requirements

Appendix G. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Acquisition and Technology)
Director, Defense Logistics Studies Information Exchange
Under Secretary of Defense (Comptroller)
Deputy Chief Financial Officer
Deputy Comptroller
Under Secretary of Defense for Personnel and Readiness
Assistant to the Secretary of Defense (Public Affairs)

Department of the Army

Auditor General, Department of the Army
Chief, National Guard Bureau
Directorate of Financial Management and Comptroller

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Deputy Chief of Staff of the Air Force (Personnel)
Air Force Personnel Center
Chief, Air Force Reserve
Auditor General, Department of the Air Force

Other Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Finance and Accounting Service
Defense Finance and Accounting Service Denver Center

Other Defense Organizations (cont'd)

Director, Defense Investigative Service
Director, Defense Logistics Agency
Director, Defense Civilian Personnel Management Service
Director, National Security Agency
Inspector General, National Security Agency

Non-Defense Federal Organizations

Office of Management and Budget
Technical Information Center, National Security and International Affairs Division,
General Accounting Office

Chairman and ranking minority member of each of the following congressional committees and subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal
Justice, Committee on Government Reform and Oversight
House Committee on National Security

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Part III - Management Comments

Under Secretary of Defense (Comptroller) Comments



COMPTROLLER

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



DEC 12 1995

MEMORANDUM FOR DIRECTOR OF FINANCE AND ACCOUNTING, OFFICE OF THE
DOD INSPECTOR GENERAL

SUBJECT: Audit Report on the Reconciliation of Air Force Common Pay and Personnel Data
for Civilians (Project No. 4FD-5009.01), dated October 6, 1995

This office nonconcurs with Recommendation A.1. in the subject draft report, which was addressed to the Under Secretary of Defense (Comptroller). That recommendation suggested that Volume 8 of the "DoD Financial Management Regulation" (DoD 7000.14-R) be revised to permit manual quarterly reconciliations of critical civilian payroll and personnel data only when there are adequate management controls to avoid payment errors and detect fraud and abuse in the affected systems [and require more frequent reconciliations otherwise]. This recommendation resulted from your review of the processes used by the Defense Finance and Accounting Service (DFAS) to reconcile payroll information contained in the Air Force Standard Civilian Pay System (AFSCAPS) to related personnel data.

This office believes that your underlying objective will be achieved by the adoption of Recommendation A.2.a. Recommendation A.2.a., which the Department concurs with, provides for implementation of a method to ensure that critical data elements in the AFSCAPS are reconciled biweekly.

If you have any questions on this matter, please contact Mr. Tom Summers. He may be reached on (703) 697-0586.

Alvin Tucker
Deputy Chief Financial Officer

Air Force Comments



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON DC

11 DEC 1995

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING
OFFICE OF THE INSPECTOR GENERAL
DEPARTMENT OF DEFENSE

FROM: HQ USAF/DP
1040 Air Force Pentagon
Washington, DC 20330-1040

SUBJECT: DoDIG Draft Audit Report, Reconciliation of Air Force Common Pay and
Personnel Data for Civilians (Project No. 4PD-5009.01)

This is in reply to your memorandum requesting the Assistant Secretary of the Air
Force (Financial Management and Comptroller) to provide Air Force comments on
subject report.

Our comments are at Atch 1. Comments from Air Force Reserve are at Atch 2.
The Air National Guard will submit comments under separate cover. You may direct any
questions to our project officer, Ms. Yadira Bermea at extension 614-2499.

MICHAEL D. MCCARTHY, Maj Gen, USAF
Acting Deputy Chief of Staff, Personnel

Attachments:

1. AF/DP Comments
2. AF/REC Memo, 1 Dec 95 (AF Reserve Comments)

cc: AF/REC

Final
Report
Reference

**AFDP Comments
on
DoDIG Draft Audit Report
Reconciliation of Air Force Common Pay and Personnel Data for Civilians
(Project No. 4FD-S009.01)**

Comments have been provided for specific items included in the draft audit report. Each comment is preceded by the location of the issue in the report. In some cases, a comment may apply to several different report statements all of which will be identified with a single comment. For the sake of clarity, references to "AFCPMC" are retained in our comments below as that was the AFPC/DPK organization at the time of the audit.

