

Inspector General

United States
Department of Defense



Controls Over the Department of the Navy
Military Payroll Disbursed in Support of
the Global War on Terror

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Acronyms and Abbreviations

ADSN	Accounting and Disbursing Station Number
ASN(FM&C)	Assistant Secretary of the Navy (Financial Management and Comptroller)
CNIC	Commander, Navy Installations Command
CZ	Combat Zone
CZTE	Combat Zone Tax Exclusion
FMR	Financial Management Regulation
FSA	Family Separation Allowance
GWOT	Global War on Terror
HFP/IDP	Hostile Fire Pay/Imminent Danger Pay
PSD	Personnel Support Detachment
SSN	Social Security Number



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

May 7, 2009

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
DOD CHIEF FINANCIAL OFFICER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE
COMMANDER, NAVY INSTALLATIONS COMMAND
NAVAL INSPECTOR GENERAL

SUBJECT: Controls Over the Department of the Navy Military Payroll Disbursed in
Support of the Global War on Terror (Report No. D2009-079)

We are providing this report for your information and use. We considered management comments on a draft of the report in preparing the final report.

Comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, we do not require any additional comments.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 601-5868.

Patricia A. Marsh
Patricia A. Marsh, CPA
Assistant Inspector General
Defense Business Operations



Results in Brief: Controls Over the Department of the Navy Military Payroll Disbursed in Support of the Global War on Terror

What We Did

From January 2007 through July 2008, the Department of the Navy disbursed about \$242 million in Hostile Fire Pay/Imminent Danger Pay and Family Separation Allowance entitlements to support the Global War on Terror (GWOT). Our objective was to determine whether the Navy disbursed military payroll in support of the GWOT in accordance with laws and regulations. Specifically, we determined whether the Navy maintained adequate support for payments related to deployments to an active combat zone (CZ).

What We Found

Norfolk area disbursing center personnel did not maintain supporting documentation for CZ entitlements according to record retention requirements. They also did not always obtain adequate supporting documentation to substantiate CZ entitlements. We reviewed the adequacy of the support for the CZ entitlements received by 338 Navy military members. The disbursing centers provided complete support for the entitlements of 73 members. However, they only provided partial support for the entitlements of 107 members and no support for the entitlements of 158 members. Therefore, the Navy could not substantiate whether at least 158 of 338 Navy military members received proper CZ entitlements during deployments supporting the Global War on Terror. This could cause financial hardship on Navy warfighters and their families. In addition, the lack of proper supporting documentation adversely affects the Navy's ability to detect fraud or improper payments.

We identified a material internal control weakness for the Commander, Navy Installations Command (CNIC). CNIC did not issue guidance, provide training, or conduct quality assurance reviews to ensure Norfolk area disbursing center personnel maintained supporting documentation according to retention requirements. Thus, they cannot prevent or detect fraud or improper payments.

What We Recommend

We recommend that CNIC:

- Establish and implement standard operating procedures for the types of documentation that disbursing center personnel should accept and maintain to support CZ entitlements.
- Provide formal training to Navy personnel processing military pay to ensure consistent and proper implementation of standard operating procedures.
- Perform periodic quality assurance reviews to ensure that disbursing center personnel comply with retention requirements in the DoD Financial Management Regulation.

Management Comments and Our Response

The Navy agreed with the recommendations in the report and the comments were responsive. They initiated actions to generate standard operating procedures to address CZ entitlement supporting documentation and retention requirements. See the Management Comments section for the full text of the comments. See the Recommendations Table on the back of the page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Commander, Navy Installations Command		1., 2., and 3.

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Introduction

Objectives

Our objective was to determine whether the Department of the Navy (Navy) disbursed military payroll in support of the Global War on Terror (GWOT) in accordance with established laws and regulations. Specifically, we determined whether the Navy maintained adequate support for payments related to deployments to an active combat zone (CZ). See Appendix A for a discussion of the scope and methodology.

