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## Service Member Improper Payments<sup>1</sup>

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### The Scenario

A Department of Defense (DoD) audit team was asked to validate salary payments made to DoD active duty personnel accounts. During audit planning, the team members held a brainstorming session to identify indicators of potential improper payments, such as:

- Invalid Social Security Numbers (SSNs).
- Deceased military personnel that were paid after their reported date of death.
- Military personnel that were never issued Common Access Cards (CAC).
- Multiple military personnel that shared the same bank account.

Team members statistically selected 150 personnel accounts for review. Their analysis disclosed the following irregularities:

- **Active duty military accounts with invalid SSNs.** SSNs are issued with nine digits. The first three digits are called the area number and are assigned by the state. The next two digits are referred to as the group number and are assigned for administrative purposes. The final four digits are called the serial number and are issued sequentially. During the review, two active duty military personnel accounts with an area number of 999 were paid over \$10,000. However, the Social Security Administration (SSA) has never issued an SSN with an area number greater than 772.
- **Accounts of deceased military personnel that received payments after their reported date of death.** The audit team worked with DoD technical experts to complete a review of the SSA Death Master File. This analysis disclosed that an active duty military member with a reported date of death in April 2008 continued to receive more than \$50,000 in pay through December 2008.
- **Another external DoD agency worked with auditors to identify personnel accounts of active duty military personnel that were never issued CACs.** CACs are the standard identification card for active duty military personnel, and DoD civilian and contractor employees. This analysis disclosed a personnel account for a military member that was never issued a CAC, but received over \$100,000 in basic pay during a 15-month period.
- **The sample contained a bank account that was shared by at least three active duty personnel.** Each military personnel account is assigned one bank account type, account number, and routing number for net pay within the DoD. Couples within the Armed Forces commonly share the same banking information for receiving their net pay. The audit identified seven active duty personnel members that were continuously depositing their pay into one bank account over a 3-year period.

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<sup>1</sup> Information in this scenario is based on the DoD Inspector General Report, "Active Duty Military Personnel Accounts Were Generally Valid and Secure, but DoD May Have Made Improper Payments," Report Number D-2011-093, July 27, 2011.

When requested, the DoD organization responsible for processing the service member's pay could not provide personnel file documentation to substantiate the potential improper payments. Additional inquiry disclosed that a prepayroll review was being conducted the day before the payroll was processed. Sample pay and earnings statements were reviewed along with any substantial changes in payroll amounts from the previous month. However, the payroll processing organization did not have access to service member personnel files. As a result, they were not maintaining documentation to support the data generated and input into DoD finance and accounting systems, and were not able to confirm the integrity of the system's payroll information. However, payments to service members were certified as correct and accurate before final payments were released.

This audit disclosed potential improper payments totaling over \$2 million. The lead auditor referred the potential improper payments to DoD investigators for additional review.

### **General Comments / Lessons Learned.**

According to the Office of Management and Budget, federal agencies make more than \$2 trillion in payments to individuals and a variety of other entities each year. An improper payment occurs when the funds go to the wrong recipient, the recipient receives the incorrect amount of funds, or the recipient uses the funds in an improper manner. Improper payments are often caused by insufficient supporting documentation, incorrect computations, inadequate verification of accounts and wages, or fraud.

#### **FRAUD INDICATORS**

- **Active duty personnel accounts with invalid SSNs.**
- **Deceased military personnel receiving payments after their reported date of death.**
- **Military personnel that were never issued CACs; however, they are receiving salary and other compensation.**
- **Multiple military personnel sharing the same bank account.**