1. REPORT REFERENCE: Executive Summary, Introduction, Sentence 1
Page 11, Paragraph 3, Sentence 1
Page 2, Audit Background, Paragraph 1, Sentence 2

COMMENT: AFCPMC does not perform the reconciliations. The reconciliations are performed at the bases. AFCPMC provides the tools to allow the bases to accomplish the process.

2. REPORT REFERENCE: Executive Summary, Introduction, Sentence 6

COMMENT: This sentence is incorrect. It implies that AFCPMC operates and maintains the DCPDS databases used for the reconciliation process. The databases are, in fact, at the base or region level with all record access and maintenance being accomplished by the base or regional civilian personnel offices. AFCPMC identifies system processing requirements for inclusion in DCPDS, but has no systems operation responsibility.

3. REPORT REFERENCE: Executive Summary, Audit Results, Sentence 4
Page 4, Finding A, Bullet 3
Page 6, Paragraph 3, Sentence 3
Page 8, Paragraph 3, Sentence 4
Page 10, Summary, Paragraph 1, Sentence 1

COMMENT: Attempts to accomplish reconciliation between DCPS and DCPDS was attempted in Nov 93, Feb 94, and Jun 94 without success because of problems with the DCPS reconciliation extract file, the DESIREs used to accomplish the reconciliation, and differences in the way DCPS and DCPDS store and use specific data fields; however, reconciliation was successfully accomplished in Aug 94, Mar 95, and Aug 95.

We concur that the reconciliation process for AFSCAPS has not been effectively used by Air Force personnel offices and payroll offices.

4. REPORT REFERENCE: Page 11, Paragraph 1, Sentence 1

COMMENT: The processes to accomplish reconciliation between DCPS and DCPDS had been implemented in Nov 93 with successful reconciliation being accomplished in Aug 94. Please see the comment for item 3 above.

ATCH 1

5. REPORT REFERENCE: Page 11, Paragraph 1, Sentence 2

COMMENT: Inactive pay accounts are not included in the reconciliation process. DCPDS base level data bases do not retain inactive records and Official Personnel Folders are sent to the gaining activity or the records center at St. Louis following departure of the employee.

Deleted

6. REPORT REFERENCE: Page 2, Audit Background, Paragraph 2, Sentence 1

COMMENT: AFSPMC does not maintain pay-entitling source personnel information. All source documents are retained by the servicing personnel office.

Revised
page 2**7. REPORT REFERENCE:** Page 2, Audit Background, Paragraph 2, Sentence 5

COMMENT: AFSPMC was not involved in the regionalization of personnel offices. These activities were directed by and under the control of the Major Commands.

Revised
page 2**8. REPORT REFERENCE:** Page 4, Finding A, Paragraph 1, Sentence 1

COMMENT: The processes developed for reconciliation of personnel and payroll data does ensure agreement of pay-affecting data elements common to the pay and personnel systems. The match of DCPDS and AFSCAPS data includes critical data elements every pay period and non-critical data elements quarterly. DCPDS and DCPFS reconciliation includes both critical and non-critical elements with each match.

9. REPORT REFERENCE: Page 4, Finding A, Paragraph 2, Sentence 3

COMMENT: Absence of reconciliation processing does not "contribute to fraud." The reconciliation between the personnel and payroll systems is intended to identify possible discrepancies in pay-affecting data in one system or the other. While the process might be helpful in detecting fraud, the intent and processes are not specifically designed to identify fraud.

10. REPORT REFERENCE: Page 4, Finding A, Bullet 4, Sentence 1 (second issue)

COMMENT: Two processes have been established for accomplishing reconciliation between AFSCAPS and DCPDS records. The first is an "in system" process which brings the data file from the payroll system into the personnel system automatically and provides transaction register messages for the data fields that are mismatched. This process does not identify records that are on the payroll file and not on the personnel file or vice versa. The DESIRE processes provided for AFSCAPS and DCPFS reconciliations do provide listings that identify these conditions.

