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Validity of DOD Civilian Employee Accounts

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Acronyms and Abbreviations

CPMS	Civilian Personnel Management Service
DCPDS	Defense Civilian Personnel Data System
DCPS	Defense Civilian Pay System
DFAS	Defense Finance and Accounting Service
SSA	Social Security Administration
SSN	Social Security Number



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

July 15, 2009

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE

SUBJECT: Validity of DoD Civilian Employee Accounts
(Report No. D-2009-092)

We are providing this report for your information and use. We considered management comments from the Defense Finance and Accounting Service when preparing the final report.

Comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, we do not require any additional comments.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 601-5868.

Patricia A. Marsh
Patricia A. Marsh, CPA
Assistant Inspector General
Defense Business Operations



Results in Brief: Validity of DoD Civilian Employee Accounts

What We Did

Our audit objective was to determine whether the Defense Finance and Accounting Service (DFAS) made payments to valid DoD civilian employee accounts. See Appendix A for a discussion of the scope and methodology related to the objective.

What We Found

As of May 2008, the Defense Civilian Pay System (DCPS) included 7.3 million DoD civilian employee accounts with more than \$148 billion in taxable earnings during the period January 2002 through April 2008 (excluding taxable earnings for calendar year 2007). However, DFAS did not ensure that DCPS contained only valid DoD civilian employee accounts. Specifically, DCPS included invalid Social Security numbers, employees under the legal employment age, and multiple employee accounts that shared the same bank account. As a result, DFAS may have paid approximately \$15.4 million to more than 2,300 invalid DoD civilian employee accounts from January 2002 through April 2008 (excluding 2007). By reviewing the DoD civilian employee accounts identified and ensuring the accuracy of future accounts, DFAS will reduce the likelihood of paying invalid DoD civilian employees.

DFAS internal controls were not adequate. We identified internal control weaknesses in the administration of DoD civilian employee accounts. See the finding section for further details on the internal control weaknesses.

What We Recommend

We recommend that the Director, DFAS:

- Review all accounts identified in this report and take appropriate corrective action to recover improper payments made to invalid DoD civilian employee accounts;
- Establish policies and procedures to validate Social Security numbers for DoD civilian employee accounts;
- Revise the DFAS Civilian Pay standard operating procedure, "Death in Service," to include identifying deceased employees and recovering improper payments;
- Establish policies and procedures to validate employees under the legal employment age; and
- Establish policies and procedures to validate multiple employees who share the same bank account.

Management Comments and Our Responses

The Director, Standards and Compliance, agreed with five recommendations in the report. The comments were responsive to five recommendations. Please see the recommendations table on the back of this page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Director, Defense Finance and Accounting Service		1, 2, 3, 4, and 5

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Introduction

Objective

Our audit objective was to determine whether the Defense Finance and Accounting Service (DFAS) made payments to valid DoD civilian employee accounts. See Appendix A for a discussion of the scope and methodology related to the objective.

Background

When a DoD agency hires a new civilian employee, the human resource office gathers personal and position-related information and forwards it to the hiring agency's customer service representative. The customer service representative creates an employee account within the Defense Civilian Personnel Data System (DCPDS) using the new civilian employee's Social Security number (SSN). DCPDS is a human resource information system maintained by the Civilian Personnel Management Service (CPMS) that supports DoD civilian personnel operations. DCPDS retains employee names, birth dates, and job-related information and electronically transfers personal and position-related information to DFAS Civilian Pay for payment processing. DCPDS maintained approximately 800,000 DoD civilian employee accounts during FY 2007.

DFAS Civilian Pay

DFAS Civilian Pay is responsible for ensuring that DoD civilian payroll is processed accurately and in a timely manner. Initially, DFAS processed DoD civilian payroll at three offices located in Charleston, South Carolina; Denver, Colorado; and Pensacola, Florida. From March 2007 through March 2008, the civilian payroll offices were consolidated and transferred to Cleveland, Ohio and Indianapolis, Indiana. DFAS Civilian Pay also processes payroll for the Executive Office of the President, the Department of Energy, the Department of Health and Human Services, and the Department of Veterans Affairs.