Background

The Navy provides most of the nation's worldwide rotational military presence and an increasing portion of the required support for ground units in Operations Enduring Freedom and Iraqi Freedom. The Navy employs more than 337,000 active duty, composed of officers and enlisted members, and approximately 70,000 reserve personnel.

Disbursing Centers

The Commander, Navy Installations Command (CNIC) is responsible for providing technical guidance to personnel and pay management areas and recommends policy revisions. The Navy Pay and Personnel Support Center, a subordinate of CNIC, provides pay and personnel support services to military personnel and their families. The Navy Pay and Personnel Support Center is responsible for overseeing the day-to-day operations and providing guidance to Personnel Support Detachments (PSD) and Customer Service Desks at more than 80 locations worldwide. The PSDs maintain pay accounts and personnel records for active duty Navy personnel, including those assigned to joint and unified commands, ships, aviation squadrons, mobile units, and staffs within a prescribed geographic area. Customer Service Desks are extensions of the PSDs, and personnel assigned to them remain under PSD control. Each PSD and Customer Service Desk is identified by a unique four-digit Accounting and Disbursing Station Number (ADSN).

Expeditionary Combat Readiness Centers

The Navy utilizes Expeditionary Combat Readiness Centers in active CZs to process pay, personnel, and passenger transportation services for Navy personnel deployed overseas. Expeditionary Combat Readiness Centers are not assigned their own ADSNs. Therefore, they have the authority to process CZ entitlements using any ADSN.

Pay Systems

The disbursing centers and Expeditionary Combat Readiness Centers utilize either the Navy Standard Integrated Personnel System or Defense Military Pay Office system to process pay. The Navy Standard Integrated Personnel System is utilized for pay and personnel functions, whereas the Defense Military Pay Office system is only utilized for pay functions. Both the Navy Standard Integrated Personnel System and the Defense

Military Pay Office system interface with the Defense Joint Military Pay System to provide pay and personnel data to the Defense Finance and Accounting Service. The Defense Finance and Accounting Service uses the data to produce and distribute payments to military members.

CZ Entitlements

Military members are eligible to receive specific entitlements while serving in a combat zone, which may include Hostile Fire Pay/Imminent Danger Pay (HFP/IDP), Combat Zone Tax Exclusion (CZTE), and Family Separation Allowance (FSA). A member is entitled to HFP/IDP for any month in which the member is on official duty in a designated HFP/IDP area. The HFP/IDP entitlement is payable at a monthly rate of \$225, which is payable in the full amount without being prorated. The CZTE entitlement allows military members to exclude all or a portion of pay and entitlements earned from tax liabilities while serving in designated combat areas. The FSA entitlement is payable to military members with dependents assigned away from their permanent duty station continuously for more than 30 days. The FSA entitlement is paid at the rate of \$250 per month or prorated at \$8.33 per day. From January 2007 through July 2008, the Navy disbursed approximately \$242 million in HFP/IDP and FSA entitlements in support of GWOT.

Review of Internal Controls

We determined that a material internal control weakness for CNIC related to military payroll processing existed as defined by DoD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," January 4, 2006. CNIC did not have the following internal controls for processing military payroll: procedures to identify the types of documentation that disbursing center personnel should accept and maintain to support CZ entitlements; formal training for Navy personnel processing military pay; or periodic quality assurance reviews to ensure compliance with retention requirements. Implementing Recommendations 1., 2., and 3. in the Finding will improve the disbursing centers' processing of military payroll. A copy of this report will be provided to the senior official responsible for internal controls in CNIC.

