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### **Acronyms**

ACES	Automated Civil Engineering System
AF	Air Force
AFB	Air Force Base
AFI	Air Force Instruction
BAH	Basic Allowance for Housing
DFAS	Defense Finance and Accounting Service
DJMS	Defense Joint Military Pay System
FSOs	Financial Services Offices
HMO	Housing Management Office
OIG	Office of Inspector General
U.S.C.	United States Code



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

December 14, 2006

MEMORANDUM FOR ASSISTANT SECRETARY OF THE AIR FORCE  
(FINANCIAL MANAGEMENT AND COMPTROLLER)  
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING  
SERVICE-DENVER

SUBJECT: Report on the FY 2006 Air Force Basic Allowance for Housing  
(Report No. D-2007-035)

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

DoD Directive 7650.3 requires that all issues be resolved promptly. We request that the Assistant Secretary of the Air Force (Financial Management and Comptroller) provide completion dates for the actions proposed in response to Recommendations 1.b. and 1.c., by February 12, 2007.

We appreciate the courtesies extended to the staff. Questions should be directed to Mr. Douglas P. Neville at (703) 428-1061 (DSN 328-1061) or Mr. Joseph A. Powell at (703) 428-1052 (DSN 328-1052). The team members are listed inside the back cover. See Appendix E for the report distribution.

By direction of the Deputy Inspector General for Auditing:

A handwritten signature in black ink, reading "Paul J. Granetto", is positioned above the typed name.

Paul J. Granetto, CPA  
Assistant Inspector General and Director  
Defense Financial Auditing Service

## Department of Defense Office of Inspector General

Report No. D2007-035

December 14, 2006

(Project No. D2006-D000FP-0025.000)

### FY 2006 Air Force Basic Allowance for Housing

#### Executive Summary

**Who Should Read This Report and Why?** The Assistant Secretary of the Air Force (Financial Management and Comptroller) should read this report because it discusses and recommends improvements to the administration and management controls over the basic allowance for housing and recoveries of improper and erroneous payments.

**Background.** This report is the second in a series on military pay entitlements and benefits. Defense Finance and Accounting Service at Denver, Colorado, manages the Air Force financial accounts for military pay and entitlements. The Air Force processes pay through the Defense Joint Military Pay System database, which is controlled and maintained at Defense Finance and Accounting Service in Denver. Air Force personnel units and Financial Services Offices at bases make entries to update data in the Defense Joint Military Pay System. Approximately \$1.7 billion in basic allowance for housing is allocated for about 259,000 Air Force members.

**Results.** We performed this audit to determine whether Air Force military members were drawing a Basic Allowance for Housing entitlement while residing in military family housing. We also reviewed the management control program as it related to the overall objective. We found that 104 Air Force military members had been drawing Basic Allowance for Housing while residing in military family housing. As a result, the Air Force spent about \$947,000 on Basic Allowance for Housing for members who were not entitled to receive it. We recommend that the Air Force recover the \$947,000 in Basic Allowance for Housing improperly expended and require base Financial Services Offices to certify quarterly automated Basic Allowance for Housing verifications. We also recommend that the Air Force require that all Financial Services Offices use Basic Allowance for Housing verification software already in use at some bases. Finally, we recommend that the Air Force provide criteria, including monetary thresholds, for referring erroneous Basic Allowance for Housing payments to investigators and the Service member's chain of command, and for conducting automated verifications at base-level Financial Services Offices. (See the Finding section of the report for the detailed recommendations.)

We did not identify material management control weaknesses. However, we did identify internal control weaknesses affecting the administration of the Basic Allowance for Housing entitlement, which, although not material, are worth noting because the entitlement affects Air Force members' pay. The recommendation, when implemented, will correct these internal control weaknesses. (See the Background section of the report for the discussion of the review of internal controls.)

This report includes potential monetary benefits over the next 5 years of \$5.6 million. The potential monetary benefits include about \$947,000, the amount we recommend that Air Force recover in improperly paid Basic Allowance for Housing. Improved internal

controls would allow the Air Force to prevent additional improper payments of \$4.7 million Basic Allowance for Housing over the next 5 years.

**Management Comments and Audit Response.** The Air Force's comments were responsive but did not include completion dates for Recommendations 1.b. and 1.c. The Air Force concurred with Recommendations 1.a, 1.b. and 1.d. The Air Force also concurred with Recommendation 1.c. but proposed an acceptable alternative action that meets the intent of the recommendation.