Civilian Payroll Processing

DFAS Civilian Pay uses the Defense Civilian Pay System (DCPS) to process biweekly payroll. DCPS maintains pay entitlements, leave entitlements, deductions and withholdings, time and attendance, and other employee account information. DCPS normally includes only one pay account for each employee and identifies it by their SSN. For employees to receive pay, their agency timekeeper must first enter biweekly time-and-attendance data within DCPS. Once the agency timekeeper enters time and attendance, DCPS begins a series of automated reviews. These reviews validate time and attendance, update the master leave history, calculate pay, and produce exception reports identifying potential errors. DFAS Civilian Pay must resolve errors identified during these reviews prior to payroll approval. Once DFAS resolves all errors, DCPS electronically transfers the payroll information to DFAS Disbursing Operations.

Disbursements to DoD Civilian Employees

DFAS Disbursing Operations at Cleveland, Ohio disburses payroll to all DoD civilian employees using the Automated Disbursing System. The Automated Disbursing System disburses the majority of payroll by electronic funds transfer. However, some DoD civilian employees still receive paper checks from the Automated Disbursing System. These civilian employees obtained waivers for physical, mental, or financial hardship to receive paper checks.

Review of Internal Controls

We identified internal control weaknesses as they relate to the audit objective. DFAS Civilian Pay policies and procedures were not adequate to identify invalid DoD civilian employee accounts within DCPS. Specifically, DFAS Civilian Pay did not ensure that DCPS contained only valid DoD civilian employee accounts. Implementing recommendations 1, 2, 3, 4, and 5 will strengthen policies and procedures to ensure that DCPS includes valid DoD civilian employee accounts and to reduce the likelihood of improper payments. We will provide a copy of the final report to the senior official responsible for internal controls in DFAS.

Finding. Validity of DoD Civilian Employee Accounts

As of May 2008, DCPS included 7.3 million DoD civilian employee accounts with more than \$148 billion in taxable earnings during the period January 2002 through April 2008 (excluding taxable earnings for calendar year 2007).¹ However, DFAS did not ensure that DCPS contained only valid DoD civilian employee accounts. Specifically, DCPS included invalid SSNs, employees under the legal employment age, and multiple employee accounts that shared the same bank account. DFAS Civilian Pay policies and procedures were not adequate to identify invalid DoD civilian employee accounts within DCPS. As a result, DFAS may have improperly paid approximately \$15.4 million to more than 2,300 invalid DoD civilian employee accounts from January 2002 through April 2008 (excluding 2007). By reviewing the DoD civilian employee accounts identified and ensuring the accuracy of future accounts, DFAS will reduce the likelihood of paying invalid DoD civilian employees.

Criteria for the Validity of DoD Civilian Employee Accounts

The Fair Labor Standards Act, section 213, title 29, United States Code, established the minimum legal employment age. The act identifies 14 as the minimum age for most nonagricultural workers. It also states that an employee under the age of 14 is limited to working as a newspaper deliverer, babysitter, actor, or for their family-owned business or farm.

DoD Financial Management Regulation 7000.14-R, volume 8, chapter 1, “Introduction and Overall Requirements,” July 2008,² requires DFAS to ensure that entitled individuals are paid accurately and promptly. It also requires that inappropriate data detected be investigated promptly and appropriate action taken to correct discrepancies.

Validity of DoD Civilian Employee SSNs

DCPS contained invalid SSNs because DFAS Civilian Pay did not have policies and procedures to validate SSNs. Specifically, from January 2002 through April 2008 (excluding 2007), DCPS contained 101 SSNs with earnings of approximately \$297,000 that were invalid, according to the Social Security Administration (SSA). SSA outlines the structure of the SSN and the sequence in which SSNs are issued. The SSN has nine digits, with hyphens as separators before the fourth and sixth digits. The first three digits are called the area number and are assigned by State. The next two digits are called the group number and are assigned for administrative purposes. The final four digits are called the serial number and are issued sequentially. SSA guidelines state that none of

¹ DFAS Civilian Pay was unable to provide taxable earnings from DCPS for calendar year 2007. DFAS personnel stated that they were transferring 2007 data to the DCPS Data Repository when we requested the audit universe, which prevented DFAS Civilian Pay from extracting taxable earnings for 2007.

