



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

REPORT NO. 92-096

June 4, 1992

MEMORANDUM FOR COMPTROLLER OF THE DEPARTMENT OF DEFENSE
ASSISTANT SECRETARY OF DEFENSE (FORCE MANAGEMENT
AND PERSONNEL)
ASSISTANT SECRETARY OF THE ARMY (FINANCIAL
MANAGEMENT)
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL
MANAGEMENT)
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL
MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE

SUBJECT: Audit of Health Benefits Premiums - HealthPlus of
Maryland, Inc. (Project No. 1FG-5021)

Introduction

We are providing this final report on the Audit of Health Benefits Premiums - Healthplus of Maryland for your information and use. The audit, which was requested by the Inspector General, Office of Personnel Management (OPM), was part of a Government-wide audit involving 50 agencies and 172 payroll offices. Our overall objective was to determine the validity of contributions made by DoD and its employees through OPM for medical insurance provided by HealthPlus. We also evaluated the internal controls required by the Federal Managers' Financial Integrity Act (FMFIA).

Scope of Audit

This audit included elements of a financial related audit. The audit focused on DoD employees enrolled in the HealthPlus of Maryland, Inc., medical insurance plan from 1988 through 1990. We determined the validity of the initial claim made by HealthPlus against OPM for the DoD underpayment; calculated any amount due HealthPlus from DoD; and identified the causes of any overpayments or underpayments to HealthPlus. The audit matched HealthPlus enrollment records to DoD payroll records.

This audit was made from September 1991 through January 1992 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD, and accordingly included such tests of internal controls as were considered necessary. Activities visited or contacted during the audit are listed at Enclosure 5.

Sample Methodology. Our universe consisted of all HealthPlus subscribers within DoD for 12 payroll periods preselected by OPM. We divided the 63 payroll offices into 4 strata. The strata were based on the sum of the average number of employees enrolled in a pay period for the 3-year period. This information was then used to select our sample, as shown below:

PAYROLL OFFICE SAMPLE

<u>Stratum</u>	<u>Range (Enrollees)</u>	<u>Universe (Payroll Offices)</u>	<u>Sample</u>
I	1,000 +	2	2
II	100 - 999	17	6
III	20 - 99	12	5
IV	0 - 19	<u>32</u>	<u>0</u>
Totals		<u>63</u>	<u>13</u>

A total of 13 payroll offices (6 Army, 5 Navy, 1 Air Force, and 1 at the Defense Logistics Agency [DLA]) were selected for review.

OPM stated that the universe of items to be sampled should consist of the differences between the agency enrollment records and the HealthPlus enrollment records for each of the selected payroll periods. A difference was defined as any circumstance where the amount paid by the payroll office for a given subscriber was not equal to the amount HealthPlus expected to receive for the same subscriber. This procedure was followed at 9 of the 13 payroll offices reviewed. At eight of the nine payroll offices, all differences were audited; at the other payroll office, we audited a random sample of the differences. We could not determine the differences at the four remaining payroll offices because records were not available. At these four offices, we used the OPM listings to select random samples.

Using the two methods described above, we compared the names and the amounts on the HealthPlus list with the names and amounts on the payroll list for 880 enrollees with premiums totaling \$81,590.

Each difference was traced to DoD source documentation to determine if the difference was corrected previously or in a subsequent payroll period. The unreconciled differences were used to statistically project the accuracy of DoD's payments to HealthPlus.

Internal Controls

We reviewed policies and procedures for making monthly reconciliations between payroll records and the number of enrollees reported to HealthPlus, and for making withholdings and contributions for employees in a leave without pay status. We also reviewed the most recent vulnerability assessments and internal control or quality assurance reviews. Our review focused on control procedures and actual practices as they related to payroll records documenting payments made to HealthPlus.