Revised

11. REPORT REFERENCE: Page 7, Paragraph 1, Sentence 1

COMMENT: The report states that payroll offices did not accomplish reconciliations for pay period 14. The reconciliation process must be initiated by the personnel office with mismatches provided to the payroll office after validation of source documents.

Page 6

Final
Report
reference

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age 22

11. REPORT REFERENCE: Page 7, Paragraph 1, Sentence 6
Page 10, Summary, Paragraph 1, Sentence 2
Page 11, Recommendations for Corrective Action, Item 3.b.
Page 20, Management Control Program, Paragraph 1
Page 21

COMMENT: NONCONCUR. The report states, essentially, that failure to perform reconciliations results in failure to prevent fraud and abuse, and that in pay periods when reconciliation was not accomplished, "no assurance existed that fraud and abuse would not occur." Reconciliations are not designed to "prevent fraud and abuse" and do not "assure" it will not happen. It only detects inconsistencies in data between two systems. This lack of understanding seems to have led to the recommendation of this as a material management control weakness which should be identified. We are not experts in the Management Control Program, but we don't think this meets the criteria as a material weakness.

age 7

13. REPORT REFERENCE: Page 8, Paragraph 1, Sentence 1

COMMENT: Inactive pay accounts on a payroll data base is not an erroneous condition. Inactive pay accounts are maintained by the payroll system until end of year when W2 processing is accomplished.

age 14

14. REPORT REFERENCE: Page 13, Finding B, Last Paragraph

COMMENT: The statement that not completing reconciliations "allowed payment errors, fraud, and abuse to occur" is inconsistent with statements in several other places in the report that fraud and abuse were not found. Absence of the reconciliations did not allow occurrences and, based on the intent of the reconciliation processes, is not instrumental in allowing or effectively deterring fraud or abuse of the pay systems.

15. REPORT REFERENCE: Page 15, Paragraph 2, Sentence 2

COMMENT: Questions raised by DoD-IG investigator regarding procedures for ensuring annuity offset were referred to HQ USAF/DPCC. AFCEPMC managers did not "confirm" that procedures were not followed at the referenced bases.

age 16

16. REPORT REFERENCE: Page 15, Recommendations for Corrective Action, Item 2

COMMENT: NONCONCUR. A technical in-system edit is already in place to ensure the pay of reemployed annuitants is offset by the amount of the OPM annuity. The edit is such that if the following annuitant indicators are used (1-Reemployed Annuitant-CS; 4-Retired Officer, Reemployed Annuitant-CS; 5-Retired Enlisted, Reemployed Annuitant-CS; A-Reemployed Annuitant-FERS; C-Retired Officer, Reemployed Annuitant-FERS; B-Retired Enlisted, Reemployed Annuitant-FERS) then the annuity sum amount must be entered into the appointment transaction. Also, remark P08, "Annual salary to be reduced by the amount of your retirement annuity and by further cost of living increases" is automatically generated when these annuitant indicator codes are input into the record. This could account for the few instances (?) this overpayment occurred.

17. REPORT REFERENCE: Page 11, Recommendations for Corrective Action, Item 3.a.

COMMENT: CONCUR. This is already a requirement. Air Force Manual 30-110, Base Level Personnel Data Systems Users' Manual, Chapter 21, requires reconciliations to be performed. Personnel Systems Managers at each civilian personnel flight assist the functional offices of the personnel flight in the process.



