
Active Duty Overpayments

The Scenario

A Department of Defense (DoD) auditor was assigned to conduct an unannounced payroll audit at a DoD agency. During the review, the auditor completed the following analyses:

- Compared the agency's personnel list to the electronic timekeeping system to verify that all employees were reporting their bi-weekly time and attendance.
- Compared the agency's payroll records to information maintained by the Defense Finance and Accounting Service (DFAS). This review included a spot check of annual and sick leave balances, payroll deductions, and locality pay computations.
- The auditor noted that several employees completed active duty tours within the past 2 years. However, DFAS records indicated that one employee continued to receive both bi-weekly salary payments and active duty pay and allowances, despite having completed his/her tour fifteen months earlier. DFAS records indicated that the monthly compensation from both the employee's salary and active duty compensation totaled over \$14,000 per month. As follow-up, the auditor decided to contact the reserve unit administrator to verify that the employee returned to his/her unit, and identify the cause of the continued overpayments.

During the interview, the reserve unit administrator stated that the active duty payments may have occurred because the service member failed to out-process when he/she completed his/her tour of duty. When the service member returned to the reserve unit for monthly drills, the service member was repeatedly asked by the unit administrator why he/she did not appear on the reserve rolls and was instructed, in writing, to contact DFAS and resolve the error. When the problem continued, the administrator telephoned the active duty commander and was told that the service member did not complete all of the required out-processing paperwork; however, the service member did return all DoD-issued equipment when his/her tour ended. Because of this, the service member remained on the active duty payroll system and continued to receive full pay and allowances. The unit administrator stated that they repeatedly told the service member to return to his/her unit and finalize all of the required out-processing paperwork. The service member assured the unit administrator that the paperwork was completed when the tour ended.

The auditor's review of the service member's out-processing paperwork revealed that the service member waited approximately fifteen months before finalizing the remaining requirements. During this period, the service member received over \$150,000 in overpayments from DoD.

General Comments / Lessons Learned.

Despite the presence of internal controls, the service member was able to identify control weaknesses and receive compensation after completing his/her active duty assignment. Weaknesses in an organization's control environment can result in significant monetary losses when controls are circumvented over time. In this example, the control environment would be improved if the service member was not able to be released from assignment prior to completing all required out-processing steps; in addition to returning DoD-issued equipment. Additionally, the reserve unit administrator should have requested documentary evidence to support the service member's claim that all out-processing requirements were completed. Documentary evidence is generally more reliable than oral or testimonial evidence provided by the auditee.

FRAUD INDICATORS

- **DFAS records indicate that an employee is simultaneously receiving both salary and active duty pay and allowance compensation.**
- **Agency time and attendance records show that a former active duty service member has returned to work at his/her primary employer.**
- **A former active duty service member's name does not appear on his/her reserve unit's roster, after his/her active duty assignment is completed.**