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Need For More Effective Controls
To Prevent Erroneous Dislocation
Allowance Payments To
Military Mobile-Home Owners In
The Department Of Defense

B-125037

**UNITED STATES
GENERAL ACCOUNTING OFFICE**

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JUNE 22, 1972



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

FEDERAL PERSONNEL AND
COMPENSATION DIVISION

B-125037

Dear Mr. Secretary:

The General Accounting Office (GAO) has made a followup review to determine whether actions taken by the Department of Defense as a result of prior GAO recommendations have been effective in preventing erroneous payments of dislocation allowance to military members who move house trailers at Government expense in connection with permanent change of stations.

Although some actions have been and are being taken by the military services to identify erroneous payments, little has been done to prevent such payments from being made.

Section 409 of Title 37, United States Code, provides that trailer owners, who otherwise would be entitled to ship their household goods, may have their house trailers moved at Government expense in lieu of shipment of household goods and dislocation allowance. Because trailer owners moved their household effects and homes as a unit, it was believed that they did not incur the same general types of additional moving expense as those incurred by other service families. Consequently, the law expressly denies payment of a dislocation allowance to members who elect to receive the trailer allowance.

The dislocation allowance is equal to the member's monthly rate of basic allowance for quarters, which ranges from \$81.60 to \$288 depending on his rank and marital status.

In a report to the Congress entitled "Erroneous Dislocation Allowance Payments to Military Personnel Who Moved Their House Trailers at Government Expense, Department of Defense" (B-125037, June 29, 1965), we pointed out that erroneous dislocation allowance payments were being made because (1) servicemen submitted claims when they were not entitled to the allowance, (2) finance personnel did not exercise due care in processing such claims, and (3) the administrative procedures did not provide for notice to the paying finance officers that the servicemen had moved their house trailers at Government expense. The results of our prior review, which covered trailer movements made during fiscal year 1963, are shown below.

<u>Service</u>	Number of trailer moves <u>reviewed</u>	Erroneous dislocation allowance payments	
		<u>Number</u>	<u>Percent</u>
Army	1,161	139	12
Navy	660	40	6
Air Force	1,042	123	12

We proposed that these erroneous payments of dislocation allowance be controlled by uniform regulations providing for notification to finance offices when a serviceman had claimed a trailer allowance. Also, we recommended that internal auditors of the various services give special attention to the propriety of payments of dislocation allowance. We stated in our final report that, although corrective actions were being taken, the pending revisions of forms and procedures, as reported by the Assistant Secretary of Defense (Comptroller), would be more effective in detecting erroneous payments than in preventing them.

We found indications during limited tests performed early in 1969 that erroneous dislocation allowance payments were still being made to mobile-home owners. For example, by comparing a statistical sample of 209 Marine Corps trailer movements, selected randomly from Government bills of lading paid for calendar years 1966 and 1967, with pertinent pay and travel records, we found that erroneous payments of dislocation allowance had been made in about 4 percent of the cases examined.

Also we were informally advised that, during fiscal year 1968 and the first half of fiscal year 1969, the Validation Office at the Finance Center, U.S. Army, investigated 616 questionable trailer dislocation allowance payment cases referred to it under an Army examination program. In this program a 10-percent sample of trailer movement records was compared with travel vouchers to identify erroneous dislocation allowance payments. The Validation Office determined that 596 of the cases, or nearly 97 percent of those investigated, were in error. The examination program was discontinued in December 1968.

Under the Accounting and Auditing Act of 1950 (31 U.S.C. 66a), agency heads are responsible for establishing and maintaining sound financial management systems, including internal audits, to effectively control and account for public funds. On August 1, 1969, the Comptroller General reminded all Federal agencies that control systems should include adequate

administrative procedures for systematic examinations of financial transactions to verify their legality, propriety, and correctness.

In a letter dated October 14, 1969, to the Secretary of Defense, we asked what specific actions had been taken by the Department of Defense and by each of the military services either to prevent erroneous dislocation allowance payments or to identify and recover such payments as a part of the services' internal audit and review procedures.

On the basis of statements prepared by the military departments, the Assistant Secretary of Defense (Comptroller) replied in a letter dated December 15, 1969, that the present payment system--including effective implementation of the services' internal audit and review programs--provided adequate protection against losses to the Government resulting from erroneous dislocation allowance payments.

Because our limited tests indicated that the corrective actions taken as a result of our prior report to the Congress had not been fully effective, we performed a followup review.

PROBLEMS STILL EXIST IN CONTROLLING
PAYMENTS OF DISLOCATION ALLOWANCE

Army

We selected a random sample of 430 Government bills of lading from 6,125 bills paid during fiscal year 1970 for the movement of mobile homes. We found 75 erroneous payments of dislocation allowance, only one of which had been identified through the Army's internal audit and review procedures. We estimate that at least 840 additional errors of this type have not been identified by the Army. The Army's rate of erroneous dislocation allowance payments rose from 12 percent in fiscal year 1963 to 17 percent in fiscal year 1970.

