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## Base Allowance for Housing

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### The Scenario

An auditor was reviewing Base Allowance for Housing (BAH) payments and selected a sample of service member's personnel files using the following criteria:

- received BAH payments during the past two years,
- separated, widowed, or divorced within the past five years, and
- undergone more than one Permanent Change of Station moves.

The auditor's review identified two service member's files with the following suspect information:

- Service Member A's divorce was finalized on April 19, 2004. The auditor noted that the official divorce decree showed that Service Member A did not have any dependants and was not ordered to pay alimony to their former spouse. However, review of BAH payments indicated that the service member continued to receive BAH at the "with dependants" rate until they remarried on October 6, 2008. At the time of the remarriage the "with dependants rate" was reestablished as a legitimate reimbursement.
- From May 2004 thru September 2008, Service Member A moved three times. Auditor review of Defense Enrollment Eligibility Records (DEERS) showed that Service Member A did not have any dependants during this period.<sup>1</sup>
- Service Member B, currently residing on Post D, was receiving BAH payments. The auditor noted that their rank and position did not permit authorization for off-post lodging. In addition, Defense Financial Accounting Service (DFAS) records listed their official residence as Post D.

The auditor conducted follow up interviews at three supporting Defense Military Pay Offices to determine whether Service Member A made any attempt to discontinue BAH payments at the time of their divorce and/or PCS moves. The auditor could not locate any evidence that Service Member A tried to stop the fraudulent payments, despite having completed the required in-processing and BAH recertifications at finance offices

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<sup>1</sup> DEERS is the automated information system designed to maintain timely and accurate information on service members and dependents who are eligible for military benefits and entitlements. DEERS should be updated anytime a service member moves, changes status, gets married or divorced, has an additional dependent, etc. In summary, any change that would affect benefits and entitlements for the member and their dependents should be recorded in DEERS. Service members should review the accuracy of DEERS once a year.

in Texas, California, and North Carolina.<sup>2</sup> Auditor inquiry with financial personnel at Post D disclosed that they did not know that Service Member B was living on post.

The auditor's final report stated that Service Members A and B received over \$55,000 in fraudulent BAH.

**General Comments / Lessons Learned.** In addition to the BAH frauds described in the scenario, one of the most common schemes involves military personnel falsely claiming to live in high cost reimbursement areas. For example, service members claim to reside in New York when their official residence is Texas, which allows them to receive a higher BAH reimbursement rate. Another BAH scheme involves phony service member marriages to foreign nationals in exchange for permanent United States residency. In several of the phony marriage schemes, the newlyweds never lived in the same place. Service members participating in the fraudulent marriages are able to claim the higher BAH allowance rate for persons with dependants and can provide documentary proof of a legal marriage. To assist with detecting fraudulent marriages and inflated BAH reimbursements, it is important that auditors remain alert to indicators of phony residency claims when conducting BAH reviews.

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<sup>2</sup> The Department of Defense requires military personnel to complete "Authorization to Start, Stop, or Change Basic Housing Allowance for Quarters, and/or Variable Housing Allowance (Form DA 5960)", to report changes in their eligibility for housing allowances.

## **FRAUD INDICATORS**

- **Service member's personnel records contain information that is not consistent with DEERS records such as divorce or legal separation and/or number of dependants.**
- **Service member is separated, widowed, or divorced and there is no evidence of updates to DEERS records and/or filing of Form DA 5960 to report changes in BAH eligibility.**
- **Service member undergoes a PCS move(s) and does not report changes to their BAH eligibility status during in-processing and BAH recertification at the new location.**
- **DFAS and BAH files contain different mailing addresses.**
- **Service member's rank and duty position does not permit authorization for off-post housing or BAH reimbursement.**
- **DEERS records show that the service member does not have dependants, however, they are receiving BAH reimbursements at the higher "with dependant" rate.**
- **Service member resides in a low cost area and claims residency at a phony address in a high cost area to obtain a larger BAH reimbursement rate.**
- **Service member is married, however, there is no evidence that both spouses reside at the same address.**