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### **Acronyms**

|      |                                     |
|------|-------------------------------------|
| AO   | Authorizing Official                |
| DMD  | Data Mining Division                |
| FEMA | Federal Emergency Management Agency |
| IG   | Inspector General                   |
| QMD  | Quantitative Methods Division       |
| SSN  | Social Security Number              |



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
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ARLINGTON, VIRGINIA 22202-4704

April 25, 2008

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (PERSONNEL AND  
READINESS)

SUBJECT: Report on DoD Accounting to Support DoD Personnel During Times of  
Civil Emergency (Report No. D-2008-080)

We are providing this report for review and comments. The Under Secretary of  
Defense (Personnel and Readiness) did not respond to the draft report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly.  
We request that the Under Secretary of Defense (Personnel and Readiness) provide  
comments on Recommendations by May 27, 2008.

If possible, please send management comments in electronic format (Adobe  
Acrobat file only) to [Auddfs@dodig.mil](mailto:Auddfs@dodig.mil). Copies of the management comments must  
contain the actual signature of the authorizing official. We cannot accept the / Signed /  
symbol in place of the actual signature. If you arrange to send classified comments  
electronically, they must be sent over the SECRET Internet Protocol Router Network  
(SIPRNET).

We appreciate the courtesies extended to the staff. Questions should be directed  
to Ms. Lorin T. Pfeil at (703) 601-5945 (DSN 329-5945) or Ms. Pauletta P. Battle at  
(703) 601-5900 (DSN 329-5900). See Appendix D for the report distribution. The team  
members are listed inside the back cover.

*Patricia A. Marsh*  
Patricia A. Marsh, CPA  
Assistant Inspector General  
for Defense Financial Auditing Service



## Department of Defense Office of Inspector General

Report No. D-2008-080

April 25, 2008

(Project No. D2006-D000FE-0104.000)

### DoD Accounting to Support DoD Personnel During Times of Civil Emergency

#### Executive Summary

**Who Should Read This Report and Why?** DoD financial managers and personnel responsible for the accounting and reporting of reimbursement to support DoD military and civilian personnel during a civil emergency should read this report. This report addresses the adequacy of controls in place to ensure the accuracy of payments to DoD personnel.

**Background.** On August 29, 2005, Hurricane Katrina made landfall on the U.S. Gulf Coast causing major damage and loss of life in Alabama, Louisiana, and Mississippi. The President declared the affected locations disaster areas and several Federal agencies, including DoD and the Federal Emergency Management Agency (FEMA), responded to the call for support. DoD evacuated DoD personnel (military and civilian employees and their dependents) to alternate safe haven locations. DoD made advance travel payments to personnel to expedite evacuation efforts. DoD assisted personnel with expenses such as meals, transportation, lodging, and incidental expenses. FEMA also provided assistance to DoD personnel for expenses such as rent, housing, personal property losses, and other expenses as authorized by law.

**Results.** DoD did not have adequate controls to ensure the accuracy of payments to DoD personnel for Hurricane Katrina entitlements. Specifically, DoD did not have adequate controls to prevent or detect duplicate payments from the Services and FEMA for similar entitlements. This occurred because neither DoD nor Federal regulations prohibited DoD personnel from filing claims with multiple Federal agencies, and DoD did not require disclosure of payments from other Federal agencies. In addition, the Services did not coordinate with each other or FEMA to determine the types of assistance provided or amounts paid to DoD personnel. DoD also did not require disclosure of payments from the Services or FEMA, and personnel did not always comply with DoD travel regulations. Therefore, personnel were able to file claims and receive payments from more than one Service and FEMA, resulting in DoD making duplicate payments of about 27.1 percent, or \$10.7 million, for Hurricane Katrina entitlements (see Appendix B for sampling methodology). Revising pre-payment and post-payment procedures to include requirements for coordinating across Services and with other Federal agencies should decrease the potential for duplicate payments.

**Management Comments.** We provided a draft of this report on January 30, 2008. The Under Secretary of Defense for Personnel and Readiness did not provide comments to the draft report. We request that the Under Secretary of Defense for Personnel and Readiness comment on this report by May 27, 2008.