In our opinion erroneous payments continue to be made because members are not properly advised of their entitlements and are not questioned carefully enough, at the time they submit their claims for travel and dislocation allowances, as to whether they moved a house trailer.

We referred the 75 identified cases involving erroneous dislocation allowance payments to the Finance Center for field investigation. The Army's investigation reports indicate

that the erroneous payments were retained by the members generally because the members (1) did not know they were not entitled to the dislocation allowance, (2) knew they were not entitled, but were unaware that they had claimed and received an erroneous payment, or (3) attempted to return the payment to finance personnel who would not accept it, advising them that the overpayment would be collected at a later date.

We noted the following conditions which contributed to erroneous dislocation allowance payments.

- Permanent change-of-station travel orders did not provide positive notification to finance offices that members had been authorized to move trailers at Government expense.
- DD Forms 1588 (Record of Travel Payments) were not posted to reflect payments of travel and dislocation allowances or for movement of trailers.
- DD forms 1588 were lost or separated from the members' financial records. When new forms were prepared, prior travel data was not recorded.
- Copies of applications for movement of house trailers were not received in the finance offices.
- Copies of vouchers evidencing payment of dislocation allowances were not filed with the members' financial records.

Officials at the Finance Center advised us that pay adjustment authorizations (DD forms 139) are being issued to recover excess transportation costs for about 80 percent of all mobile homes moved on Government bills of lading, because the amounts charged by the commercial carriers generally exceed the maximum allowance of 74 cents a mile authorized by law. The DD forms 139 are forwarded to the finance offices at the new duty stations for collection of the excess transportation costs from the members' pay accounts.

During our review the Army initiated a new procedure in which a dislocation allowance certification was overprinted on the DD form 139. Under this procedure, the finance office at the new station is required to certify whether the member was paid a dislocation allowance and, if so, whether it has been or is being collected--in addition to the excess transportation costs involved--from the member's pay. If properly

implemented, the new procedure should provide additional control to identify erroneous dislocation allowance payments in about 80 percent of the Army's trailer movement cases. The procedure, however, would not identify errors made in connection with movements that do not involve excess transportation costs.

Navy

We selected a random sample of 180 Government bills of lading from 1,612 bills paid during fiscal year 1970 for the movement of mobile homes. We found 20 erroneous dislocation allowance payments, only two of which had been identified through the Navy's internal audit and review procedures. The Navy's rate of erroneous dislocation allowance payments rose from 6 percent in fiscal year 1963 to 11 percent in fiscal year 1970.

In June 1971 the Navy Finance Center, Cleveland, changed its review procedures to compare dislocation allowance vouchers with listings of trailer shipments. This should greatly improve its ability to identify erroneous payments.

Air Force

We did not test the effectiveness of the Air Force's controls. But we did determine that the only examination performed by the Air Force consisted of a monthly random selection of 20 paid travel vouchers made by each accounting and finance office in the Air Force. In other words, the random selections were made not from trailer movements but from all travel vouchers paid. For example, during the period April through September 1971, the Air Force selected 17,832 travel vouchers for examination, of which only 881, or about 5 percent, were vouchers on which dislocation allowance could have been paid. There were no records as to how many of these 881 vouchers involved movement of trailers. Voucher examiners did not use Government bill-of-lading information; instead, they relied solely on certifications from the members that trailers were or were not moved at Government expense. The Air Force has no record of having identified an erroneous dislocation allowance payment in connection with a trailer movement in the last 2 years.

On the basis of these internal review procedures, we believe that the Air Force has no reliable means for determining whether a problem exists in this payment area.

CONCLUSIONS AND RECOMMENDATIONS

In our opinion the results of our followup review confirm the views expressed in our 1965 report--that there is a need for your Department to prescribe uniform procedures that will prevent erroneous dislocation allowance payments.

We therefore recommend that you prescribe such procedures and that these procedures require the military services to include, as an integral part of all permanent change-of-station orders, a statement that a member has made or will make application for movement of his house trailer at Government expense in lieu of claiming a dislocation allowance. We believe that orders which do not contain such a statement should not be accepted by transportation officers as authority for movement of a trailer at Government expense. Orders containing this statement would automatically provide positive notification to disbursing officers, as well as to transportation officers and internal auditors, that a trailer has been or is being moved at Government expense and that, under these circumstances, payment of the dislocation allowance and shipment of household goods or personal effects would not be authorized.

If properly implemented, such a procedure could effectively prevent erroneous payments from being made and also could serve to greatly diminish the need for the costly and time-consuming review of individual payment transactions.

We shall appreciate receiving your comments regarding any actions you take on these matters.

Copies of this report are being sent to the Director, Office of Management and Budget; the Secretaries of the Army, Navy, and Air Force; the Commandant of the Marine Corps; and the House and Senate Committees on Appropriations, Government Operations, and Armed Services.

Sincerely yours,

(signed) Thomas D. Morris

T. D. Morris
Acting Director

The Honorable
The Secretary of Defense