² We did not identify any differences between the DoD Financial Management Regulation in effect when the DoD civilian employees were originally paid and the current DoD Financial Management Regulation that would affect the results of the review.

the three individual numbers of the SSN can be entirely comprised of zeros. For example, a SSN of 123-00-1234 is invalid because the group number contains all zeros. DCPS included three SSNs that included zeros in one of the three individual numbers. The audit team contacted DFAS Civilian Pay to validate the SSNs. A DFAS Civilian Pay representative stated that they rely on the employing agency and that we should request the supporting documentation from CPMS. As a result, the audit team asked CPMS to provide supporting documentation for the three invalid SSNs. After four weeks, CPMS had not provided any supporting documentation.

DCPS also contained 98 SSNs that SSA had not issued. SSA guidelines specify the maximum values that have been used to create area and group number combinations as a way to help employers verify new employees' SSNs. According to SSA, any SSNs that exceed these guidelines are invalid. When the audit team asked DFAS Civilian Pay to validate some of the SSNs, a DFAS Civilian Pay representative stated that they rely on the employing agency to validate SSNs and that we should request supporting documentation from CPMS. As a result, the audit team asked CPMS to provide supporting documentation for 19 of the 98 invalid SSNs. After four weeks, CPMS provided supporting documentation for 5 invalid SSNs that indicated data entry errors, but CPMS did not provide documentation for the remaining 14 invalid SSNs.

Even though CPMS provided us with some documentation, DFAS Civilian Pay is responsible for ensuring that SSNs contained in DCPS are accurate, because accurate SSNs are critical to ensuring that entitled employees receive pay. A correct SSN is also important because it allows SSA to properly credit the employee's earnings record. DFAS Civilian Pay can validate future SSNs by using the SSN Verification Service provided by SSA. This free service allows users to compare names and SSNs of employees with SSA records. DFAS Civilian Pay should review the invalid SSNs and establish policies and procedures to validate future SSNs.

Deceased Employee SSNs

DCPS contained 134 SSNs with earnings of more than \$905,000 for deceased employees from January 2002 through April 2008 (excluding 2007). The DFAS Civilian Pay standard operating procedure, "Death in Service," did not include procedures to identify deceased employees and recover improper payments. This guidance focused only on identifying and calculating compensation payable to the beneficiary. As a result, DCPS contained 134 SSNs for deceased employees that DFAS continued to pay for more than three pay periods after they died. For example, one employee had a reported date of death of March 1948 and still received \$11,613 in 2002. The audit team compared the 134 SSNs to the Social Security Death Index Web site to verify that the employees were deceased. Using the interactive search, we matched 44 employees to the Social Security Death Index, indicating that the employees were deceased. These 44 deceased civilian employees were erroneously paid a total of more than \$312,379 after they died. We also identified 86 deceased employees whose names in DCPS did not match their names in the Social Security Death Index. These instances demonstrate the potential for fraud, because employees may submit the SSN of a deceased individual instead of their own.

The audit team was unable to verify the deaths of four of the employees reported as deceased.

The audit team contacted DFAS Civilian Pay to validate some of the deceased employees. A DFAS Civilian Pay representative stated that they rely on the employing agency to do this and that we should request supporting documentation from CPMS. As a result, the audit team asked CPMS to provide supporting documentation for 20 of 134 deceased employees. After four weeks, CPMS provided supporting documentation for 11 of these 20 deceased employees. CPMS provided supporting documentation for 6 of the 11 deceased employees whose records indicated data entry errors. For the other five deceased employees, supporting documentation indicated that the employee was deceased. CPMS did not provide documentation for 9 of the 20 deceased employees.

Although CPMS was able to provide us with some documentation, DFAS Civilian Pay is responsible for ensuring that only entitled employees receive pay. DFAS Civilian Pay did not attempt to identify deceased employees and recover improper payments. However, DFAS has the ability to identify deceased employees through the Defense Manpower Data Center, which it currently utilizes in DFAS Retired and Annuitant Pay to identify deceased retired military members. The Defense Manpower Data Center compares the SSA Death Master File with employee accounts and reports the matches to DFAS. The SSA Death Master File is an extensive database containing information on deceased individuals who were issued SSNs. The Defense Manpower Data Center could also assist DFAS Civilian Pay in identifying deceased civilian employees. DFAS Civilian Pay should review and recover improper payments made to deceased civilian employees. Additionally, DFAS Civilian Pay should revise its policies and procedures to include identifying deceased employees and recovering improper payments.