# Table of Contents

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|  |    |
|--|----|
| <b>Executive Summary</b>   | i  |
| <b>Background</b>  | 1  |
| <b>Objectives</b>  | 1  |
| <b>Review of Internal Controls</b>   | 1  |
| <b>Finding</b>   |    |
| Controls for Payments to Support DoD Personnel During a Civil<br>Emergency | 3  |
| <b>Appendixes</b>  |    |
| A. Scope and Methodology   | 11 |
| B. Sampling Methodology  | 12 |
| C. Prior Coverage  | 13 |
| D. Report Distribution   | 14 |



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## **Background**

On August 29, 2005, Hurricane Katrina made landfall on the U.S. Gulf Coast causing major damage and loss of life in Alabama, Louisiana, and Mississippi. The President declared the affected locations disaster areas, and several Federal agencies, including DoD and the Federal Emergency Management Agency (FEMA), responded to the call for support. DoD evacuated DoD personnel (military and civilian employees and their dependents) to alternate safe haven locations. DoD made advance travel payments to personnel to expedite evacuation efforts. DoD assisted personnel with expenses such as meals, transportation, lodging, and incidental expenses. FEMA also provided assistance to DoD personnel for expenses such as rent, housing, personal property losses, and other expenses as authorized by law.

This audit was performed in support of Public Law 109-62, "Second Emergency Supplemental Appropriations Act to Meet Immediate Needs Arising from the Consequences of Hurricane Katrina, 2005," September 8, 2005. This law requires the Inspector General, Department of Homeland Security, to audit and investigate funds expended on Hurricane Katrina response and recovery activities. Additionally, the House Government Reform Committee and its Subcommittee on Financial Management (now the Subcommittee on Government Management, Finance, and Accountability) issued a letter to the Secretary of Homeland Security on September 15, 2005. This letter tasked the Secretary to coordinate with the DoD Office of Inspector General to increase its auditing and investigative capabilities to ensure that the funds were used for their intended purposes.

## **Objectives**

The overall audit objective was to determine whether controls were in place to ensure the accuracy of payments to DoD personnel during a civil emergency. Specifically, to determine whether DoD personnel evacuated during a civil emergency received duplicate payments from DoD and other Federal agencies for the same entitlements. We also reviewed the adequacy of the management control program as it relates to the overall objective. See Appendix A for a discussion of the scope and methodology and Appendix C for prior coverage.

## **Review of Internal Controls**

We identified material internal control weaknesses as defined by DoD Instruction 5010.40, "Management Control (MC) Program Procedures," January 4, 2006. DoD did not have adequate controls to prevent or detect duplicate payments for Hurricane Katrina entitlements. Specifically, DoD regulations do not identify or restrict the type of assistance personnel can claim from other Federal agencies or require personnel to disclose payments from other Federal agencies. In addition, the Services had no visibility of payments that the

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other Services or FEMA made to military and civilian personnel. Implementing Recommendations 1.a., 1.b., 1.c., and 2 will improve DoD's ability to prevent and detect duplicate payments for the same entitlements. A copy of the final report will be provided to the senior officials responsible for internal controls at the respective Commands.

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## Controls for Payments to Support DoD Personnel During a Civil Emergency

DoD did not have adequate controls to ensure the accuracy of payments to DoD personnel for Hurricane Katrina entitlements. Specifically, DoD did not have adequate controls to prevent or detect duplicate payments from across the Services and FEMA for similar entitlements. This occurred because neither DoD nor Federal regulations prohibited DoD personnel from filing claims with multiple Federal agencies. In addition, the Services did not coordinate with each other or FEMA to determine the types of assistance provided or amounts paid to DoD personnel. DoD also did not require disclosure of payments from the Services or FEMA and personnel did not always comply with DoD travel regulations. Therefore, personnel were able to file claims and receive payments from more than one Service and FEMA, resulting in DoD making duplicate payments of about 27.1 percent, or \$10.7 million,<sup>\*</sup> for Hurricane Katrina entitlements.