We request that the Assistant Secretary of the Air Force (Financial Management and Comptroller) provide completion dates for proposed actions for Recommendations 1.b. and 1.c by February 12, 2007.

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## Background

This report is the second in a series on military pay entitlements and benefits. The Defense Finance and Accounting Service (DFAS) at Denver, Colorado, manages the Air Force financial accounts for military pay and entitlements. The Air Force processes pay through the Defense Joint Military Pay System (DJMS), which is controlled and maintained by DFAS in Denver. The DJMS supports pay and entitlements for active duty Air Force members. The Air Force and DFAS jointly sponsor and own the data. The Air Force and DFAS maintain more than 367,000 records in the pay system. The Defense Military Pay Office software is used to input payroll data into DJMS. Air Force personnel units and Financial Services Offices (FSOs) at bases also make entries to update data in DJMS. Total cost for Air Force active duty military personnel for the year ended September 30, 2005, was \$26.152 billion, all of which was processed through DJMS. The Air Force allocates approximately \$1.7 billion in Basic Allowance for Housing (BAH) for about 259,000 Air Force members.

**Housing Management Office.** The Housing Management Office (HMO) is responsible for preparing Air Force (AF) Form 594, Application and Authorization to Start, Stop, or Change BAH or Dependency Redetermination, which notifies the FSOs when an individual's housing status changes. The HMO is also responsible for coordinating with the FSO to provide, annually, a list of members residing in Government-controlled military family housing in September.

The HMO offers military family housing at no cost to the member. If a member lives in Government-controlled military family housing, they are not entitled to receive BAH unless they are living in a privatized housing area. (Military privatized housing is a public/private program whereby private sector developers may own, operate, maintain, improve, and assume responsibility for military family housing.) The Air Force pays BAH to members in military privatized housing. The Air Force member is then responsible for paying the military privatized housing contractor.

**Automated Civil Engineering System.** The Air Force uses a database known as Automated Civil Engineering System (ACES) for housing management. The ACES database provides support in the day-to-day operations for Air Force civil engineers in managing Air Force base housing. The database is composed of six functional business areas including housing assignments and terminations, facility data, community housing, unaccompanied housing, cost of moving and storing household goods, and inspections. ACES is fielded at 84 installations worldwide and tracks about 85,000 Government-controlled housing units. Each base HMO owns and maintains the data for their installation.

**Financial Services Offices.** The FSOs process the AF Form 594 data for entry into the DJMS database. The FSOs are responsible for certification of dependency and determination of BAH entitlements. The effective date of assignment to military family housing is the date the member, or his or her designated representative, accepts or assumes responsibility for the housing unit.

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**Annual BAH Verification.** The HMO initiates the verification process by providing the FSO a list of military members residing in Government housing. The FSO then verifies the information by comparing it to a Family Quarters Verification list provided by the Defense Military Pay Office. The FSO further investigates names that match between both Government housing lists. If the FSO discovers that a member is living in Government quarters and inappropriately receiving BAH, the FSO should stop the BAH and should establish a debt to recover the BAH overpayments. Once the FSO has completed the verification, the FSO must prepare a certification and provide it to their Air Force Major Command. The HMO and the FSO are jointly responsible for confirming that members residing in military housing are not paid BAH.

## Objective

Our overall audit objective was to determine whether Air Force military members are drawing a Basic Allowance for Housing entitlement while residing in military family housing. We also reviewed the management control program as it related to erroneous payment of BAH. See Appendix A for a discussion of the audit scope and methodology. See Appendix B for prior coverage related to the objectives.

## Review of Internal Controls

DoD Directive 5010.38, "Management Control Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control Program Procedures," August 28, 1996,<sup>1</sup> require 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 the Review of the Management Control Program.** We reviewed the Air Force Management Control Program as it relates to FSOs and HMOs at Bolling Air Force Base (AFB), Langley AFB, Eglin AFB, Minot AFB, Cannon AFB, and Hurlburt Field. We also reviewed the Air Force annual statement of assurance and determined it did not disclose internal control weaknesses over BAH payroll entitlement. Because we did not consider administration of the BAH entitlement to be a material management control weakness, we concluded that the Air Force's Management Control Program was adequate with respect to our audit objectives. We also reviewed the Management Control Program at DFAS Denver, including the annual statement of assurance, and concluded that it was adequate with respect to our audit objectives.