DoD Civilian Employee Ages

DCPS showed employees that were under the legal employment age because DFAS Civilian Pay did not have policies and procedures in place to validate employee birth dates. Specifically, from January 2002 through April 2008 (excluding 2007) DCPS contained 1,921 accounts with earnings of approximately \$2.3 million for employees that were under the legal employment age of 14. In 2006, one employee had a birth date of April 1998 and received payments totaling \$12,236. The audit team contacted DFAS Civilian Pay to validate some of the birth dates. A DFAS Civilian Pay representative stated that they rely on the employing agency to do this and that we should request the supporting documentation from CPMS. The audit team asked CPMS to provide supporting documentation for 7 of 1,921 accounts with ages under the legal limit. After three weeks, CPMS did not provide any supporting documentation but stated that the birth dates included in DCPDS were accurate. The audit team compared the birth dates in DCPS to DCPDS and identified that 1,916 of 1,921 accounts for employees were still under the legal employment age of 14. By law, these employees were not entitled to receive payments. Additionally, we identified five accounts that were the result of potential data entry errors.

DFAS Civilian Pay did not have policies and procedures in place to validate employee birth dates, although DCPS identifies employees under the legal employment age. When a DCPS account is established, DCPS compares the birth date against the current date and creates a warning message identifying employees under the legal employment age. DFAS Civilian Pay representatives ignored these warning messages and still processed employees' pay, allowing DCPS to include employees under the legal employment age of 14. A DFAS Civilian Pay representative stated that DFAS Civilian Pay should contact the Human Resource Office to verify the birth dates. However, DFAS Civilian Pay standard operating procedures do not require such verification. It is DFAS Civilian Pay's responsibility to ensure that entitled employees receive accurate and prompt payments. The accuracy of birth dates is critical to ensuring that employees are of legal employment age, and DFAS Civilian Pay should ensure that birth dates contained within DCPS are accurate. DFAS Civilian Pay should review current employees under the legal employment age of 14 and establish policies and procedures to validate employees under the legal employment age.

Employees with the Same Bank Account

DCPS contained multiple employee accounts that shared the same bank account. Specifically, from January 2002 through April 2008 (excluding 2007), DCPS contained 186 employee accounts that received earnings of approximately \$11.9 million into 16 different bank accounts. DFAS Civilian Pay could not identify these employees because it did not have policies and procedures in place to identify multiple employees sending payments to the same bank account. Each employee's net pay is assigned to one bank account type, account number, and routing number within DCPS. Couples employed by DoD agencies commonly share the same banking information for receiving their net pay. However, DCPS showed 16 different bank accounts to which at least three DoD civilian employees were sending payroll deposits. For example, DCPS contained 52 different employee accounts that had received earnings of more than \$3.4 million into the same bank account. The audit team asked DFAS Civilian Pay to provide supporting documentation for the 186 employee accounts. After three weeks, DFAS Civilian Pay had not provided any supporting documentation for these accounts. DFAS Civilian Pay should review the accounts with multiple employees depositing to the same bank account and establish policies and procedures to validate them.

Conclusion

DFAS may have improperly paid approximately \$15.4 million to more than 2,300 invalid DoD civilian employee accounts from January 2002 through April 2008 (excluding 2007). Payments made to ineligible recipients are considered improper payments. Invalid employee accounts in DCPS increase the likelihood of improper payments. DFAS Civilian Pay must ensure that DoD civilian employee accounts are accurate, because accurate account information is critical to ensuring that only entitled employees receive pay. DFAS is also required to promptly investigate inappropriate employee accounts and take appropriate action to correct discrepancies. However, DFAS Civilian Pay did not take appropriate action to ensure that DoD civilian employee accounts were correct.

We requested that the Defense Criminal Investigative Service review the invalid DoD civilian employee accounts identified within this report. The Defense Criminal Investigative Service, with assistance from DFAS Internal Review, Columbus, Ohio, agreed to review invalid SSNs and accounts with multiple employees depositing to the same bank account.