Payroll offices implemented the requirements of the FMFIA, and our audit identified no material internal control weaknesses as defined by Public Law 97-255, Office of Management and Budget Circular A-123, and DoD Directive 5010.38. However, we found that internal controls over health carrier enrollments and payments needed improvement. The audit disclosed that vulnerability assessments did not include the management of health carrier enrollments as an assessable unit or as a part of any assessable unit. We believe the number of differences between payroll office records and HealthPlus could have been decreased if the internal control procedures outlined in Federal Personnel Manual (FPM) Supplement 890-1, "Federal Employees Health Benefits," March 10, 1989, had been fully implemented and followed. Full implementation of these procedures and controls would allow managers to correct deficiencies and prevent similar errors with HealthPlus or other health carriers.

Background

OPM contracts with over 300 different health insurance carriers who provide health benefits to Federal employees, annuitants, dependents, and former spouses. The premium rates for each plan differ, and the Government's contributions also vary from plan to plan. OPM delegates certain responsibilities to Federal agencies for administration of the Federal Employees Health Benefits Program (FEHBP).

HealthPlus, located in Greenbelt, Maryland, is a health maintenance organization that has participated in the FEHBP since January 1, 1980. On June 20, 1991, HealthPlus submitted a claim to OPM totaling \$2.4 million for unpaid FEHBP premiums for January 1, 1988, through December 31, 1990, under the contract disputes clause of its contract. The DoD portion of the claim was \$847,000. OPM's preliminary survey of the HealthPlus claim indicated that as much as \$1.6 million of the claim may be valid. Of the \$1.6 million, we initially determined that approximately \$756,707 may be owed by DoD and its subscribers. In addition, OPM disclosed that the causes for these underpayments may be systemic throughout the Government.

Prior Audit Coverage

Neither the U.S. General Accounting Office nor the Inspector General, DoD, had made any prior audits in the last 5 years relating to health carrier payments.

Results of Audit

Contributions made by DoD and its employees for medical insurance provided by HealthPlus were not always accurate. In our review of 200 subscriber payment differences between HealthPlus premiums and DoD payroll records from January 1, 1988, through December 31, 1990, we identified 143 underpayments, 44 overpayments, and 13 other differences that did not generate overpayments or underpayments. We determined that 161 of the 200 payment differences were adjusted later. However, we could not reconcile 39 differences (25 underpayments and 14 overpayments). These differences existed or could not be corrected because of the following internal control weaknesses:

- o payroll offices did not make monthly reconciliations between the number of enrollees reported to Healthplus on the SF 2811, "Transmittal and Summary Report to Carrier," and the number of employee payroll records that would have identified accounting and administrative errors (23 of 39 differences);

- o payroll offices did not follow OPM guidance for determining withholdings and contributions for employees in a leave without pay status (5 of 39 differences); and

- o subscriber records were not retained for at least 3 years (11 of 39 differences).

Based on the results of our analyses, we made a statistical projection to determine the amount DoD owed or was due from HealthPlus for the 3-year period. We are 95-percent confident that the net amount DoD owes HealthPlus is \$53,928. The range of the estimated underpayment is between \$40,000 and \$68,000. This underpayment is between \$689,000 and \$717,000 less than originally estimated.

OPM delegates responsibility for administering the FEHBP in FPM Supplement 890-1. These delegated responsibilities include the following:

- o determining eligibility for coverage;
- o performing monthly reconciliations between payroll records and health carrier records;
- o maintaining a controlled and prompt system of transmitting enrollment data to carriers;
- o maintaining a system for processing changes in employees' withholding and contributions;
- o remitting withholdings and contributions to OPM.

OSD Administrative Instruction No. 15, "Administrative Procedures and Records Disposition Schedules," April 22, 1981, requires the Services and Defense agencies to maintain records, such as health carrier payroll records, for at least 3 years. The requirements in the instruction have been incorporated into Army Regulation 25-400-2, "The Modern Army Recordkeeping System (MARKS)," October 15, 1986; Secretary of the Navy Instruction 5212.5C, "Records Disposition Manual," September 27, 1988; Air Force Regulation 12-50, "Civilian Pay," October 1987; and DLA Manual 5015.1, "Files Maintenance and Disposition," October 1990.