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<sup>1</sup> Office of Management and Budget Circular No. A-123, "Management's Responsibility for Internal Control," December 21, 2004, provides updated internal control standards and new requirements for conducting management's assessment of internal control over financial reporting. Revised OMB Circular No. A-123 became effective in FY 2006. Subsequently, DoD canceled DoD Instruction 5010.40 and issued DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," January 4, 2006.

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**Adequacy of Management Controls.** We did not identify material management control weaknesses. However, we did identify internal control weaknesses affecting the administration of the BAH entitlement, which, although not material, are worth noting as the BAH entitlement affects Air Force members' pay. The Air Force did not implement controls to ensure that its Major Commands required their Components, including base FSOs, to certify to the completion of their BAH verifications on an annual basis. The Assistant Secretary of the Air Force, Financial Management and Comptroller did not implement a recommendation in the Air Force Audit Agency report, "Basic Allowance for Housing Procedures," March 20, 2002. The report recommended that FSOs automate the annual BAH verification process. We also identified other control weaknesses including lack of criteria for quarterly automated BAH verification, lack of criteria for referring erroneous payment issues to the member's chain of command and investigators, and inconsistency between base FSOs' procedures to verify entitlements. Recommendation 1, when implemented, will correct these internal control weaknesses.

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## Controls Over Basic Allowance for Housing

One hundred and four Air Force military members improperly received BAH while residing in military family housing because the Air Force did not implement effective internal controls to prevent and detect erroneous BAH payments to them. Furthermore, the Air Force had no plan to recover the erroneous BAH payments. As a result, the Air Force erroneously paid about \$947,000 on BAH to Air Force members.

### Basic Allowance for Housing Criteria

The Air Force implements section 403, title 37, United States Code, “Basic Allowance for Housing,” (37 U.S.C. 403) to provide BAH to Service members to defray the cost of quarters not provided by the Government. As such, 37 U.S.C. 403 defines the legal limitations, including adjustments, based on the FY 2001 National Defense Authorization Act (Public Law 106-398, October 30, 2000). The Financial Management Regulation implements the United States Code and provides policy regarding financial management and military pay.

**United States Code.** As stated in 37 U.S.C. 403, the amount of BAH for a member is determined by the member’s pay grade, geographic location, and the dependency status of the member. The Secretary of Defense determines the housing allowance based on the cost for adequate housing rental for Service members in military housing areas in the United States. A Service member with dependents and assigned to military family housing is not entitled to BAH.

**DoD Financial Management Regulation.** DoD Financial Management Regulation, volume 7A, chapter 26, “Basic Allowance for Housing,” October 2005, implements the United States Code. BAH entitles members to monthly allowance for housing. The Financial Management Regulation authorizes this allowance for members with and without dependents. BAH is intended to pay only a portion of housing costs. BAH is payable to members on active duty and will vary according to the grade in which serving or appointed for basic pay purposes, dependency status, and the permanent duty station assigned. BAH is not payable to members assigned to military quarters.

**DFAS-Denver Manual 7073-1, Chapter 26.** DFAS-Denver Manual 7073-1, “Defense Joint Military Pay System – Active Component (DJMS-AC) FSO Procedures,” January 15, 1998, implements the United States Code and provides procedures for the FSO to prevent erroneous payments of BAH. Specifically, chapter 26 provides procedures for an annual BAH verification. The manual requires the FSOs to then certify to its Major Commands that the BAH verification was completed.

**Air Force Instruction 32-6001.** Air Force Instruction (AFI) 32-6001, Chapter 10 entitles military personnel with dependents to BAH, except when they and their dependents (or their dependents only) occupy adequate Government housing

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facilities. The Deputy Chief of Staff of the Air Force for Installations, Logistics, and Installation Support is primarily responsible for the Instruction. The Instruction provides criteria for the FSOs' financial management of BAH.

## **Military Family Housing Residents Drawing Basic Allowance for Housing**

As of January 2006, the Air Force paid BAH to 104 Air Force military members while they resided in military family housing. The erroneous payments occurred in 29 U.S. Air Force bases within the United States. These 29 bases were under 7 different Major Commands and 1 Direct Reporting Unit. Air Force needs to implement internal controls to prevent such payments. The potential monetary benefits the Air Force could realize include about \$947,000 of funds we recommend the Air Force recover for improperly paid BAH, and \$4.7 million for erroneous payments not made from 2007 to 2011 as a result of improved internal controls for a potential benefit of \$5.6 million.