Management Comments on the Finding and Our Response

Defense Finance and Accounting Service Comments

The Director, Standards and Compliance, suggested that we should include the scope of payments and define the deficiency percentages within the Results in Brief and Finding sections. He referred to our Appendix, which stated that there were a combined 7.3 million accounts paid during the period in question for more than \$148 billion and noted that the potential error amounted to 0.03 percent of the accounts and 0.01 percent of the dollars. The Director, Standards and Compliance, also stated that we should discuss the sample of accounts reviewed and remarked that DFAS had worked with CPMS to verify the findings for 50 accounts in each of the four areas. (Specifically, DFAS reviewed 20 accounts with invalid social security numbers, 20 accounts of deceased employees, and 10 accounts of employees under the legal employment age.) According to the Director, Standards and Compliance, for all accounts that are in an online production environment, DFAS found that the civilian payments included some form of coding error, but the payments were proper and made to an authorized recipient. After acknowledging that the audit objective was “to determine whether the DFAS made payments to valid DoD civilian employee accounts,” the Director, Standards and Compliance, also stated that we should make a recommendation regarding CPMS, which provides the source data and it is critical to implementing effective corrective actions. He stated that there has to be a certain reliance placed on the provider of the information. DFAS is working with CPMS to research and implement corrective actions for this report.

Our Response

Based on comments from the Director, Standards and Compliance, we added that DCPS included 7.3 million DoD civilian employee accounts with more than \$148 billion in taxable earnings during the period January 2002 through April 2008 (excluding taxable earnings for calendar year 2007) to the Results in Brief and Finding sections. However, we did not include deficiency percentages because the percentages do not consider the actual number of DoD civilian employee accounts that received pay. Only a portion of the 7.3 million DoD civilian employee accounts in DCPS received pay during January 2002 through April 2008 (excluding 2007). DFAS deficiency percentages assume that all 7.3 million DoD civilian employee accounts received pay during the time period reviewed by the audit team. We also are unable to address the sample of accounts reviewed because DFAS did not provide any documentation supporting its account analysis and conclusions. DFAS is also still researching 17 of 50 (34 percent) accounts reviewed because it has limited or no information in its online production environment. Additionally, DFAS has not initiated a review of multiple employee accounts that shared

the same bank account, which represents \$11.9 million of the \$15.4 million identified during the audit. We recognize and support DFAS working with CPMS to research and implement corrective actions for this report. However, DFAS is ultimately responsible for ensuring that only entitled employees receive pay. It also needs to ensure that DCPS includes accurate DoD civilian employee account information, because accurate account information is critical to ensuring that only entitled employees receive pay.

Recommendations, Management Comments, and Our Response

We recommend that the Director, Defense Finance and Accounting Service:

- 1. Review all accounts identified in this report and take appropriate corrective action to recover improper payments made to invalid DoD civilian employee accounts.**

Defense Finance and Accounting Service Comments

The Director, Standards and Compliance, agreed and stated that all accounts identified in the report are being reviewed to determine whether any improper payments have been made and to take appropriate corrective action. Corrective action will be completed by October 1, 2009.

- 2. Establish policies and procedures to validate Social Security numbers for DoD civilian employee accounts.**

Defense Finance and Accounting Service Comments

The Director, Standards and Compliance, agreed and stated that a system change request was submitted on April 23, 2009, to ensure that SSNs within the DCPS met SSA guidelines. The DFAS Civilian Pay Standards and Compliance team will also work with CPMS to determine the most efficient method to validate SSNs and provide an estimated implementation date of new policies and procedures. Corrective action will be completed by October 1, 2009.

- 3. Revise the Defense Finance and Accounting Service Civilian Pay standard operating procedure, “Death in Service,” to include identifying deceased employees and recovering improper payments.**

Defense Finance and Accounting Service Comments

The Director, Standards and Compliance, agreed and stated that the DFAS Civilian Pay Standards and Compliance team will review the “Death in Service” standard operating procedure and make revisions as necessary. The Director, Standards and Compliance also stated that the team will work with CPMS to review current procedures for potential improvements and provide an estimated implementation date of new policies and procedures. Corrective action will be completed by October 1, 2009.

4. Establish policies and procedures to validate employees under the legal employment age.

Defense Finance and Accounting Service Comments

The Director, Standards and Compliance, agreed and stated that CPMS confirmed that edits were added to DCPDS in January 2009 to eliminate invalid birthdates within personnel records. The Director, Standards and Compliance, also stated that any erroneous modifications within DCPS would be corrected based on Personnel/Payroll reconciliation between the two systems. Corrective action was completed on April 14, 2009.