Monthly Reconciliations. Service payroll offices did not perform monthly reconciliations between the number of enrollees reported to HealthPlus on the SF 2811 and payroll records. The reconciliations would have identified accounting and administrative errors that resulted in 14 of 25 underpayments and 9 of 14 overpayments to HealthPlus. Specific errors are detailed below.

Six underpayments of premiums occurred because DoD had not processed enrollments correctly. These enrollments appeared on HealthPlus lists as subscribers, but did not appear on DoD payroll lists. In two of these six instances, the payroll offices did not receive enrollment forms until after HealthPlus had processed the enrollments. We were unable to determine whether the other four enrollment forms were received before or after HealthPlus had processed the enrollments.

Eight underpayments occurred because payroll offices processed a termination prematurely; erroneously placed four HealthPlus enrollees in another health plan; assigned an incorrect enrollment code with lower premiums than HealthPlus; canceled an enrollment before the termination date; and failed to increase an annual premium.

Five overpayments were due to clerical errors in processing subscriber enrollments. A payroll office erroneously enrolled an employee in HealthPlus instead of another health plan. In another instance, a payroll office entered an incorrect enrollment code, and two other overpayments occurred because the payroll offices processed the enrollments prematurely. Finally, one overpayment occurred because the subscriber was on the DoD payroll office list but not on the HealthPlus list. Although the payroll office could not furnish any documentation of the HealthPlus enrollment, premiums were erroneously paid to HealthPlus.

Three overpayments were made because termination notices were not entered into the DoD payroll system. Another overpayment occurred because a transfer was processed late; there was a delay in sending the required documents from the personnel office, and the payroll office continued to pay DoD's share of the enrollment.

Leave Without Pay. Service payroll offices paid health carrier premiums inconsistently for employees on leave without pay. This resulted in five differences between payroll records and HealthPlus. The differences, all underpayments, occurred because employees were on leave without pay and either the DoD contribution or the employee portion of the premium was not paid to HealthPlus. FPM Supplement 890-1, Subchapter 20, Section 2, "Making Withholdings and Contributions," states that each agency must pay its share of the cost of an enrollment for every pay period during which an employee is in a pay or nonpay status. The agency is also required to collect premiums for coverage continued during nonpay status.

Records Retention. We could not evaluate six underpayments and five overpayments because supporting documentation was not always available at the payroll offices. Although the Services and DLA were required to retain documentation for at least 3 years, payroll records had been destroyed, lost, or misfiled.

Payroll offices took actions to correct the deficiencies we identified. OPM has asked us to defer any recommendations that direct Federal agencies to pay HealthPlus for underpayments we identified. Therefore, we are not making those recommendations.

We did not identify any potential monetary benefits in this audit; Enclosure 1 describes the nonmonetary benefits.

Recommendations

We recommend that the Comptroller of the Department of Defense:

1. Require payroll offices to fully implement Federal Personnel Manual Supplement 890-1, Subchapter 19, paragraph 4, which requires monthly reconciliations between payroll records and health carrier records.

2. Direct DoD payroll offices to determine withholdings and contributions for employees in a leave without pay status in accordance with Federal Personnel Manual Supplement 890-1, Subchapter 20, Section 2, paragraph B(2).

3. Require DoD payroll offices to maintain health carrier records for a period of 3 years, in accordance with the requirements of Office of the Secretary of Defense Administrative Instruction No. 15 or similar Military Department regulations.

Management Comments

The Comptroller of the Department of Defense concurred with all recommendations and took actions that satisfied the requirements of DoD Directive 7650.3. The Assistant Secretary of Defense (Force Management and Personnel) and the Director, Defense Finance and Accounting Service, also concurred with our recommendations. The complete text of management comments is at Enclosures 2, 3, and 4.

The courtesies extended to the audit staff are appreciated. If you have any questions about this audit, please contact Mr. F. Jay Lane, Program Director, at (703) 693-0430 (DSN 223-0430), or Mr. Richard A. Levine, Project Manager, at (703) 693-0461 (DSN 223-0461). The distribution of this report is listed at Enclosure 6.