Finding. Supporting Documentation for Entitlements in Support of the Global War on Terror

Norfolk area disbursing center personnel did not maintain supporting documentation for CZ entitlements according to record retention requirements. They also did not always obtain adequate supporting documentation to substantiate the entitlements. We reviewed the adequacy of the support for the CZ entitlements received by 338 Navy military members. The disbursing centers provided complete support for the entitlements of 73 members. However, they only provided partial support for the entitlements of 107 members and no support for the entitlements of 158 members. Therefore, the Navy could not substantiate whether at least 158 of 338 Navy military members received proper CZ entitlements during deployments supporting GWOT. This could cause financial hardship on Navy warfighters and their families. In addition, the lack of proper supporting documentation adversely affects the Navy's ability to detect fraud or improper payments. CNIC should establish and implement standard operating procedures for processing CZ entitlements and ensure that disbursing center personnel receive adequate training. CNIC should also perform quality assurance reviews to ensure disbursing center personnel comply with established retention requirements.

Criteria for Supporting Documentation

The Office of Management and Budget Circular No. A-123, "Management's Responsibility for Internal Control," December 21, 2004, states that management is responsible for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations and compliance with applicable laws and regulations. Specifically, management puts control mechanisms and activities in place. Management must clearly demonstrate its commitment to competence in the workplace by ensuring that personnel possess and maintain the proper knowledge and skills to perform their assigned duties and receive necessary training. In addition, transactions need to be supported by documentation that is readily available for examination and review. Management should also properly manage and maintain this documentation.

DoD 7000.14R, "DoD Financial Management Regulation," (FMR) volume 5, chapter 21, "Disbursing Office Records," September 2007,¹ requires that original disbursing office records and associated papers must be retained as Government property. The information must be readily accessible to the disbursing officer or the designated settlement office for 6 years and 3 months. The requirement applies to both paper and electronic records maintained as original supporting documentation.

¹ A review of the DoD FMR in effect when Navy members were originally receiving CZ entitlements identified no differences with the current citations that would affect the results of the review.

In addition, DoD FMR, volume 7A, chapter 10, “Special Pay – Duty Subject to Hostile Fire or Imminent Danger,” March 2008,² requires that the appropriate commander certify that a member has met the conditions for the HFP/IDP entitlement each month. The certification should include the name and social security number (SSN) of the member entitled to the HFP/IDP, a short description of the deployment, and when and where it occurred.

Retaining Supporting Documentation for Entitlements

Norfolk area disbursing centers did not maintain supporting documentation for CZ entitlements disbursed in support of GWOT according to the DoD FMR. This occurred because disbursing center personnel were not always aware of and trained on the proper Federal and DoD regulations. Eight of the nine disbursing centers did not follow the retention requirements from the DoD FMR for the following reasons:

- Representatives retained the supporting documentation on site for only 1 year.
- Representatives retained the supporting documentation for 2 years and then destroyed it.
- Representatives destroyed the supporting documentation because of hazardous health conditions caused by rodent infestation at the warehouse where the documents were stored.
- Representatives were unable to locate the supporting documentation for a disbursing center disestablished in April 2007.
- Representatives sent the supporting documentation to the squadron instead of retaining it on site.

The disbursing centers must retain the supporting documentation for the required retention period (6 years and 3 months) to detect potential fraudulent and improper payments and to substantiate the members’ receipt of proper CZ entitlements during GWOT deployments.

Adequacy of Supporting Documentation

Norfolk area disbursing center personnel did not always obtain adequate supporting documentation to substantiate entitlements.³ This occurred because they did not have standard operating procedures that implemented Federal and DoD regulations and defined adequate supporting documentation. In addition, several disbursing center personnel stated that they never received formal training to determine whether the documentation would be adequate to support starting or stopping CZ entitlements.

² A review of the DoD FMR in effect when Navy members were originally receiving CZ entitlements identified no differences with the current citations that would affect the results of the review.

³ See Appendix C for a summary of supporting documentation provided to us by each disbursing center.