5. Establish policies and procedures to validate multiple employees who share the same bank account.

Defense Finance and Accounting Service Comments

The Director, Standards and Compliance, agreed and stated that DFAS will look at possible options to identify and review multiple employees sharing the same bank account. The Director, Standards and Compliance also stated that it is common for members of the same household to share a bank account for their net pay, and not all banks establish unique account numbers for all of their customers; therefore, a reasonability edit will be looked at when establishing review and validation procedures. Corrective action will be completed by October 1, 2009.

Our Response

Comments from the Director, Standards and Compliance, are responsive and conform to requirements. No additional comments are needed.

Appendix. Scope and Methodology

We conducted this performance audit from March 2008 through March 2009 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.

To review the validity of DoD civilian employee accounts, we evaluated the DoD civilian payment process and reviewed data contained within multiple Defense agency databases. As of May 2008, DCPS included 7.3 million DoD civilian employee accounts with more than \$148 billion in taxable earnings during the period January 2002 through April 2008 (excluding taxable earnings for calendar year 2007). Using Audit Command Language, we identified a subuniverse of 2,342 invalid accounts. We identified invalid accounts within the audit universe by applying data queries related to SSNs, birth dates, and employees with the same bank accounts. We requested documentation for 235 invalid accounts (for a total of approximately \$12.8 million) from the subuniverse to determine the reason that DCPS included invalid accounts. We contacted representatives from the Office of the Under Secretary of Defense (Comptroller)/DoD Chief Financial Officer; the Office of the Under Secretary of Defense for Personnel and Readiness; DFAS Civilian Pay; DFAS Disbursing Operations; and CPMS.

To accomplish the audit objective, we performed the following tasks.

- We met with representatives from DFAS Pensacola, Florida, to gain an overall understanding of the DoD civilian payment process and obtain the universe of DoD civilian employee accounts. Specifically, we reviewed roles and responsibilities of system personnel and some system and access controls. Additionally, we reviewed justifications for the requested documentation.
- We met with representatives from DFAS Civilian Pay, Cleveland, Ohio, and Indianapolis, Indiana, to determine the payroll process for DoD civilian employee accounts. Specifically, we reviewed payroll processes, roles and responsibilities of payroll personnel, payroll standard operating procedures, and some DCPS-generated reports. Additionally, we reviewed justifications for the requested documentation.
- We met with representatives from the DFAS Disbursing Operations, Cleveland, Ohio, to determine the disbursement process for DoD civilian payments and to obtain Automated Disbursing System and manual check payments for comparison against DCPS data. Specifically, we reviewed the civilian payment process, roles and responsibilities of disbursing personnel, disbursement standard operating procedures, and some system and access controls. Additionally, we reviewed disbursement documentation.

- We met with representatives from CPMS to gain an understanding of the personnel process and to obtain DCPDS data for comparison against DCPS data. Specifically, we reviewed the personnel process, roles and responsibilities of CPMS personnel, and some system and access controls. Additionally, we reviewed personnel file documentation provided by CPMS.

Use of Computer-Processed Data

To perform this audit, we used data that originated in DCPS. DCPS is the official civilian payroll system for DoD. Each year, DoD Office of Inspector General auditors assess DCPS controls. We determined data reliability by comparing DoD civilian employee account data to DCPDS, the Automated Disbursing System, and personnel file documentation. These assessments indicated that the data was sufficiently reliable to accurately reflect the payments for the purpose of our review.

Use of Technical Assistance

Quantitative Methods and Analysis Division personnel in the DoD Office of Inspector General assisted with obtaining data from DCPS, DCPDS, and the Automated Disbursing System. They uploaded data into the Audit Command Language and ran queries to assist in identifying a subuniverse of potentially invalid accounts. They also coordinated with the Defense Manpower Data Center to obtain SSA Death Master File information for the audit universe. They also assisted with identifying SSNs that were never issued by SSA.

Prior Coverage

No prior coverage has been conducted on determining the validity of DoD civilian employee accounts during the last 5 years.