### Internal Controls Over Payments

**Controls for Service Claims.** DoD did not have adequate controls to prevent or detect duplicate payments across the Services. The Services had no visibility of payments made by other Service branches. Specifically, the Services did not coordinate with each other and did not require personnel to disclose payments personnel received outside of their branch. Some personnel received evacuation orders and advance payments from more than one Service. As a result, personnel filed claims with and received subsequent payments from more than one Service. Personnel also did not always comply with DoD travel regulations. DoD personnel's travel claims were not properly completed and, at times, were processed without signatures of approving officials and required receipts.

**Controls for FEMA Claims.** DoD did not have adequate controls to detect duplicate payments from FEMA for the same entitlements. Although DoD provided assistance to its personnel as a result of Hurricane Katrina, DoD and Federal regulations did not prohibit DoD personnel from receiving FEMA assistance. In addition, DoD did not coordinate with FEMA to determine the type and amount of assistance FEMA provided. DoD also did not require personnel to disclose payments received from FEMA. Thus, DoD personnel filed claims with both DoD and FEMA for expenses such as lodging, transportation, and moving and storage.

**Pre- and Post-Payment Procedures.** The Services performed pre- and post-payment verification procedures. In general, pre-payment procedures included verifying members' (military and civilian personnel and their dependents) identity, using checklists to process vouchers, and checking the respective travel systems for prior payments on travel orders. Post-payment procedures included performing audits and reviews of travel payments based on

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<sup>\*</sup> See Appendix B for sampling methodology.

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each Service's criteria. However, no Service had pre- or post-payment procedures that required checking for payments that personnel may have received from other Services or FEMA.

## **DoD and Federal Regulations**

DoD and Federal regulations did not prohibit DoD personnel from filing claims with other Federal agencies as a result of a civil emergency. DoD regulations, such as the Joint Travel Regulation, Joint Federal Travel Regulation, and the DoD Financial Management Regulation, provided detailed guidance on travel operations during a civil emergency, but did not prohibit DoD personnel from filing claims with other Federal agencies. Instead, the Joint Travel Regulation and the DoD Financial Management Regulation provided guidance on how to fund evacuations for personnel from other organizations. The Joint Federal Travel Regulation did not provide guidance on how to fund evacuations for personnel from other organizations.

**Joint Travel Regulation.** The Joint Travel Regulation, Appendix I, Section 550.403 states:

Any DoD Component may make payments in an evacuation situation to an employee of another Federal agency/DoD component (or the employee's dependent(s) or personal representative) who has received an order to evacuate. When a payment is made under this part by a DoD component other than the employee's agency/DoD component, the DoD component making the payment shall immediately report the amount and date of the payment to the employee's agency/DoD component so that prompt reimbursement may be made.

**DoD Financial Management Regulation.** The DoD Financial Management Regulation, volume 9, chapter 5, "Temporary Duty Travel (TDY)-Non-Defense Travel System," March 2006, states that, whenever possible, all orders should be funded by the traveler's organization. If funding is provided by another office, the traveler's organization should obtain the fund cite from that office in the amount sufficient to pay for the travel before issuing travel orders.

Federal regulations, such as the Military Personnel and Civilian Employees' Claims Act, codified as section 3721, title 31, United States Code (31 U.S.C. 3721), and the Code of Federal Regulations (C.F.R.) authorize an agency, like FEMA, to make payments to employees of other Federal agencies.

**Military Personnel and Civilian Employees' Claims Act.** According to 31 U.S.C. 3721, the head of an agency may settle and pay up to \$40,000 for personal property damage or loss claims made by a member of the uniformed services, incident to service. If the claim arose from an emergency evacuation or from extraordinary circumstances, the settlement amount may exceed \$40,000, but is limited to \$100,000.

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**Code of Federal Regulations.** According to 5 C.F.R. Section 550.403 (2006), an agency can make payments due to an evacuation to an employee of another Federal agency who has received an order to evacuate. Under these circumstances, the agency making the payment must immediately report the amount and date of payment to the employee's agency to be promptly reimbursed.