Robert J. Lieberman
Assistant Inspector General
for Auditing

Enclosures

cc:

Secretary of the Army
Secretary of the Navy
Secretary of the Air Force
Director, Defense Logistics Agency

Office of the Inspector General

REPORT NO. 92-096
Project No. 1FG-5021

June 4, 1992

**FINAL REPORT ON THE AUDIT OF HEALTH BENEFITS
PREMIUMS-HEALTHPLUS OF MARYLAND, INC.**

EXECUTIVE SUMMARY

Introduction. The Office of Personnel Management (OPM) contracts with over 300 different health insurance carriers who provide health benefits to Federal employees, annuitants, dependents, and former spouses. Federal agencies administer the Federal Employees Health Benefits Program (FEHBP). HealthPlus, one of these carriers, submitted a claim to OPM totaling \$2.4 million for unpaid FEHBP premiums. The DoD portion of the claim was \$847,000. OPM's preliminary survey indicated that as much as \$1.6 million of the claim may be valid; of the \$1.6 million, we initially determined that \$756,707 may be owed by DoD and its employees. OPM also suspected that the causes for these underpayments may be systemic throughout the Government.

Objective. Our overall objective was to determine the validity of contributions made by DoD and its employees through OPM for medical insurance provided by HealthPlus. We specifically determined the validity of claims made by HealthPlus against OPM for the DoD underpayment; calculated any amount due HealthPlus from DoD; and identified the causes of any overpayments or underpayments to HealthPlus.

Audit Results. Contributions made by DoD and its employees for medical insurance provided by HealthPlus were not always accurate. In our review of 200 differences between HealthPlus premiums and DoD payroll records for the 3-year period ending December 31, 1990, we identified 143 underpayments, 44 overpayments, and 13 administrative differences. We found that 161 of the 200 payment differences were later adjusted. However, we could not reconcile the remaining 39 differences (25 underpayments and 14 overpayments). These differences occurred or could not be corrected because internal controls were not sufficient to ensure that:

- o payroll offices made monthly reconciliations between the number of enrollees reported to HealthPlus and payroll records in order to identify accounting and administrative errors,

- o payroll offices followed OPM guidance for making withholdings and contributions for employees in a nonpay status, and

- o records were retained for 3 years in accordance with OSD Administrative Instruction No. 15.

We statistically projected the amount DoD owed HealthPlus for the 3-year period. We are 95-percent confident that the underpayment DoD owes HealthPlus is \$53,928. The range of the estimated underpayment is between \$40,000 and \$68,000.

Internal Controls. Payroll offices had implemented the requirements of the Federal Managers' Financial Integrity Act. Although we identified no material internal control weaknesses as defined by Public Law 97-255, Office of Management and Budget Circular A-123, and DoD Directive 5010.38, we found that internal controls over health carrier enrollments and payments needed improvement. See "Internal Controls" for a description of the controls we assessed and the improvements needed.

Potential Benefits of Audit. Based on the results of our audit, the DoD portion of the HealthPlus underpayments was about \$793,000 less than originally claimed by HealthPlus. Monetary benefits will not be determined until OPM makes a final decision on how much to pay HealthPlus.

Summary of Recommendations. We recommended that DoD payroll offices follow established internal control procedures for health carrier enrollments and retain payroll documentation in accordance with regulatory guidance. OPM has asked us to defer any recommendations that direct Federal agencies to pay HealthPlus for underpayments we identified. Therefore, we are not making those recommendations.

Management Comments. The Comptroller of the Department of Defense concurred with all recommendations.

SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

<u>Recommendation Reference</u>	<u>Description of Benefits</u>	<u>Type of Benefits</u>
1.	Internal control. Identify accounting and administrative errors between payroll records and health carrier records.	Undeterminable.
2.	Internal control. Require consistent application of health carrier premiums for employees in a leave without pay status.	Undeterminable.
3.	Internal control. Maintain payroll records for 3 years to support health carrier transactions.	Undeterminable.