## **Basic Allowance for Housing Internal Controls**

The Air Force paid military members residing in military family housing BAH because the Air Force did not implement internal controls to prevent and detect erroneous BAH payments. The Air Force did not automate data comparisons between DJMS and ACES so that FSO personnel could use a database-related program for BAH verifications. The Air Force also has not required bases to adopt BAH verification software or report completion of automated BAH verifications. The Air Force did not have criteria requiring base-level FSOs to conduct automated software BAH verifications. In addition, the Air Force did not have criteria, including a monetary threshold, and procedures for referring BAH overpayments for investigation and to the Service member's chain of command.

**Verification Procedures.** As of June 2006, seven of the eight locations we visited during this audit performed the housing verification required by DFAS-Denver Manual 7073-1, Chapter 26. Only one of the locations effectively used an automated verification method. Another location used an automated method but applied incorrect data. Five of the locations used a manual process. The final location performed no verification at all. Table 1 shows the verification method and number of members receiving erroneous payments at each location.

**Table 1. Method of Basic Allowance for Housing Verifications**

<u>Base</u>	<u>Automated</u>	<u>Ineffectively Automated</u>	<u>Manual</u>	<u>No Verification</u>	<u>Errors</u>
Hurlburt Field	X				0
Minot		X			10
Langley			X		2
Bolling			X		1
Eglin			X		9
Wright-Patterson			X		4
Andrews			X		7
Cannon				X	10

The base FSOs using automated software were able to perform the verification in about 20 minutes. The base FSOs using manual methods required a month to perform their verifications by manually comparing the FSO and HMO rosters. The manual verifications are more time consuming and error prone than the automated process. Because the FSOs are primarily staffed with military members, periodic training on the verification is required. The uniform use of quarterly automated verifications throughout the Air Force would reduce the erroneous payments of BAH while minimizing training needs. In addition, because the automated verification process is more efficient, it can be done more frequently.

**Reporting to the Major Commands.** DFAS-Denver Manual 7073-1 requires Major Commands to establish an internal suspense date for completion of their bases' verifications and requires FSO certification upon completion of the verification. Major Commands did not require their FSOs to complete and certify the verification. The Major Commands, once notified of this requirement during the course of our audit, did task FSOs to comply with this reporting requirement and the FSOs complied.

**Overpayments Made.** During FY 2006, the Air Force made erroneous payments of BAH to Service members at the eight locations we visited during the audit, and at 21 other Air Force bases in the United States. The erroneous BAH payments made to Air Force members totaled about \$947,000. Table 2 shows the number of errors at each MAJCOM and the monetary amounts associated with those errors. Detailed information can be found in Appendix D.

<b>Table 2. Basic Allowance for Housing Overpayments by Major Command</b>		
<b><u>MAJCOM (Major Command)</u></b>	<b><u>Errors</u></b>	<b><u>Monetary Amount</u></b>
ACC (Air Combat Command)	33	\$269,163
AETC (Education & Training Command)	26	\$229,432
AMC (Air Mobility Command)	22	\$176,302
AFMC (Air Force Material Command)	16	\$157,531
DRU (Direct Reporting Unit)	1	\$65,684
AFSOC (Air Force Special Operations Command)	2	\$19,862
AFSPC (Air Force Space Command)	3	\$19,396
PACAF (Pacific Air Force)	<u>1</u>	<u>\$9,293</u>
<b>Totals</b>	<b>104</b>	<b>\$946,664</b>

**Followup Actions.** We provided FSO personnel at the bases with information on the errors identified during our audit. The FSO personnel did not have adequate criteria or instructions for actions to take when an erroneous BAH payment was identified. The FSO personnel stated that they believed they should stop the erroneous BAH payments and establish a receivable from the member. However, there was no absolute requirement to refer the member receiving the erroneous payment to Air Force Office of Special Investigations. At one Air Force Base, the FSO initially planned to stop a service member's BAH but only to recoup the overpayment that occurred over a 3-year period. Because of prior experience, the Director of the FSO decided to contact the Air Force Office of Special Investigations because of the substantial amount of the erroneous payment involved (more than \$60,000).