Also, according to 44 C.F.R. Section 206.191, if assistance from the agency with primary responsibility will be delayed, other agencies may provide assistance, but this assistance “must be recovered from the applicant when the other assistance becomes available.”

Because none of these regulations prohibited filing similar claims with multiple Federal agencies, DoD personnel filed claims for assistance from more than one Service and FEMA. The duplicate claims went undetected and resulted in duplicate payments. For example, a Marine Corps member filed a claim with the Marine Corps for lodging from August 27, 2005, to September 28, 2005, for \$1,214, and for October's rent for \$2,425. In the same time frame, the member claimed FEMA housing assistance that was approved September 9, 2005, for \$2,000 and rental assistance approved October 1, 2005, for \$2,358. Because the member received FEMA assistance for similar entitlements in September and October, the Marine Corps should not have paid for lodging and rent for those months.

DoD should update regulations to prohibit DoD personnel from claiming similar types of assistance with both DoD and FEMA. Updating the regulations to prohibit the filing of similar claims with multiple agencies helps prevent duplicate payments for the same entitlements.

## **Coordination within DoD and with FEMA**

The Joint Travel Regulation, DoD Financial Management Regulation, and Code of Federal Regulations require that a Service, which makes payments to personnel from other Services, notify the other Services of the amounts and dates of the payments so that the Service making the payment can be reimbursed. However, the Services did not coordinate with each other or with FEMA to determine the types of assistance provided or amounts paid to DoD personnel. In addition, there was limited communication between DoD and FEMA. DoD and FEMA communicated regarding which entitlements were available to DoD personnel, but did not communicate about preventing or rectifying duplicate entitlements paid to DoD personnel.

**DoD Coordination Among the Services.** The Services issued multiple travel orders and advances that resulted in duplicate payments to DoD personnel for the same entitlements. We reviewed travel records for 56 social security numbers (SSN) in which DoD personnel received travel orders from multiple Services. For 7 of the 56 SSNs, DoD personnel submitted travel vouchers covering the same time period to more than one Service. The seven SSNs with multiple travel orders resulted in \$28,806 in duplicate payments. For example, a Navy member residing in Slidell, Louisiana, received a travel order from the Commander, Navy Installations and a travel order from the Commander, Keesler Air Force Base.

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The member submitted a travel voucher to the Navy for travel from August 28, 2005, to October 9, 2005, and a travel voucher to the Air Force for travel from August 28, 2005, to September 30, 2005. Both the Navy and the Air Force paid the member based on the member's travel order for the respective Service and the member's receipts. We identified similar results for all seven SSNs.

Thus, DoD paid these seven members twice. These duplicate payments are included in the Service 2 and Service 3 sample results in Table 1.

Although the personnel for the remaining 49 SSNs did not file multiple vouchers, 17 received advance or prior payments from more than one Service. We did not consider these payments duplicates because the Services performed debt collection procedures to recoup the funds. Debt collection was a routine part of the Services post-payment procedures. Services should coordinate with each other and establish or update pre-payment and post-payment procedures to notify other Services of payments made to their respective personnel and seek reimbursement of those funds as required by the Joint Travel Regulation.

**DoD Coordination with FEMA.** Coordination between DoD and FEMA is required by 44 C.F.R. Section 206.191(b)(1) which states that Federal agencies must "cooperate to prevent and rectify duplication of benefits." In October 2005, DoD and FEMA developed a "Recovery Information Sheet" that provided information on benefits available to evacuated DoD personnel. The "Recovery Information Sheet" stated that "Military assistance and FEMA assistance may be considered as a duplication of benefits." Although FEMA and DoD recognized the potential for duplication of benefits, the "Recovery Information Sheet" lacked provisions or procedures on how to prevent, detect, or rectify duplicate payments. Thus, DoD had no knowledge of FEMA payments made to DoD personnel for evacuation assistance. For example, an Army member and his dependents filed for assistance with the Army and FEMA. The Army paid for 5 months of rent, totaling \$3,750. During the same 5-month period, two of the dependents, who were over 18 years old and living in the same household as the member, received rental and housing assistance from FEMA totaling, \$9,338. Because FEMA paid for housing and rental needs, DoD did not need to reimburse lodging costs. In addition, FEMA should not have paid one of the dependents because both were part of the same household.