Navy Pay and Personnel Support Center personnel stated that the Navy did not have standard operating procedures in place because guidance already exists in the DoD FMR. However, the DoD FMR provides limited guidance on the documentation required to support the HFP/IDP entitlement. The DoD FMR also does not provide any guidance on the documentation necessary to support the FSA and CZTE entitlements. As a result, Norfolk area disbursing center personnel occasionally accepted inadequate forms of supporting documentation to start and stop CZ entitlements. Adequate supporting documentation should substantiate the entitlements. Therefore, CNIC should implement standard operating procedures that provide a consistent approach for disbursing center personnel to follow. In addition, disbursing center personnel should receive formal training for processing CZ entitlements to ensure the warfighters accurately receive entitlements. By implementing these control mechanisms, the Navy can prevent and detect fraudulent and inaccurate payments of CZ entitlements.

Complete Supporting Documentation

Norfolk area disbursing center personnel provided complete supporting documentation for the CZ entitlements received by 73 of 338 Navy members. We considered a member's CZ entitlements completely supported when the disbursing center personnel provided adequate supporting documentation to start and stop the member's CZ entitlements. For example, we accepted signed Navy memoranda from the commanding officer that indicated when specific entitlements should start or stop. If the memorandum was for multiple members, the commanding officer would attach a roster of the members eligible to receive specific entitlements, with names, SSNs, deployment time frames, and deployment locations.

We determined that the 73 Navy military members generally received the HFP/IDP, FSA, and CZTE entitlements accurately. However, we identified 16 instances when these entitlements did not start or stop in a timely manner. This occurred because the commanding officer did not send supporting documentation to the disbursing center in a timely manner. In addition, the disbursing center personnel did not process the entitlements in a timely manner. When disbursing center personnel stop a member's entitlement late, the member becomes indebted to the Government. Once the error is identified, the member's monthly income will be reduced by the amount of the indebtedness. For example, disbursing center personnel did not stop one member's CZ entitlements until 6 months after returning from deployment. This member typically received a monthly income of approximately \$6,600. However, when the error was identified, the member's monthly income was reduced to approximately \$3,800 for one month and approximately \$4,400 for another month to compensate for the overpayment. This reduction in income may have resulted in financial hardship for this member and his family.

Partial Supporting Documentation

Norfolk area disbursing center personnel provided partial supporting documentation for the CZ entitlements of 107 of 338 Navy members. We considered a member's CZ entitlements partially supported when disbursing center personnel provided adequate supporting documentation for one or more, but not all, of the CZ entitlements. During

certain instances, one disbursing center started a member's CZ entitlements and another disbursing center stopped the same member's CZ entitlements. In such a case, if the disbursing center that started the CZ entitlements provided complete support and the other disbursing center that stopped the CZ entitlements provided no support, we considered the member's entitlements partially supported.

No Supporting Documentation

Norfolk area disbursing center personnel provided no supporting documentation for the CZ entitlements of 158 of 338 Navy members. We considered a member's CZ entitlements to be unsupported when the disbursing center personnel did not provide any supporting documentation or only provided inadequate supporting documentation for the CZ entitlements. For example, representatives from several disbursing centers provided travel orders as the support to start or stop the CZ entitlements. However, we accepted the travel orders only when approved travel vouchers accompanied them, which proved that the member traveled to the particular country during the specified time. We also accepted travel orders when an official signed and stamped the orders to identify that the member arrived at the deployment location. In addition, the representatives at several disbursing centers accepted e-mails from Navy personnel below the commander level as supporting documentation. They also accepted other unsigned or incomplete documents, such as FSA forms that did not identify the country of deployment or the dates of entitlement.

A representative from one disbursing center stated she did not request additional documentation when a person came to the office to request that an entitlement stop. The office personnel believed that seeing the member in person was enough support to stop an entitlement. We agree that the disbursing centers should stop entitlements once a member returns from a deployment. However, without adequate supporting documentation, there is no assurance that the entitlement stopped at the proper time. For example, members may have returned from their deployment at an earlier date and were unaware that they were still receiving the CZ entitlements. Therefore, commanding officers should send official correspondence that certifies the dates of a member's deployment and applicable entitlements to substantiate the member's pay.

