

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

**VOLUNTARY SEPARATION INCENTIVE AND SPECIAL
SEPARATION BENEFIT BONUSES**

Report No. 93-122

June 23, 1993

Department of Defense



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

June 23, 1993

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (FORCE
MANAGEMENT AND PERSONNEL)
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE

SUBJECT: Audit Report on Voluntary Separation Incentive and Special Separation
Benefit Bonuses (Report No. 93-122)

Introduction

We are providing this final report for your information and use. It addresses the processing of bonuses paid to members voluntarily separated from the Services under programs authorized by the National Defense Authorization Act for FYs 1992 and 1993.

Audit Results

No material deficiencies were identified in the administration or execution of the Voluntary Separation Incentive or Special Separation Benefit bonus programs. We concluded that Service members were eligible for the programs and were paid the proper amounts. Also, our review disclosed that guidance directing the programs was adequate. Although not directly related to our primary objectives, significant deficiencies were identified in the processing of separations at Army installations. To determine the extent and root causes of these deficiencies, we began another audit.

Objectives

The primary objectives of the review were to evaluate the eligibility of Service members, the accuracy of payments, and the adequacy of guidance for the Voluntary Separation Incentive and Special Separation Benefit bonuses. We also evaluated internal controls.

Scope

The review was made at the organizations listed in Enclosure 1. We reviewed separation bonuses recorded by the Defense Finance and Accounting Service (DFAS) for the period October 1, 1991, through August 30, 1992. We reviewed the eligibility of Service members for the bonuses paid to them, as

well as guidance issued by the DoD and the Military Departments. In addition, we evaluated separation procedures for the XVIII Airborne Corps and Fort Bragg at Fort Bragg, North Carolina, and the III Corps and Fort Hood at Fort Hood, Texas.

This economy and efficiency review was made from August 1992 through February 1993, in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, Department of Defense, and accordingly included such tests of internal controls as were considered necessary.

Internal Controls

We evaluated the effectiveness of internal controls applicable to Voluntary Separation Incentive and Special Separation Benefit bonuses. We reviewed program controls, conducted interviews, analyzed data, and reviewed records. The internal controls applicable to the audit objectives were deemed to be effective in that no material deficiencies were disclosed by the audit. Significant deficiencies were identified, however, in the processing of separations at Army installations.

Prior Audits and Other Reviews

At the request of Senator John Glenn, Chairman of the Senate Subcommittee on Manpower and Personnel, Senate Committee on Armed Services, the General Accounting Office conducted an audit of various elements of the National Defense Authorization Act for FY 1991 and the National Defense Authorization Act for FYs 1992 and 1993. This audit focused on determining personnel end-strengths for active forces, identifying personnel to be separated under the Voluntary Separation Incentive and Special Separation Benefit programs, and planning for the establishment of the fund from which the bonuses will be paid. The General Accounting Office plans to issue its draft report June 30, 1993, and the final report in August 1993.

The Naval Audit Service issued a report, "Navy Processing of Separations and Settlements" (Report No. 077-N-89), July 26, 1989, stating that the Navy was not adequately calculating separation payments, adequately pursuing debt collections from separated members, or promptly processing certain pay accounts. All of these deficiencies were repeat findings from a 1983 Naval Audit Service report.

Background

The National Defense Authorization Act for FYs 1992 and 1993 (Public Law 102-190) authorized the Voluntary Separation Incentive and Special Separation Benefit bonuses to encourage personnel to leave the Services voluntarily. These new bonuses were intended to complement other separation programs already in existence and help the DoD reduce military personnel levels by over 300,000 members by 1997. The Military Departments were to begin paying the bonuses by February 4, 1992.

The Military Departments were to offer these bonuses to Service members in "overpopulated skills and pay grades," in the hope that about 45,000 members would apply for early discharge in FY 1992. The Military Departments determined the grades and specialties of the individuals to whom the bonuses were offered and had the authority to approve early discharges with bonus payments.

Discussion

Separation Bonus Programs. No significant problems or deficiencies were identified in the administration or execution of the Voluntary Separation Incentive or Special Separation Benefit bonus programs. Details of our results follow.

Eligibility of Service Members. Service members were generally eligible for the payments received. We reviewed the DD Forms 214 (Certificates of Release or Discharge from Active Duty) for 110 of 5,996 Army members separated. We determined that all of those Army members were eligible for bonus payments. Our review of Marine Corps records, however, showed the Marine Corps had separated and paid bonuses to enlisted personnel who were not eligible for discharge under the Voluntary Separation Incentive and Special Separation Benefit options of the DoD Authorization Act of FYs 1992 and 1993. The Marine Corps took action to collect the erroneous payments prior to our review. Further, it informed us that procedures were in place to prevent further overpayments. Therefore, we concluded that Service members generally were eligible for the bonuses paid to them.