**Sample of FEMA and DoD Payments.** We reviewed FEMA payment data for the 2005 Hurricane season and the Services' travel records related to Hurricane Katrina to determine duplicate payments to DoD personnel. FEMA payment data identified 64,824 SSNs belonging to DoD personnel for which FEMA provided \$298 million in assistance. We compared the SSNs in FEMA payment data to the SSNs of DoD personnel in the Services travel records. Our analysis identified 14,446 DoD personnel SSNs that were in both FEMA payment data and the Services travel records. Based on the potential for duplicate payments, we developed a statistical sample to review and analyze payment data and travel records for 687 SSNs. Of the 687 SSNs, travel records were available for only 610 SSNs. Travel records for the remaining 77 SSNs were missing or pertained to payments for hurricanes other than Katrina. The 610 SSNs includes the 56 SSNs that received multiple travel orders. The following table shows travel

records for 225 SSNs that we reviewed and identified totaling over \$600,000 in multiple payments. The amounts in Table 1 include the seven SSNs previously identified as duplicate payments.

| <u>Service</u>         | <u>Sample Size</u> | <u>Travel<br/>Records<br/>Reviewed</u> | <u>Duplicates</u> | <u>DoD Duplicate<br/>Payments<br/>(thousands)</u> |
|------------------------|--------------------|--|-------------------|---|
| Army                   | 150                | 101                                    | 25                | \$ 67,213   |
| Navy                   | 150                | 150                                    | 48                | 182,161   |
| Air Force              | 150                | 128                                    | 25                | 23,387  |
| Marine Corps           | 150                | 150                                    | 88                | 234,168   |
| Service 2 <sup>1</sup> | 60                 | 57                                     | 24                | 72,848  |
| Service 3 <sup>2</sup> | 27                 | 27                                     | 15                | 48,894  |
| <b>Total</b>           | <b>687</b>         | <b>610</b>                             | <b>225</b>        | <b>\$ 628,671<sup>3</sup></b>                     |

<sup>1</sup> Includes individuals from all the Services whose SSN appeared in the sample twice.  
<sup>2</sup> Includes individuals from all the Services whose SSN appeared in the sample three times and was associated with more than one Service.  
<sup>3</sup> Based on the statistical sample results, the projected total dollar error is \$10.7 million.

We determined duplicate payments by the type of assistance and the date of the assistance provided by more than one Service or by FEMA plus at least one Service. The Services could have avoided paying or could have recovered duplicate payment amounts if the Services coordinated with each other and FEMA. To prevent or minimize duplicate payments in the future, DoD should coordinate with FEMA to establish pre- and post-payment procedures to detect duplicate payments by determining the type, amount, and timing of FEMA assistance provided to DoD personnel during a civil emergency.

## Payment Disclosure

**Disclosure of FEMA Payments.** DoD did not require disclosure of payments received from FEMA. DoD regulations required that when filing a claim “each evacuee shall be asked about advances or previous payments.” Advances or previous payments should be reported in block nine of the DoD travel voucher, DD Form 1351-2, titled “Previous Government Payments/Advances.” However, amounts in block nine were limited to advances or previous payments from DoD for specific travel orders and did not include payments from other Federal agencies. For example, an Army member received a \$3,450 advance payment and \$344 lodging reimbursement from the Army for travel from August 27, 2005, to September 27, 2005. The member also received \$6,094 for lodging reimbursement from FEMA for the same time period. However, the member’s DD Form 1351-2, block nine showed only the \$3,450 advance and the \$344 lodging reimbursement from the Army. Thus, because the amounts in block nine

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only applied to advance or prior payments for DoD travel orders, DoD was not aware of payments received from FEMA and made payments for similar entitlements. DoD should require personnel to disclose the type and amount of payments received from other Federal agencies to prevent duplicate payments for the same benefits.