Conclusion

Norfolk area disbursing center personnel were unable to provide any supporting documentation for the CZ entitlements of at least 158 of 338 Navy military members. Therefore, the Navy had no assurance that these members received accurate payments of CZ entitlements during deployments supporting the Global War on Terror. The lack of proper supporting documentation adversely affects the Navy's ability to prevent and detect fraud. When disbursing center personnel do not obtain and maintain adequate supporting documentation, there is also a potential for inaccurate payments and financial hardship on Navy warfighters. For example, the Defense Finance and Accounting Service identified that erroneous CZ entitlement payments processed during January 2007 through July 2008 by Norfolk area disbursing center personnel resulted in Navy members being approximately \$900,000 in debt. This resulted in a reduction of Navy members' monthly income to repay the debt.

Recommendations, Management Comments, and Our Response

1. Establish and implement standard operating procedures for the types of documentation that disbursing center personnel should accept and maintain to support combat zone entitlements.

Department of the Navy Comments

The Assistant Secretary of the Navy, Financial Management and Comptroller (ASN[FM&C]) agreed and stated that the Navy Pay and Personnel Support Center has drafted an instruction that establishes standard operating procedures for proper documentation of Imminent Danger Pay, Hostile Fire Pay, Combat Zone Tax Exclusion, Hardship Duty Pay-Location, and Family Separation Allowance. The Director, Navy Pay and Personnel Support Center is expected to sign the instruction by April 30, 2009, and to disseminate it to all detachments.

2. Provide formal training on a regular basis to Navy personnel processing military pay to ensure that standard operating procedures are consistently and properly implemented.

Department of the Navy Comments

ASN(FM&C) agreed and stated that the Navy Pay and Personnel Support Center has previously incorporated this requirement in its standard quality assurance and training requirements. The Navy Pay and Personnel Support Center is also considering standardized professional rate training for pay and personnel entitlements for all detachments.

3. Perform periodic quality assurance reviews to ensure that disbursing center personnel comply with established record retention requirements in DoD 7000.14-R, “DoD Financial Management Regulation,” volume 5, chapter 21, “Disbursing Office Records,” September 2007.

Department of the Navy Comments

ASN(FM&C) agreed and stated that Navy Pay and Personnel Support Center Instruction 7250.1, March 17, 2009, “Retention of Disbursing Office Records,” outlines the requirements for Disbursing Officer records retention. The instruction has been fully implemented and disseminated to all subordinate detachments. In addition, the quality assurance reviews of each Personnel Support Detachment, which are conducted at least every 18 months, now include verification of this supporting documentation.

Our Response

ASN(FM&C) comments are responsive and the actions meet the intent of the recommendations. No further comments are required.

Appendix A. Scope and Methodology

We conducted this performance audit from May 2008 to February 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To evaluate the controls over Navy military payroll disbursements, we reviewed the Navy's processing of pay transactions and the retention of supporting documentation for entitlements made to military members deployed to an active CZ from January 2007 through July 2008. As of July 2008, the Defense Finance and Accounting Service provided a universe of 49,852 CZTE entitlements, processed by Norfolk, Virginia, disbursing centers for deployments to Southwest Asia.¹ These entitlements had a value of approximately \$66 million. We randomly selected a sample of 401 Navy personnel (386 unique SSNs),² composed of officers, enlisted members, and warrant officers, to test at the Norfolk area disbursing centers. Of the 386 unique SSNs, we identified 48 members whose deployments were outside the scope of this audit. This occurred because the servicing disbursing center was outside the Norfolk area or we did not request supporting documentation from the Norfolk area servicing disbursing center. We did not request supporting documentation from a disbursing center for 6 of the 48 because we did not have sufficient information prior to our site visit to Norfolk, Virginia, to determine the responsible disbursing center. We analyzed the pay data of the remaining 338 SSNs to determine whether the Norfolk area disbursing center personnel maintained supporting documentation to substantiate HFP/IDP, CZTE, and FSA entitlements. See Appendix B for statistical sampling information.