**Investigative Referral.** The FSOs currently follow DFAS Denver Manual 7073-1, Chapter 26. According to the Air Force Accounting and Finance Office, this manual will soon be phased out and converted to Air Force Manual 65-116. Currently, the DFAS-Denver Manual does not state a monetary threshold or procedures for referral to investigators that should be followed when BAH overpayments occur. Without such guidance, significant overpayments are not promptly investigated and avoided. Air Force Manual 65-116 should include criteria, a monetary threshold, and procedures for referring BAH overpayments for investigation and to the Service member's chain of command.

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## Conclusion

The Air Force made about \$947,000 in erroneous payments for Basic Allowance for Housing to 104 members. The Air Force spent this money improperly and the members who received it were not entitled to it. The potential monetary benefits include the \$947,000 we recommend that Air Force recover in improperly paid Basic Allowance for Housing, and \$4.7 million in cost avoidance from improved internal controls over the next 5 years totaling \$5.6 million.

## Recommendation, Management Comments, and Audit Response

We recommend that the:

**1. Assistant Secretary of the Air Force (Financial Management and Comptroller) implement internal controls to prevent, detect, and recover erroneous Basic Allowance for Housing payments to Air Force Service members residing in military family housing by directing Air Force Financial Services Offices to:**

**a. Use an automated process to compare data between the Defense Joint Military Pay System and Automated Civil Engineering System so that Financial Services Office personnel can use a database-related program for Basic Allowance for Housing verifications.**

**Air Force Comments.** The Air Force concurred. The Assistant Secretary of the Air Force (Financial Management and Comptroller) has identified a systemic way to correct this problem and contracted Secure Data, Incorporated to produce reports of mismatches between the two computer systems for the Financial Services Offices.

**Audit Response.** The Air Force comments are fully responsive. We commend the Air Force for acquiring a means of performing this comparative match in order to discover erroneous payments and to report them to Financial Services Offices for appropriate action.

**b. Provide criteria to complete quarterly automated software Basic Allowance for Housing verifications and certify completion to the base Financial Services Office's Major Command.**

**Air Force Comments.** The Air Force concurred. Secure Data, Incorporated will provide the Assistant Secretary of the Air Force (Financial Management and Comptroller) (Air Force Accounting and Finance Office) with quarterly mismatch reports for the base FSOs. The Air Force Accounting and Finance Office will provide the reports, and guidance requiring a notice of completion, to the Air Force Major Commands. Completed notices of completion will be sent from the Financial Services Offices to the Air Force Major Commands, and then to the Air

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Force Accounting and Finance Office. Standard instructions will be provided in Air Force Manual 65-116, Volume 1.

**Audit Response.** The Air Force comments are fully responsive. Quarterly reports from Secure Data, Incorporated, with certifications of corrective actions sent to the Air Force Major Commands and the Air Force Accounting and Finance Office, will assist in promptly correcting erroneous payments. We request that the Air Force provide a completion date in management comments on the final report.

**c. Promulgate criteria, including monetary threshold and procedures, for referring Basic Allowance for Housing overpayments to Service members' chain of command and investigators.**

**Air Force Comments.** The Air Force concurred with the intent of the recommendation. Air Force Instruction 65-202, Chapter 7, already provides instructions for training Financial Services Offices personnel to identify fraud. Because fraud detection is possible in any area of the Financial Services Offices, the Air Force does not want to limit its instructions to one specific regulation or area of the Financial Services Offices, or to a definitive dollar amount. Therefore, the Air Force will strengthen AFI 65-202 with examples of fraud and recommended actions, and also provide guidance to the Financial Services Offices on when to include a service member's Commander, the Staff Judge Advocate, or the Office of Special Investigation.

**Audit Response.** The Air Force comments are responsive. The proposed alternative action, when implemented effectively, meets the intent of the recommendation. We request that the Air Force provide a completion date in management comments on the final report.

**d. Initiate collection actions to recover the amounts paid erroneously.**

**Air Force Comments.** The Air Force concurred. The Air Force will notify service members of their debts, and appropriate actions will be taken once the DoD OIG provides names and social security numbers to the Air Force.

**Audit Response.** The Air Force comments are fully responsive. Once the Air Force Office of Special Investigations notifies the DoD OIG that a release of the names and social security numbers will not interfere with current or ongoing investigations, the DoD OIG will provide this information to the Air Force Director of Accounting and Finance. We have already provided data on 57 out of 104 members selected for review, and we have approval to provide data on another 34 members. We will provide the data on the final 13 members when we receive permission.