Office of the Comptroller of the Department of Defense Management Comments



OFFICE OF THE COMPTROLLER OF THE DEPARTMENT OF DEFENSE

WASHINGTON, DC 20301-1100

MAY 13 1992

(Management Systems)

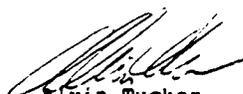
MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING, DODIG
ATTN: MR. RICHARD A. LEVINE, PROJECT MANAGER

SUBJECT: Audit of Health Benefits Premiums - HealthPlus of
Maryland, Inc. (Project No. 1FG-5021)

Thank you for the opportunity to provide comments on the
subject audit.

Attached is the DoD Comptroller response to the subject
audit. Also attached is a copy of a memorandum to the Defense
Agencies and the Military Departments directing appropriate
actions be taken to ensure civilian payroll offices comply with
applicable guidance.

Please contact Mr. De W. Ritchie, Jr., on (703) 697-0585, if
you have any questions relating to this matter.


Alvin Tucker
Deputy Comptroller
(Management Systems)

Attachment

Office of the Comptroller of the Department of Defense Management Comments
(Continued)

AUDIT OF HEALTH BENEFITS PREMIUMS - HEALTHEPLUS OF MARYLAND, INC.
(PROJECT NO. 1FG-5021)

* * * *

DoD COMPTROLLER
RESPONSES TO SUBJECT AUDIT

* * * *

Recommendation 1. The Comptroller of the Department of Defense require payroll offices to fully implement Federal Personnel Manual Supplement 890-1, Subchapter 19, paragraph 4, which requires monthly reconciliations between [civilian] payroll records and health carrier records.

• DoD Comptroller comments. Concur. The Deputy Comptroller (Management Systems) has issued a memorandum (copy attached) to the Defense Agencies and the Military Departments requiring civilian payroll offices to comply with the monthly reconciliation guidance prescribed in the Federal Personnel Manual Supplement 890-1, Subchapter 19, paragraph 4.

Recommendation 2. The Comptroller of the Department of Defense direct DoD [civilian] payroll offices to determine withholdings and contributions for employees in a leave without pay status in accordance with Federal Personnel Manual Supplement 890-1, Subchapter 20, Section 2, paragraph B(2).

• DoD Comptroller comments. Concur. The Deputy Comptroller (Management Systems) has issued a memorandum (copy attached) to the Defense Agencies and the Military Departments directing civilian payroll offices to determine withholdings and contributions for employees in a leave without pay status in accordance with the Federal Personnel Manual Supplement 890-1, Subchapter 20, Section 2, paragraph B(2).

Recommendation 3. The Comptroller of the Department of Defense require [civilian] payroll offices to maintain health carrier records for a period of 3 years, in accordance with the requirements of Office of the Secretary of Defense Administrative Instruction No. 15 or similar Military Department regulations.

• DoD Comptroller comments. Concur. The Deputy Comptroller (Management Systems) issued a memorandum (copy attached) to the Defense Agencies and the Military Departments requiring civilian payroll offices to maintain health carrier records for a period of 3 years as required by the Office of the Secretary of Defense Administrative Instruction No. 15 or similar Military Department regulations.

Attachment

**Office of the Comptroller of the Department of Defense Management Comments
(Continued)**



OFFICE OF THE COMPTROLLER OF THE DEPARTMENT OF DEFENSE

WASHINGTON, DC 20301-1100

(Management Systems)

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (FINANCIAL
MANAGEMENT)
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL
MANAGEMENT)
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL
MANAGEMENT AND COMPTROLLER)
DIRECTORS OF THE DEFENSE AGENCIES

SUBJECT: Audit of Health Benefits Premiums - HealthPlus of
Maryland, Inc. (Project No. 1FG-5021)

The Department of Defense Inspector General (DoDIG) completed the subject audit, which was requested by the Inspector General, Office of Personnel Management (OPM), as part of a Government-wide audit involving 50 agencies and 172 payroll offices. The overall objective of the audit was to determine the validity of contributions made by DoD and its employees through OPM for medical insurance provided by HealthPlus. The DoDIG also evaluated the internal controls required by the Federal Managers' Financial Integrity Act (FMFIA).