To accomplish the audit objective:

- We contacted the Office of the Under Secretary of Defense (Comptroller)/DoD Chief Financial Officer to determine its involvement in the Navy military pay process.
- We met with Defense Finance and Accounting Service representatives to obtain the universe of military members receiving CZ entitlements while deployed to a Southwest Asia region in support of GWOT from January 2007 through July 2008. We obtained and reviewed pay documentation for 386 unique SSNs and identified entitlements paid to military members during this time frame.

¹ We considered the following locations as Southwest Asia for the purpose of this audit: Afghanistan, Arabian Sea, Bahrain, Gulf of Aden, Gulf of Oman, Iraq, Jordan, Kuwait, Oman, Pakistan, Persian Gulf, Qatar, Red Sea, Saudi Arabia, United Arab Emirates, and Yemen.

² This difference is a result of multiple disbursing centers processing CZ entitlements for the same individual.

Specifically, we reviewed Leave and Earnings Statements and Master Military Pay Accounts³ for military members who received CZ entitlements.

- We met with Navy representatives to obtain supporting documentation for military members who received CZ entitlements. In addition, we interviewed responsible officials and observed the pay processing for these entitlements.
- We compared supporting documentation to pay data to determine whether the Norfolk area disbursing center personnel provided adequate support for the CZ entitlements.

Use of Computer-Processed Data

To perform this audit, we used data that originated in the Defense Joint Military Pay System, Navy Standard Integrated Personnel System, and Defense Military Pay Office system. We determined data reliability by validating the SSNs in the audit universe and comparing pay data to the applicable supporting documentation. This assessment indicated that the data were sufficiently reliable for the purpose of our review.

Use of Technical Assistance

An Operations Research Analyst from the Quantitative Methods and Analysis Division, DoD Office of Inspector General assisted with project sample selection. The Data Mining Directorate, DoD Office of Inspector General coordinated with the Defense Manpower Data Center to verify the validity of SSNs in the audit universe.

Prior Coverage

No prior coverage has been conducted on controls over Department of the Navy military payroll disbursed in support of the GWOT during the last 5 years.

³ The Master Military Pay Account contains current and historical data pertaining to a member's pay. All leave and pay activity for active duty members is recorded in this file. The individual accounts contain current entitlements, deductions, status information, and 11 months of history.

Appendix B. Statistical Sampling

Population

The universe consisted of 49,852 deployments to Southwest Asia of Navy members serviced by Norfolk area disbursing centers and entitled to CZTE during the January 2007 through July 2008 time frame.

Measures

For the payments sampled, we used an attribute measure to determine whether the Navy maintained adequate support for payments related to deployments to an active CZ.

Parameters

We used a 90-percent confidence interval.

Sample Plan

We used a stratified attribute sample design. We stratified the universe into three categories by disbursing center: officer, enlisted member, and warrant officer. After the universe was stratified, we used the random number generator in Excel to select a sample of 401 Navy personnel (386 unique SSNs)* to test at the Norfolk area disbursing centers.

Analysis and Interpretation

The population data contained items that were included multiple times across multiple disbursing centers. This does not give each item the same chance of being selected and introduces conditional probabilities. Also, there were a significant number of items in the population that were outside the scope of the audit. As a result, we decided not to project the results of the sample to the population.

* This difference is a result of multiple disbursing centers processing CZ entitlements for the same individual.