**Payment Disclosure Within and Across Services.** DoD personnel also did not always include advances or prior payments from other Service branches on their travel vouchers. For example, an Army dependent received \$8,281 in accruals from the Navy. However, the dependent did not include this amount on the DD Forms 1351-2, block nine, filed with the Army. In addition, DoD personnel did not consistently include previous DoD payments or advances they received from their own Service branch on their travel vouchers. For example, a Marine Corps member's travel voucher summary prepared by the disbursing officer totaled \$14,074 in advances and prior payments from the Marine Corps. However, on the DD Form 1351-2, prepared by the member, block nine was blank. DoD should require that personnel disclose advances and prior payments received from their Service and other Service branches to prevent and detect duplicate payments.

## Compliance with Travel Regulations

**Voucher Approval Process.** The Services did not always comply with DoD travel regulations for processing travel claims. According to the DoD Financial Management Regulation, volume 9, chapter 5, if required by the DoD Component the Approving Official (AO) must sign the travel voucher before submission to the appropriate travel computation office for reimbursement. However, in an effort to streamline the delivery of assistance, the Office of Management and Budget authorized Federal agencies to relax pre-payment eligibility verification requirements, such as requiring an AO signature, for the first 30 to 90 days after August 29, 2005. The Office of Management and Budget guidance stated that after 30 to 90 days (November 30, 2005), agencies "should resume standard pre-payment procedures and controls to the maximum extent possible." Thus, travel vouchers processed after November 30, 2005, except for the Navy's, required an AO signature. Of the 610 travel records we reviewed, 54 travel records contained one or more travel vouchers that were processed without the AO signature after November 30, 2005. For example, a Marine Corps member was reimbursed expenses on five partial vouchers and the final two vouchers did not have the AO signature. An Army dependent was also reimbursed on three partial vouchers without an AO signature.

**Required Documentation.** The Services did not always have the proper documentation to support disbursements. The Joint Travel Regulation and DoD Financial Management Regulation require the Services to review travel documentation that supports amounts reimbursed to personnel. Out of the 610 records reviewed, 80 did not have receipts to support the amounts reimbursed. For example, a Navy member was reimbursed lodging costs of \$12,606 without receipts. In addition, the Services sometimes had travel voucher summaries

indicating payments were made to individuals but did not have the travel orders, travel vouchers, or other supporting documentation. Table 2 shows by Service the results of SSNs without the AO signatures and required documentation.

| <u>Service</u>         | <u>Travel Records Reviewed</u> | <u>Without AO Signature</u> | <u>Without Required Documentation</u> |
|------------------------|--------------------------------|-----------------------------|---------------------------------------|
| Army                   | 101                            | 34                          | 10                                    |
| Navy                   | 150                            | 6                           | 14                                    |
| Air Force              | 128                            | 1                           | 23                                    |
| Marine Corps           | 146                            | 2                           | 20                                    |
| Service 2 <sup>1</sup> | 58                             | 6                           | 8                                     |
| Service 3 <sup>2</sup> | 27                             | 5                           | 5                                     |
| <b>Total</b>           | <b>610</b>                     | <b>54</b>                   | <b>80</b>                             |

<sup>1</sup> Includes individuals from all the Services whose SSNs appeared in the sample twice.  
<sup>2</sup> Includes individuals from all the Services whose SSNs appeared in the sample three times and was associated with more than one Service.

The Services need to comply with DoD travel regulations requiring an AO signature, receipts, and other documentation when processing travel claims.

## Recommendations

1. We recommend that the Under Secretary of Defense for Personnel and Readiness require the Services to:
  - a. Update regulations prohibiting DoD personnel from claiming similar entitlements with DoD and other Federal agencies and to check for previous claims filed within DoD and with other Federal agencies.
  - b. Coordinate with each other to establish or update pre-payment and post-payment procedures that notify each Service of payments made to their respective personnel and to recoup duplicate payments.
  - c. Develop and implement pre-payment and post-payment procedures that require coordination with Federal Emergency Management Agency and other Federal agencies to determine the type, amount, and time frame of assistance provided to DoD personnel during a civil emergency.
  - d. Comply with travel regulations requiring an approving official's signature on travel vouchers, receipts, and other supporting documentation when processing travel claims.