Based on the audit, the DoDIG determined that contributions made by the DoD and its employees for medical insurance provided by HealthPlus were not always accurate because of the following internal control weaknesses:

- Payroll offices did not make monthly reconciliations between the number of enrollees reported to HealthPlus on the SF 2811, "Transmittal and Summary Report to Carrier," and the number of employee payroll records that would have identified accounting and administrative errors;
- Payroll offices did not follow OPM guidance for determining withholdings and contributions for employees in a leave without pay status; and
- Subscriber records were not retained for at least 3 years.

As a result of these internal control weaknesses, the DoDIG recommends that:

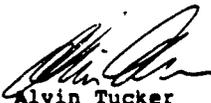
1. DoD payroll offices fully implement Federal Personnel Manual Supplement 890-1, Subchapter 19, paragraph 4, which requires monthly reconciliations between payroll records and health carrier records.

2. DoD payroll offices determine withholdings and contributions for employees in a leave without pay status in accordance with Federal Personnel Manual Supplement 890-1, Subchapter 20, Section 2, paragraph B(2).

3. DoD payroll offices maintain health carrier records for a period of 3 years, in accordance with the requirements of Office of the Secretary of Defense Administrative Instruction No. 15 or similar Military Department regulations.

Accordingly, addressees are directed to take appropriate actions to ensure civilian payroll offices comply with the above referenced guidance/actions.

Questions regarding this matter, may be directed to my action officer, Mr. De W. Ritchie, Jr., at (703) 697-0585 or DSN 227-0585.


Alvin Tucker
Deputy Comptroller
(Management Systems)

Office of the Assistant Secretary of Defense (Force Management and Personnel) Management Comments



FORCE MANAGEMENT
AND PERSONNEL

THE OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301-4000

28 APR 1992

MEMORANDUM FOR DIRECTOR, FINANCIAL MANAGEMENT DIRECTORATE,
DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: Audit of Health Benefits Premiums - HealthPlus of
Maryland, Inc. (Project No. 1FG-5021)

This responds to your April 8, 1992 draft memorandum report
of subject audit.

We appreciate the opportunity to review the draft and concur
with the recommendations as outlined.

A handwritten signature in cursive script, appearing to read "Thomas F. Garnett, Jr.".

THOMAS F. GARNETT, JR.
Director, Workforce Relations
Civilian Personnel Policy/EO

ENCLOSURE 3

Defense Finance and Accounting Service Management Comments



DEFENSE FINANCE AND ACCOUNTING SERVICE
WASHINGTON DC 20376 5001

MAY 11 1992

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING,
DEPARTMENT OF DEFENSE

SUBJECT: "DoD Audit of Health Benefits Premiums--HealthPlus of
Maryland, Inc."
(Project No. 1FG-5021)

We concur with your recommendations. Attached are our detailed comments, planned corrective actions, and estimated completion dates. We also plan to work with the Deputy Assistant Secretary of Defense (Civilian Personnel Policy/Equal Opportunity) to ensure employee eligibility requirements for the Federal Employee Health Benefits Program are observed.

We noted in your report the statement that the payroll offices you reviewed have taken action to correct the identified deficiencies. Therefore, we do not see a need to issue additional instructions to those payroll office sites.

We appreciate the opportunity to review your findings. If you require additional information, please refer your questions to my point of contact, Ms. Bess Alvarado, Civilian Pay Division, DFAS-HQ/FMC, Commercial (703) 607-1538.

A handwritten signature in cursive script that reads "Albert V. Conte".