Appendix C. Supporting Documentation Received by Disbursing Center

The number of Navy members reviewed in the table below does not correspond to the number discussed in the Finding section of the report. In some cases, multiple disbursing centers processed entitlements for the same member. Therefore, the “complete” and “no supporting documentation” totals are higher than the original count discussed in the Finding section of the report. However, instances occurred where one disbursing center started a member’s CZ entitlements and another disbursing center stopped the same member’s CZ entitlements. In such a case, if the disbursing center that started the CZ entitlements provided complete support and the other disbursing center that stopped the CZ entitlements provided no support, we considered the member’s entitlements partially supported. As a result, the total for “partial supporting documentation” by disbursing center is less than the number for Navy members discussed in the Finding section of the report.

The following table displays the number of Navy members receiving CZ entitlements reviewed at each disbursing center, for which we received complete, partial, and no supporting documentation.

Supporting Documentation Received by Disbursing Center

Disbursing Center	Navy Members Reviewed	Received Supporting Documentation		
		Complete	Partial	None
0097	7	0	0	7
0098	28	6	21	1
0637	109	0	26	83
0647	5	0	0	5
3502	24	4	6	14
3503	29	14	6	9
3506	66	16	22	28
3508	72	1	20	51
3515	35	35	0	0
Total	375	76	101	198

Department of the Navy Comments



THE ASSISTANT SECRETARY THE NAVY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
1000 NAVY PENTAGON
WASHINGTON, DC 20350-1000

April 3, 2009

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: DODIG Draft Report on Controls Over the Department of the Navy Military
Pay Disbursed in Support of the Global War on Terror (Project #D2008-
D000FC-0189.000)

We appreciate the opportunity to review and comment on this draft DODIG report. A response for the recommendations to the Commander, Navy Installations Command (CNIC) is attached.

A handwritten signature in black ink, appearing to read "J.W. McNair", is positioned above the printed name.

John W. McNair
Acting

Attachment:
As stated

COMMENTS TO RECOMMENDATIONS ON DOD IG REPORT
CONTROLS OVER THE DEPARTMENT OF THE NAVY MILITARY PAY
DISBURSED IN SUPPORT OF THE GLOBAL WAR ON TERROR
(PROJECT #D2008-D000FC-0189.000)

We reviewed the draft report and concur with the findings and recommendations contained therein that related to CNIC. Below are our responses to the recommendations.

We recommend that the Commander, Navy Installations Command:

Recommendation 1: Establish and implement standard operating procedures for the types of documentation that disbursing center personnel should accept and maintain to support combat zone entitlements.

Response: Concur. The Navy Pay and Personnel Support Center (NPPSC) instruction, Subject: "Supporting Documentation for Starting and Stopping Entitlements for Members in Support of the Global War on Terror" that establishes NPPSC standard operating procedures for supporting documentation for IDP, HFP, CTZE, HDP-L, and FSA has been drafted and is anticipated to be signed NLT 30 April 2009 and disseminated to all detachments.

Recommendation 2: Provide formal training on a regular basis to Navy personnel processing military pay to ensure that standard operating procedures are consistently and properly implemented.

Response: Concur. NPPSC has previously incorporated this requirement as part of their standard QA and training requirements. During QA visits to detachments and once a deficiency has been identified, specific training is provided to detachment personnel addressing the deficiency and follow-on monitoring is in place. Standardized professional rate training for pay and personnel entitlements for all detachments is presently under advisement by the NPPSC Training Department.

Recommendation 3: Perform periodic quality assurance reviews to ensure that disbursing center personnel comply with established record retention requirements in DOD 7000.14-R, "DOD Financial Management Regulation," volume 5, chapter 21, "Disbursing Office Records," September 2007.

Response: Concur. NPPSC instruction (NPPSCINST 7250.1 of 17 Mar 09) was signed and has been fully implemented and dissemination to all subordinate detachments and specifically outlines the requirements for Disbursing Officer records retention. Additionally, OPNAVINST 1000.23C, PASS Manual, requires us to conduct periodic QA reviews of each PSD at least every 18 months. We have added verification of this supporting documentation as part of these reviews.



Inspector General Department *of* Defense