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## Appendix A. Scope and Methodology

We examined the basic allowance for housing entitlement and the related internal controls. Copies of Air Force form 594 (supporting documents) in the Air Force Housing Management Office were audited against data in DJMS database.

We performed this audit from November 2005 through August 2006 in accordance with generally accepted government auditing standards. DFAS-Denver and the Air Force briefed our team on the DJMS database and Air Force payroll operations. We examined documents maintained at Air Force Bases including Bolling AFB, Andrews AFB, Langley AFB, Minot AFB, Cannon AFB, Eglin AFB, Wright-Patterson AFB, and Hurlburt Field. We interviewed FSO and HMO personnel at those Air Force bases. In addition, Air Force Personnel Center at Randolph Air Force Base briefed us on its responsibilities for providing personnel support to Air Force members.

We used data mining software to compare the Air Force Housing Management Office database, ACES, against DJMS for Air Force members drawing BAH. We then examined the documentation in the Housing Management Office and the Financial Services Offices. Because we used data mining techniques to select items for examination in the audit we have not made statistical projections.

**Use of Computer-Processed Data.** We did not evaluate the general and application controls of DJMS, the database that processes payroll data, although we did rely on data produced by that system to conduct the audit. We did not evaluate the general and application controls of ACES, the database that provides support in the day-to-day operations in managing Air Force base housing. We instead determined data reliability by comparing the data provided to us from DJMS and ACES to source documents. Not evaluating the controls did not affect the results of the audit.

**Use of Technical Assistance.** The DoD OIG Quantitative Methods Division and the Data Mining Division assisted with the audit.

The Quantitative Methods Division advised us that a random sample could be projected over the bases the sample was drawn from. The Quantitative Methods Division also advised that our random results in survey could be used for audit planning purposes. However, we used data mining to identify items for examination and therefore we did not statistically project results.

The Data Mining Division trained our team and provided us with software to compare data and sort information. We used the software to compare BAH received according to payroll records against Air Force members residing in military housing to determine the subpopulations for review.

**Government Accountability Office High-Risk Area.** The Government Accountability Office has identified several high-risk areas in DoD. This report provides coverage of the DoD Financial Management high-risk area.

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## **Appendix B. Prior Coverage**

During the last 5 years, the Government Accountability Office (GAO), the Department of Defense Inspector General (DoD IG), the Naval Audit Service, and Air Force Audit Agency issued 18 reports discussing military payroll or BAH. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>.

### **GAO**

GAO-04-990T, "Army Reserve Soldiers Mobilized to Active Duty Experienced Significant Pay Problems," July 20, 2004

GAO-04-413T, "Army National Guard Personnel Mobilized to Active Duty Experienced Significant Pay Problems," January 2004

### **DoD IG**

DoD IG Report No. D-2006-049, "Audit of the FY 2004 Marine Corps Entitlements and Withholding," February 10, 2006

DoD IG Report No. D-2005-100, "Identification and Reporting of DoD Erroneous Payments," August 17, 2005

### **Navy**

N2005-0021, "Termination of BAH for Personnel Residing in Navy Family Housing at Pacific Activities," January 6, 2005

N2004-0076, "Termination of BAH for Personnel Residing in Navy Housing at Selected Activities in Washington State and California," September 7, 2004

N2004-0060, "Termination of BAH for Navy Personnel Residing in Government Family Housing at Selected District of Columbia and Maryland Activities," June 17, 2004

N2004-0035, "Termination of BAH for Navy Personnel Residing in Government Family Housing in Jacksonville, FL Area," April 1, 2004

N2004-0025, "Termination of BAH for Navy Personnel Residing in Government Family Housing in the New London, CT, and Newport, RI Areas," February 9, 2004

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## **Air Force**

F2002-0090-EL0000, "Basic Allowance for Housing," for Seymour Johnson Air Force Base September 9, 2002

F2002-0004-B05400, "Basic Allowance for Housing Procedures," March 20, 2002

F2002-0021-WN0000, "Basic Allowance for Housing," for Kirtland Air Force Base February 20, 2002

F2002-0017-EM0000, "Basic Allowance for Housing," for Keesler Air Force Base February 5, 2002