Defense Finance and Accounting Service Comments

Final Report
Reference



**DEFENSE FINANCE AND ACCOUNTING SERVICE
ARLINGTON
1851 SOUTH BELL STREET
ARLINGTON, VA 22240-5291**

MAY 22 2009

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCIAL AUDITING SERVICE,
OFFICE OF THE INSPECTOR GENERAL, DoD

SUBJECT: DFAS Comments to DoDIG Draft Report, "Validity of DoD Civilian Employee Accounts", dated March 31, 2009, Project D2008-D000FC-0156.000.

Attached are management comments to DoDIG Draft Report, "Validity of DoD Civilian Employee Accounts", dated March 31, 2009, for recommendations 1-5.

We worked with the Civilian Personnel and Management Service (CPMS) to verify the findings for 50 of the potential improper payments in your sample. For all accounts that are in our online production environment, we found that the civilian payments included some form of coding error, but the payments were proper and made to an authorized recipient. Due to the age of your sample, efforts to research aged payments back to 2002 will take time as the information is archived in a historical repository.

Your Appendix identifies that there were a combined 7.3 million accounts paid during the period in question for more than \$148 billion. This is omitted from the "Results in Brief" and "Finding" sections of the report, where you identify that there were 2,300 invalid accounts for a potential erroneous payment of \$15.4 million. As a deficiency percentage, the potential errors amount to 0.03% of the accounts and 0.01% of the dollars. We feel this fact should be disclosed in the "Results in Brief" and "Finding" sections. We suggest that you modify your report to include language that identifies the scope of payments and language that more clearly defines the deficiency. For example, "Improvements are needed in CPMS certified personnel feeds to payroll to ensure that coding errors due not exist and payments are accurate. Defense Finance and Accounting Service (DFAS) paid 7.3 million employees taxable earnings of \$148 billion between January 2002 and April 2008 (excluding 2007). However, DFAS did not ensure that the Defense Civilian Payroll System contained only valid DoD civilian employee accounts. Specifically, the Defense Civilian Payroll System included invalid Social Security numbers, employees under the legal employment age, and multiple employee accounts that shared the same bank account. As a result, DFAS may have paid approximately \$15.4 million (0.01%) to 2,342 (0.03%) invalid DoD civilian employee accounts. We provided DFAS personnel a sample of the accounts in each of the four areas we found problems. For the accounts in an online production environment, DFAS validated that the sampled accounts included coding errors in the pay account information, but found no erroneous payments as the recipients were entitled to payment. DFAS plans to continue to review the remaining potential errors to validate whether a coding error was corrected in a subsequent pay period, or an actual erroneous payment was made. By reviewing the DoD civilian employee accounts identified and ensuring the accuracy of future accounts, DFAS will reduce the likelihood of paying invalid DoD civilian employees."

Added Pages
i and 3

www.dod.mil/dfas
Your Financial Partner @ Work

In general, there has to be a certain reliance placed on the provider of the information. In the cases cited, the CPMS forwards employee data to DFAS, whether the employee is newly hired or deceased, and include various data elements, e.g., birth date. The stated objective of the audit was "to determine whether the DFAS made payments to valid DoD civilian employee accounts." We are working with CPMS to research and implement corrective actions from this report. For issues identified with the largest area of deficiencies "employee ages", we worked with CPMS to identify coding errors on 7 of the 10 records provided in the sample with none of them identified as improper. Corrective actions have been implemented which include:

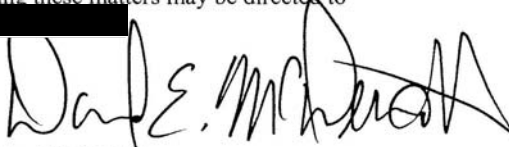
- Payroll office receives a warning message for extremely young and old employees. The pay technician contacts the personnel office for verification. The interfacing personnel system is responsible for verification of employee date of birth and passing the information to the payroll system.
- CPMS added edits to Defense Civilian Personnel Data System in January 2009 to identify and correct personnel records having invalid birthdates that are under the legal employment age.

We recommend that CPMS be included in your recommendations since they provide the source data and are critical to implementing effective corrective actions.

DFAS Internal Review also performed analysis on the Cleveland Civilian Payroll Office's databases and recommended management actions to correct coding errors between personnel and payroll by performing timely reconciliations of the data.