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE



11 DEC 1995

MEMORANDUM FOR AF/DPC

FROM: AF/REC

SUBJECT: Audit Report on the Reconciliation of Air Force Common Pay and
Personnel Data for Civilians (Project No. 4FD-5009.01)

Following is the Air Force Reserve response on action taken to the subject DoD Inspector
General draft audit:

a. Finding A. Concur.

b. Recommendation 4. Concur. Corrective actions have been taken and
reconciliations are on-going. This has been verified with our Civilian Personnel Offices (CPOs)
and HQ AFRES/PM personnel. CLOSED.

c. Additional issues identified in performing reconciliations are as follows:

1. System interfaces are always out of time-sync. Mismatches occur due to lag
times approximately 95 percent of the time. Numerous pages must be reviewed causing a
considerable amount of hours to support the process.

2. Interface problems causes dual work as the same data re-flows for
correction. The Civilian Personnel staff expends much effort to ensure the pay data base is
correct.

3. The CPOs must rely on time cards for validation of leave without pay of less than
30 days. Additionally, it requires them to override Civilian Pay on Grade & Pay Retention
transactions.

Our point of contact is Lt Col Jack White, AF/RECA, 697-1060.

Neva J. Lynde
NEVA J. LYNDE, Colonel, USAF
Comptroller
Air Force Reserve

ATCH 2

Defense Finance and Accounting Service Comments



DEFENSE FINANCE AND ACCOUNTING SERVICE

1231 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5231

DEC 4 1995

DFAS-HQ/P

MEMORANDUM FOR DIRECTOR, FINANCE AND ACCOUNTING DIRECTORATE,
OFFICE OF THE INSPECTOR GENERAL, DEPARTMENT OF
DEFENSE

SUBJECT: Response to DoDIG Draft Report, "Reconciliation of Air
Force Common Pay and Personnel Data for Civilians,"
Dated October 6, 1995 (Project No. 4FD-5009.01)

We have reviewed the draft DoD Report, "Reconciliation of
Air Force Common Pay and Personnel Data for Civilians" and we
concur with the findings and recommendations in Part I, A.2. and
B.1. Comments regarding these recommendations are attached. We
have also provided comments on Recommendation A.1., even though
it was directed to the Under Secretary of Defense (Comptroller).

If you have any questions on this matter, please contact
Susan Eldridge on (703) 607-5025.

for Edward T. Hays
Roger W. Searge
Brigadier General, USA
Deputy Director for Finance

Attachment:
As stated

Recommendation A.1.

Nonconcur. Apparently there was a misconception that payroll offices still using the Air Force Standard Civilian Automated Pay System (AFSCAPS) are subject to the DoD Financial Management Regulation (DoD FMR), Volume 8. The DoD FMR, Volume 8, specifically states on page iv of the Introduction that "This volume supersedes the following manuals and regulations as civilian pay accounts are transferred to the Defense Finance and Accounting Services's consolidated civilian payroll offices.", and one of the regulations listed is the Air Force Regulation 177-104 (since the DoD FMR, Volume 8 was published, this regulation was renamed as "DFAS Denver Center Regulation 177-104"). Those offices still using AFSCAPS have not been consolidated and therefore are subject to the DFAS-DER 177-104. Because the legacy systems are short lived, it would not be practical to bring them in compliance with the DoD FMR, which standardized the payroll business practices of all the Components. Request this recommendation be withdrawn and that the audit report be amended to reflect the above information.

Recommendation A.2.a.

Concur. DFAS-DER 177-104, Chapter 25, paragraph 25-15, currently requires a payroll/personnel reconciliation bi-weekly for critical Data Identification Numbers (DINS) and quarterly for non-critical DINS. The Legacy Systems Branch (DFAS-DE/FNAL), Directorate of Civilian Pay, Defense Finance and Accounting Service - Denver Center, has published procedures requiring a quarterly certification be submitted certifying that the reconciliations are being accomplished as prescribed. Follow-up on non-receipt of certification is accomplished by the Air National Guard (ANG) Bureau for ANG bases, the Directorate of Field Operations (DFAS-DE/AO), Defense Finance and Accounting Service - Denver Center, for stateside Air Force bases, and the major command for overseas Air Force bases. These procedures will be incorporated into the DFAS-DER 177-104 in March 1996.

Recommendation A.2.b.