F2002-0017-EA0000, "Basic Allowance for Housing Payments," for McGuire Air Force Base January 9, 2002

F2002-0007-WP0000, "Basic Allowance for Housing," for United States Air Force Academy October 29, 2001

F2002-0001-DL0000, "Basic Allowance for Housing," for Los Angeles Air Force Base October 25, 2001

F2002-0003-EO0000, "Basic Allowance for Housing," for Minot Air Force Base October 10, 2001

F2002-0001-WM0000, "Basic Allowance for Housing," for Elmendorf Air Force Base October 2, 2001

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## Appendix C. Monetary Benefits

Recommendation Reference	Description of Benefits	Amount and/or type of Benefit
1	<u>Economy and Efficiency.</u> Avoiding payment of BAH entitlement to Service members residing in Government housing.	<u>Funds put to better use.</u> \$5.6 million of appropriated funds for military pay.

## Appendix D. Major Command/Base Overpayments

**Table 3. Basic Allowance for Housing Overpayments by Major Command/Base**

<u>MAJCOM (Major Command/Base)</u>	<u>Errors</u>	<u>Monetary Amount</u>
<b>ACC (Air Combat Command)</b>		
Beale Air Force Base, California	1	\$36,346
Cannon Air Force Base, New Mexico	10	\$76,442
Davis-Monthan Air Force Base, Arizona	2	\$16,765
Holloman Air Force Base, New Mexico	2	\$10,361
Langley Air Force Base, Virginia	2	\$12,892
Minot Air Force Base, North Dakota	10	\$61,093
Mountain Home Air Force Base, Idaho	1	\$3,527
Nellis Air Force Base, Nevada	5	\$51,736
<b>ACC Subtotal</b>	<b>33</b>	<b>\$269,162</b>
<b>AETC (Education &amp; Training Command)</b>		
Columbus Air Force Base, Mississippi	1	\$5,210
Goodfellow Air Force Base, Texas	2	\$24,709
Keesler Air Force Base, Mississippi	18	\$163,666
Laughlin Air Force Base, Texas	1	\$2,400
Luke Air Force Base, Arizona	1	\$16,981
Maxwell Air Force Base, Alabama	1	\$6,313
Sheppard Air Force Base, Texas	1	\$3,585
Tyndall Air Force Base, Florida	1	\$6,570
<b>AETC Subtotal</b>	<b>26</b>	<b>\$229,434</b>
<b>AMC (Air Mobility Command)</b>		
Andrews Air Force Base, Maryland	7	\$77,663
Grand Forks Air Force Base, North Dakota	2	\$7,464
MacDill Air Force Base, Florida	1	\$10,612
McChord Air Force Base, Washington	4	\$27,531
Pope Air Force Base, North Carolina	4	\$15,690
Travis Air Force Base, California	4	\$37,342
<b>AMC Subtotal</b>	<b>22</b>	<b>\$176,302</b>

\*Table continued on the next page.

<b><u>MAJCOM (Major Command/Base)</u></b>		
<b><u>Continued</u></b>	<b><u>Errors</u></b>	<b><u>Monetary Amount</u></b>
<b>AFMC (Air Force Material Command)</b>		
Edwards Air Force Base, California	3	\$30,954
Eglin Air Force Base, Florida	9	\$84,740
Wright-Patterson Air Force Base, Ohio	4	\$41,837
<b>AFMC Subtotal</b>	<b>16</b>	<b>\$157,531</b>
<b>DRU (Direct Reporting Unit)</b>		
Bolling Air Force Base, Washington D.C.	1	\$65,684
<b>AFSOC (Air Force Special Operations Command)</b>		
Hurlburt Field, Florida	2	\$19,862
<b>AFSPC (Air Force Space Command)</b>		
Schriever Air Force Base, Colorado	1	\$6,615
Vandenberg Air Force Base, California	2	\$12,781
<b>AFSPC Subtotal</b>	<b>3</b>	<b>\$19,396</b>
<b>PACAF (Pacific Air Force)</b>		
Eielson Air Force Base, Alaska	<u>1</u>	<u>\$9,293</u>
<b>Totals</b>	<b>104</b>	<b>\$946,664</b>

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## **Appendix E. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense (Comptroller)/Chief Financial Officer  
Deputy Chief Financial Officer  
Deputy Comptroller (Program/Budget)