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2. We recommend the Under Secretary of Defense for Personnel and Readiness update the Joint Travel Regulation and the Joint Federal Travel Regulation to require that DoD personnel disclose all payments received from other Federal agencies and all Services as a result of a civil emergency, and to require adjustments to entitlements based on payments received from other Federal agencies and Services.

## **Management Comments Required**

The Office of the Under Secretary of Defense for Personnel and Readiness did not comment on a draft of this report. We request that the Office of the Under Secretary of Defense for Personnel and Readiness provide comments on the final report.

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## Appendix A. Scope and Methodology

We performed this financial audit from January 3, 2006, through January 8, 2008, 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.

We performed our audit at the Military Services, two DoD Components, and FEMA. We interviewed personnel working in the areas of travel pay, customer support, and policy. We visited and conducted interviews at the Defense Finance and Accounting Service Indianapolis, and the Personnel Support Activity at Naval Station Norfolk, to obtain travel vouchers and supporting documents for payments made to DoD personnel as a result of Hurricane Katrina evacuations. We also requested documentation regarding travel payments from the Air Force and Marine Corps through a data call. We requested Defense Eligibility Enrollment System data on DoD personnel in areas affected by Hurricane Katrina from the Defense Manpower Data Center and payment data from FEMA for payments made to DoD personnel as a result of Hurricane Katrina. We developed a statistical sample of 687 SSNs. However, travel records for 77 SSNs were missing or pertained to payments for hurricanes other than Katrina. For the remaining 610 SSNs, we analyzed travel orders, travel vouchers, travel voucher summaries, and other payment data to determine duplicate payments.

**Use of Computer-Processed Data.** We relied on computer-processed data from several databases including DEERS, the Defense Finance and Accounting Service Document Retrieval System, Windows Integrated Automated Travel System, Electronic Document Access Systems, Reserve Travel System, and FEMA database. We did not evaluate the general and application controls for these systems. We compared the data from each system to applicable hard copy source documents to determine the accuracy and reliability of computer-processed data. Not performing the general and application controls of the systems did not affect the results and conclusions of our review.

**Use of Technical Assistance.** We received technical assistance from the Data Mining Division (DMD) and the Quantitative Methods Division (QMD). DMD auditors assessed the reliability of the data received from the Defense Manpower Data Center and formatted the data from the Services to a useable form. DMD combined both data sources and assisted in organizing FEMA data. QMD statisticians coordinated with DMD to develop the sample of SSNs from the universe. See Appendix B for sampling methodology.

**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.

## Appendix B. Sampling Methodology

We provided QMD population data in Excel files named AF\_FEMA.XLS, Army\_FEMA.XLS, Marines\_FEMA.XLS, Navy\_Dep\_FEMA.XLS, Navy\_Spon\_FEMA.XLS. The files contained data that included the members SSN, dollar amount of eligible entitlement, and which Service made the payment. QMD developed a stratified sample design based on Service and multiple payments. The initial population consisted of 14,446 records, of which 1,909 were duplicates and 27 were triplicates resulting in 12,483 unique records. The first stratum consisted of instances where three multiple payment (3's sample [census]) were made to members; the second stratum consisted of instances where two payments (2's multiple [census]) were made to members from more than one Service; the third stratum consisted of instances where two entitlements were paid within the same Service; the fourth through seventh strata were by Service (Army, Air Force, Marine and Navy) and consisted of instances where one entitlement was paid within the same Service. By using Excel 2003, QMD randomized within each stratum and selected the sample items by simple random selection without replacement.