Questions your staff may have concerning these matters may be directed to

[REDACTED]



David E. McDermott
Director, Standards & Compliance

Attachment:
As stated

DFAS Comments to DoDIG Draft Report, “Validity of DoD Civilian Employee Accounts”, dated March 31, 2009, Project D2008-D000FC-0156.000.

We Recommend that the Director, Defense Finance and Accounting Service:

Recommendation 1: Review all accounts identified in this report and take appropriate corrective action to recover improper payments made to invalid DoD civilian employee accounts.

Management Comments: Concur. Accounts identified in this report are being reviewed to determine if any improper payments have been made and to take appropriate corrective action. Corrective actions to each account will be completed as soon as possible upon identification.

Estimated Completion Date: October 1, 2009

Recommendation 2: Establish policies and procedures to validate Social Security numbers for DoD civilian employee accounts.

With respect to the section “Validity of DoD Civilian Employee Accounts,” we recommend adding the following: “We provided DFAS personnel a sample of 20 accounts of the 98 we identified as not issued by SSA. DFAS, in coordination with CPMS, found that 12 have been corrected by human resources and eight have limited information that DFAS is working with CPMS to research. In addition, of the three accounts with an invalid SSN structure, only one was different than DCPDS.”

Management Comments: Concur.

- a. The Civilian Pay Standards and Compliance (S&C) team has reviewed the format constraints for social security numbers (SSNs) based on SSA guidance. Defense Civilian Pay System (DCPS) System Change Request #Y3111 (Social Security Number Edits for Employee) has been established to add appropriate edits.

Completion Date: April 23, 2009

- b. The interfacing personnel system is responsible for verification of social security numbers (SSNs) and for providing the payroll system with transactions including that data. The Civilian Pay S& C team will work with the Civilian Personnel Management Service (CPMS), who owns the DoD personnel system, to determine the most efficient method to validate the SSN against those assigned and provide an estimated implementation date of new policies and procedures.

Estimated Completion Date: October 1, 2009

Recommendation 3: Revise the Defense Finance and Accounting Service Civilian Pay standard operating procedure, “Death in Service,” to include identifying deceased employees and recovering improper payments.

With respect to the section “Deceased Employees SSNs, we recommend adding the following: “We provided DFAS personnel a sample of 20 accounts of the 134 we identified. DFAS, in coordination with CPMS, found eight accounts have been corrected by human resources, and three had erroneous death dates. The remaining nine accounts will require additional research from the archived repository as the information is not in the online production environment.”

Management Comments: Concur.

- a. The Civilian Pay S&C team will review the “Death in Service” standard operating procedure and make revisions as necessary.

Estimated Completion Date: October 1, 2009

- b. The interfacing personnel system is responsible for verification of employee death certificates and passing that information to the payroll system. The Civilian Pay S&C team will work with CPMS to review current procedures for potential improvement and provide an estimated implementation date of new policies and procedures.

Estimated Completion Date: October 1, 2009

Recommendation 4: Establish policies and procedures to validate employees under the legal employment age.

With respect to the section “DoD Civilian Employee Ages,” we recommend adding the following: “We provided DFAS personnel a sample of 10 accounts of the 1,921 we identified. DFAS, in coordination with CPMS, found that five had been corrected by human resources, three separated prior to being corrected, and two separated before being corrected but were rehired with the correct date of birth.”

The payroll office receives a warning message for extremely young and old employees. The pay technician contacts the personnel office for verification. The payroll office does not have the information to validate the date of birth.

Management Comments: Concur. The interfacing personnel system is responsible for verification of employee date of birth and passing the information to the payroll system. CPMS has confirmed the edits were added to DCPDS on January 2009. This will eliminate the personnel records having invalid birthdates that are under the legal

employment age. Any erroneous modifications done within DCPS will be corrected based on the Personnel/Payroll reconciliation between the two systems.

Completion Date: April 14, 2009

Recommendation 5: Establish policies and procedures to validate multiple employees who share the same bank account.

Management Comments: Concur. DFAS will look at possible options to identify and review multiple employees sharing the same bank account for their net pay. It is not uncommon for members of the same household to share a bank account for their net pay and not all banks establish unique account numbers for all their customers; therefore a reasonability edit will be looked at when establishing review and validation procedures.

Estimated Completion Date: October 1, 2009



Inspector General Department of Defense