Albert V. Conte
Director

Attachment

**Defense Finance and Accounting Service Management Comments
(Continued)**

1A

Response to OIG, DoD, Report, "Audit of Health Benefits Premiums - HealthPlus of Maryland, Inc." (Project No. 1FG-5021)

GENERAL COMMENTS: Our goal is that by 1995, all DoD civilian pay will be processed at two central sites using standard operational procedures. This contrasts with the current environment in which DoD operates more than 300 civilian payroll offices. Consolidation will simplify interfaces between personnel and payroll offices who both have responsibilities for health benefits processing. Standard systems and procedures also will result in fewer errors such as the problems encountered in your audit.

With this long-range consolidation in mind, the following recommendations cited in your report are addressed along with our comments and estimated completion dates.

PAYROLL OFFICE RECOMMENDATIONS:

Recommendation 1. Require payroll offices to fully implement Federal Personnel Manual Supplement 890-1, Subchapter 19, paragraph 4, which requires monthly reconciliations between payroll records and health care records.

Comment: Concur. DFAS Centers and Defense Agencies instructed to notify civilian payroll offices to comply with reconciliation procedures outlined in FPM Supplement 890-1, Subchapter 19-4 and to initiate immediate procedures where the procedures are not followed.

Estimated Completion Date: May 29, 1992

Recommendation 2. Direct DoD payroll offices to correct withholdings and contributions for employee pay status in accordance with Federal Personnel Manual Supplement 890-1, Subchapter 20, Section B(2).

Defense Finance and Accounting Service Management Comments (Continued)

2A

Comment: Concur. DFAS Centers and Defense Agencies will be instructed to notify civilian payroll offices to comply with FPM Supplement 890-1, Subchapter 20-2. We will also instruct the Centers and Defense Agencies that local Internal Review teams should review payroll records to ensure OPM procedures are followed. Ensuring that employee pay records are correct becomes even more important as we consolidate accounts into fewer payroll offices.

Estimated Completion Date: May 29, 1992.

Recommendation 3. Require payroll offices to maintain health carrier records for a period of three years, in accordance with the requirements of Office of the Secretary of Defense Administrative Instruction No. 15 or similiar Military Department regulations.

Comments. Concur. This office will notify the Centers and Defense Agencies to instruct civilian payroll offices to comply with the requirements of Office of the Secretary of Defense Administrative Instruction No. 15 or similiar Agency regulations, to maintain health carrier records for a period of 3 years.

Estimated Completion Date: May 29, 1992.

ACTIVITIES VISITED OR CONTACTED

Office of the Secretary of Defense

Comptroller of the Department of Defense, Washington, DC

Department of the Army

U.S. Army Engineering Center, Fort Belvoir, VA

U.S. Army Garrison, Fort Detrick, MD

U.S. Army Finance and Accounting Office, Fort Ritchie, MD

U.S. Army Finance and Accounting Office, Harry Diamond
Laboratory, Adelphi, MD

Reserve Components Personnel and Administration Center,
St. Louis, MO

Walter Reed Army Medical Center, Washington, DC

Department of the Navy

Naval Surface Weapons Center, Dahlgren, VA

Naval Research Laboratory, Washington, DC

Navy Regional Finance Center, Washington, DC

Naval Construction Battalion Center, Port Hueneme, CA

Naval Reserve Financial Information Processing Center,
New Orleans, LA

Department of the Air Force

Air Force Finance and Accounting Office, Bolling Air Force Base,
Washington, DC

Defense Logistics Agency

Defense Electronics Supply Center, Dayton, OH

REPORT DISTRIBUTION

Office of the Secretary of Defense

Comptroller of the Department of Defense

Department of the Army

Secretary of the Army
Assistant Secretary of the Army (Financial Management)

Department of the Navy

Secretary of the Navy
Assistant Secretary of the Navy (Financial Management)

Department of the Air Force

Secretary of the Air Force
Assistant Secretary of the Air Force (Financial Management and
Comptroller)

Defense Logistics Agency

Director, Defense Logistics Agency

Non-DoD

Department of the Treasury
Office of Personnel Management
Office of Management and Budget
U.S. General Accounting Office, NSIAD Technical
Information Center

Chairman and Ranking Minority Member of the following
Congressional Committees:

Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Operations
House Subcommittee on Legislation and National Security,
Committee on Government Operations