| <b>Sample Design</b> |                   |                    |                        |  |                                      |
|----------------------|-------------------|--------------------|------------------------|--|--------------------------------------|
| <u>Strata</u>        | <u>Strata No.</u> | <u>Sample Size</u> | <u>Population Size</u> | <u>Population Dollars</u><br>(thousands) | <u>Sample Dollars</u><br>(thousands) |
| 3 sample             | 1                 | 27                 | 27                     | \$ 567,593                               | \$ 567,593                           |
| 2 multiple           | 2                 | 29                 | 29                     | 440,190                                  | 440,190                              |
| 2 N sample           | 3                 | 31                 | 1,880                  | 19,286,888                               | 1,144,710                            |
| Army                 | 4                 | 150                | 3,356                  | 18,071,589                               | 1,488,476                            |
| Air Force            | 5                 | 150                | 2,974                  | 15,649,738                               | 1,487,325                            |
| Marine               | 6                 | 150                | 1,080                  | 5,077,366                                | 1,386,133                            |
| Navy                 | 7                 | 150                | 3,137                  | 15,830,940                               | 1,472,934                            |
| <b>Total</b>         |                   | <b>687</b>         | <b>12,483</b>          | <b>\$74,924,304</b>                      | <b>\$ 7,987,361</b>                  |

**Statistical Analysis and Interpretation.** Based on the audit results provided to QMD analysts by the audit team, QMD calculated the statistical projection for the dollar error. At a 95-percent confidence level the dollar error is between \$8.1 million and \$13.3 million with a point estimate of \$10.7 million. In addition, QMD calculated the statistical projections for the total number of errors and error rate. At a 95-percent confidence level the total errors are between 2,736 and 3,815 with a point estimate of 3,388 and QMD is 95 percent confident that the error rate is between 21.9 and 30.6 percent with a point estimate of 27.1 percent.

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## **Appendix C. Prior Coverage**

During the past 5 years, the GAO, DoD IG, and the Naval Audit Services have issued reports discussing Hurricane Katrina relief efforts. 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>. Unrestricted Navy report can be accessed at <http://www.hq.navy.mil/NavalAudit>.

### **GAO**

GAO Report No. 06-655 “Expedited Assistance for Victims of Hurricanes Katrina and Rita: FEMA’s Control Weaknesses Exposed the Government to Significant Fraud and Abuse,” June 16, 2006

GAO Report No. 06-844T “Hurricanes Katrina and Rita Disaster Relief: Improper and Potentially Fraudulent Individual Assistance Payments Estimated to Be Between \$600 Million and \$1.4 Billion,” June 14, 2006

GAO Report No. GAO-06-643, “Better Plans and Exercises Needed to Guide the Military’s Response to Catastrophic Natural Disasters,” May 2006

GAO Report No. 06-403T “Expedited Assistance for Victims of Hurricanes Katrina and Rita: FEMA’s Control Weaknesses Exposed the Government to Significant Fraud and Abuse,” February 13, 2006

### **DoD IG**

DoD IG Report No. D-2007-121, “Emergency Supplemental Appropriations for DoD Needs Arising From Hurricane Katrina at Selected DoD Components,” September 12, 2007

DoD IG Report No. D-2007-081, “Financial Management of Hurricane Katrina Relief Efforts at the U.S. Army Corps of Engineers,” April 6, 2007

DoD IG Report No. D-2006-118, “Financial Management of Hurricane Katrina Relief Efforts at Selected DoD Components,” September 27, 2006

### **Naval Audit Services**

Naval Audit Service Report No. N2006-0047, “Cash Accountability of Department of the Navy Disbursing Officers for Hurricane Katrina Relief Funds,” September 22, 2006

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## **Appendix D. Report Distribution**

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

Under Secretary of Defense (Personnel and Readiness)  
Under Secretary of Defense (Comptroller)/Chief Financial Officer  
Deputy Chief Financial Officer  
Deputy Comptroller (Program/Budget)  
Director, Program Analysis and Evaluation

### **Department of the Army**

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

### **Department of the Navy**

Naval Inspector General  
Auditor General, Department of the Navy  
Inspector General, Marine Corps

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

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

### **Other Defense Organizations**

Director, Defense Finance and Accounting Service

### **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 Oversight and Government Reform  
House Subcommittee on Government Management, Organization, and Procurement,  
Committee on Oversight and Government Reform  
House Subcommittee on National Security and Foreign Affairs,  
Committee on Oversight and Government Reform

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# Inspector General Department of Defense