Concur. Currently DFAS-DER 177-104 only requires the civilian pay supervisor to verify supplemental and partial payments with the applicable pay record before approving payment. No mention is made of payments for inactive pay accounts or verification of payment by someone other than the civilian pay supervisor if the office is only manned by one person. Procedures will be implemented requiring all supplemental, partial, and payments on inactive accounts be verified by the civilian pay supervisor. In a one person office, the payments should be verified by the Defense Accounting Officer (DAO) or Financial Services Officer (FSO) or their designated

Attachment

representative. An INC to the DFAS-DER 177-104 will be written to reflect this requirement. Estimated completion date is March 31, 1996.

Recommendation B.1.

Concur. With the implementation of Operation Mongoose, twenty-six fraud indicators and forty-two data elements will be reconciled not only with personnel records but also with Department of Defense civilian pay, military pay, annuity pay and military retirement pay records. Many of the civilian pay fraud indicators used in Operation Mongoose are the same or similar to those proposed by the survey.

Since April 1995, DCPS has been providing data in support of Operation Mongoose to DMDC for the sole purpose of identification of potentially fraudulent and/or incorrect payments. AFSCAPS currently is programming for the Operation Mongoose files which will be submitted to the Defense Manpower Data Center (DMDC). Individual base level AFSCAPS payroll offices will submit a file to DMDC each pay period. DMDC will accomplish the required reconciliations. Any discrepancies will be forwarded to the appropriate office/agency for action. AFSCAPS programming for Operation Mongoose is tentatively scheduled for the January 1996 release. Estimated completion date is March 31, 1996.

Defense Civilian Personnel Management Service Comments



DEPARTMENT OF DEFENSE
CIVILIAN PERSONNEL MANAGEMENT SERVICE
1400 KEY BOULEVARD
ARLINGTON, VA 22209-5144

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27 NOV 1995

CPMS-AM

MEMORANDUM FOR DIRECTOR, FINANCE AND ACCOUNTING DIRECTORATE,
OFFICE OF THE INSPECTOR GENERAL

SUBJECT: Audit Report on the Reconciliation of Air Force Common Pay and Personnel Data
for Civilians (Project No. 4FD-5009.01)

The Defense Civilian Personnel Management Service is not an addressee for, nor do we wish to make "management" comments on the subject audit report. We have however, reviewed the report and wish to provide you some additional information on our role in the reconciliation process between the Defense Civilian Personnel Data System (DCPDS) and the Defense Civilian Payroll System (DCPS). As was mentioned in the report on page 8, I have advised the Defense Finance and Accounting Service that the Services have agreed to conduct regularly scheduled reconciliations of the DCPDS/DCPS interface and have provided DFAS with a tentative schedule for those reconciliations. These regularly scheduled reconciliations are to begin in calendar year 1996 and are, of course, dependent on the timing of conversion of the various Service activities to DCPS. I plan to take an active role in ensuring that the reconciliation schedules agreed to by the Services are maintained and that problems encountered in the reconciliation process are resolved.

Thank you for the opportunity to review the report. We are vitally interested in ensuring the accuracy of pay and benefits to the civilian employees of the Department.

Linda M. McCullar
LINDA M. MCCULLAR, Ph.D.
Chief, Functional Program
Management Office

Audit Team Members

This report was prepared by the Finance and Accounting Directorate, Office of the Assistant Inspector General for Auditing, DoD.

F. Jay Lane
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Assistance was provided by Air Force Audit Agency Area Audit Offices.

INTERNET DOCUMENT INFORMATION FORM

A . Report Title: Reconciliation of Air Force Common Pay and Personnel Data for Civilians

B. DATE Report Downloaded From the Internet: 12/06/99

C. Report's Point of Contact: (Name, Organization, Address, Office Symbol, & Ph #): OAIG-AUD (ATTN: AFTS Audit Suggestions)
Inspector General, Department of Defense
400 Army Navy Drive (Room 801)
Arlington, VA 22202-2884

D. Currently Applicable Classification Level: Unclassified

E. Distribution Statement A: Approved for Public Release

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