### **Department of the Navy**

Naval Inspector General

### **Department of the Air Force**

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

### **Other Defense Organizations**

Director, Defense Finance and Accounting Service  
Denver

### **Congressional Committees and Subcommittees, Chairman and Ranking Minority Member**

Senate Committee on Appropriations  
Senate Subcommittee on Defense, Committee on Appropriations  
Senate Committee on Armed Services  
Senate Committee on Homeland Security and Governmental Affairs  
House Committee on Appropriations  
House Subcommittee on Defense, Committee on Appropriations  
House Committee on Armed Services  
House Committee on Government Reform  
House Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform  
House Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform  
House Subcommittee on Technology, Information Policy, Intergovernmental Relations, and the Census, Committee on Government Reform

# Department of the Air Force Comments



DEPARTMENT OF THE AIR FORCE  
WASHINGTON, DC

OFFICE OF THE ASSISTANT SECRETARY

81 OCT 2006

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

FROM: SAF/FMP (AFAFO)

SUBJECT: DoDIG Draft Report, "FY 2006 Air Force Basic Allowance for Housing, 29  
September 2006 (Project D2006-D000FP-0025.000)

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

Recommendation 1. The Assistant Secretary of the Air Force (Financial Management and Comptroller) should implement internal controls to prevent, detect, and recover erroneous Basic Allowance for Housing payments to Air Force Service members residing in military family housing by directing Air Force Financial Services Offices to:

a. Use an automated process to compare data between the Defense Joint Military Pay System and Automated Civil Engineering System so that Financial Services Office personnel can use a database-related program for Basic Allowance for Housing verifications.

Concur. SAF/FMP has found systemic way to correct the problem and has contracted with Secure Data, Incorporated (SDI) to produce reports for the FSOs. The reports contain mismatches between the Automated Civil Engineer System (ACES) – Housing Management and the Defense Joint Military Pay System – Active Component (DJMS-AC).

b. Provide criteria to complete quarterly automated software Basic Allowance for Housing verifications and certify completion to the base Financial Services Office's (FSO) Major Command.

Concur. SDI will provide SAF/FMP (AFAFO) with quarterly reports to distribute to the MAJCOMs. SAF/FMP (AFAFO) will provide guidance to the MAJCOMs and require a notice of completion from the base to the MAJCOM to AFAFO. Standard instructions will be included in AFM 65-116, Vol 1, DJMS – Active Component – FSO Procedures.

c. Promulgate criteria, including monetary threshold and procedures, for referring Basic Allowance for Housing overpayments to Service members' chain of command and investigators.

Concur with intent. Air Force Instruction 65-202, Administration of a Base Financial Management Quality Assurance Program, Chapter 7, Fraud Prevention Measure, contains the overall instructions for training FSO personnel to identify fraud. Since there is a potential for detecting fraud in virtually any area of the FSO, we do not want to limit our

*Financing the Fight*

instructions to one specific regulation or area of the FSO. Neither do we want to limit our actions to a definitive dollar amount. As funds stewards, we naturally want to limit losses of funds; however, there may be times when a relatively small amount of dollars may be equally worrisome because it points to a larger overall problem.

We propose to strengthen the instructions in AFI 65-202 to give examples of fraud and recommended actions, beginning with notification to the financial services officer. In addition, we will provide guidance for the FSO as to when it may be appropriate to include the individual's Commander, the Staff Judge Advocate, or the Office of Special Investigation.

d. Initiate collection actions to recover the amounts paid erroneously.

Concur. Members will be notified of debts and appropriate actions taken as soon as the DoDIG provides the names/SSNs to the Air Force.

If you have any questions, require additional information, or have future follow-up requests, on this issue, please contact Ms. Patricia Clayton, SAF/FMP (AFAFO), DSN 926-6700.



PATRICK A. COE, Colonel, USAF  
Director, Air Force Accounting and  
Finance Office

## **Team Members**

The Defense Financial Auditing Service, Office of the Deputy Inspector General for Auditing of the Department of Defense prepared this report. Personnel of the Department of Defense Office of Inspector General who contributed to the report are listed below.

Paul J. Granetto  
Patricia March  
Douglas P. Neville  
Joseph A. Powell  
Lusk Penn  
Donovan Quimby  
Brett Ward  
Lisa Vega  
Daniel Carlquist  
Jason James  
Henry Mathews  
Latesha Goode



# Inspector General Department of Defense