Accuracy of Payments. Separation payments reported by the DFAS Centers generally were computed correctly. We recomputed 35,907 payments made to Service members by four DFAS Centers. We used pay data recorded in the Service members' pay files by the DFAS Centers. Only .04 percent of the payments were computed inaccurately. As a further test for accuracy of payments, we judgmentally selected DD Forms 214 and recomputed payments made to 110 Service members based on the information on the forms. Overpayments for 3 of the 110 Service members amounted to about \$31,000.

Adequacy of Guidance. We reviewed a memorandum issued by the Assistant Secretary of Defense (Force Management and Personnel) titled "Voluntary Separation Incentive and the Special Separation Benefit" dated January 3, 1992. Also, we reviewed messages issued by the Military Departments. That guidance was adequate to allow the Military Departments to implement and execute the bonus programs.

Processing of Separation Payments. During our survey, we observed problems in processing separation payments to Army members who had received bonus payments. During our review, we found about 3,800 Army members who had been separated from the Service and may have received overpayments of at least \$10,000 each. Those overpayments, amounting to about \$78 million, were recorded in DFAS-Indianapolis Center's Debt Management System from March through November 1992. We judgementally selected 42 of those 3,800 records. We found that for 15 of the 42 Army members, Army finance offices had made duplicate payments. For 18 of the 42, the records were in error; accordingly, no overpayments had actually been made. Files for some of the remaining nine Service members either contained valid debts or were unavailable for review. We are conducting another audit to determine whether this problem exists in the other Services and to determine why the erroneous payments were made (Project No. 3FI-0044).

The courtesies extended to the audit staff are appreciated. If you have any questions about this survey, please contact Mr. Richard B. Bird, Program Director, at (317) 542-3859 (DSN 699-3859) or Mr. Dennis L. Conway, Project Manager, at (703) 693-0476 (DSN 223-0476). The planned distribution of this report is listed in Enclosure 2.



Robert J. Lieberman
Assistant Inspector General
for Auditing

Enclosures

Organizations Visited or Contacted

Office of the Secretary of Defense

Assistant Secretary of Defense (Force Management and Personnel),
Washington, DC

Defense Agencies

Defense Finance and Accounting Service Center, Cleveland, OH
Defense Finance and Accounting Service Center, Denver, CO
Defense Finance and Accounting Service Center, Indianapolis, IN
Defense Finance and Accounting Service Center, Kansas City, MO
Defense Manpower Data Center, Monterey, CA

Department of the Army

Deputy Chief of Staff for Personnel (Plans, Analysis, and Evaluation Directorate),
Washington, DC
U.S. Army Personnel Command, Washington, DC
U.S. Army Reserve Personnel Center, St. Louis, MO
XVIII Airborne Corps and Fort Bragg, Fort Bragg, NC
III Corps and Fort Hood, Fort Hood, TX

Department of the Navy

Assistant Secretary of the Navy (Manpower and Reserve Affairs),
Washington, DC
Bureau of Naval Personnel, Washington, DC
Deputy Chief of Staff for Manpower and Reserve Affairs, Manpower Plans and
Policies Division, Washington, DC

Department of the Air Force

Deputy Chief of Staff for Personnel, Directorate of Personnel Programs, Enlisted
Plans and Policy Division, Washington, DC
U.S. Air Force Manpower and Personnel Center, Randolph Air Force Base,
San Antonio, TX

Non-Defense Activities

General Accounting Office, Washington, DC
U.S. Department of Labor, Baton Rouge, LA

Report Distribution

Office of the Secretary of Defense

Assistant Secretary of Defense (Force Management and Personnel)
Comptroller of the Department of Defense

Other Defense Organizations

Director, Defense Finance and Accounting Service
Director, Defense Finance and Accounting Service Center, Cleveland, OH
Director, Defense Finance and Accounting Service Center, Denver, CO
Director, Defense Finance and Accounting Service Center, Indianapolis, IN
Director, Defense Finance and Accounting Service Center, Kansas City, MO
Director, Defense Manpower Data Center

Non-Defense Activities

Office of Management and Budget
Office of Personnel Management
U.S. General Accounting Office
National Security and International Affairs Division Technical Information Center

Chairman and Ranking Minority Member of Each of the Following Congressional
Committees and Subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Government Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Operations
House Subcommittee on Legislation and National Security, Committee on
Government Operations

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