

Payment Integrity Scorecard

Program or Activity
Military Retirement

Reporting Period
Q2 2023

FY 2022 Overpayment Amount (\$M)*

\$369

*Estimate based a sampling time frame starting 10/2020 and ending 9/2021

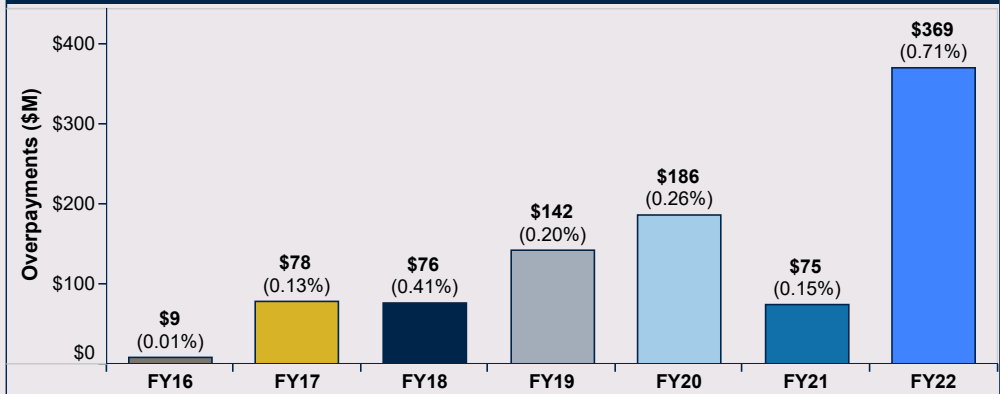


DOD
Military Retirement

Brief Program Description & summary of overpayment causes and barriers to prevention:

Retired and Annuitant (R&A) pay is responsible for retired and annuity customers accounts, including establishment, payment, maintenance, and termination. R&A's projected Monetary Loss Improper Payment's rate for FY 2022 was \$369.45M. The largest contributor to this amount is payments released in error, categorized as Overpayments outside Agency control. Only four errors were found in testing, which included one payment in the amount of \$1679.25. This one identified error forecasted the impact of our projected improper payment for this category to \$302M. This error was outside agency control as the payment was made to a deceased retiree, prior to R&A receiving notification of the death.

**Historical Payment Rate and Amount (\$M)
(Overpayment as Percentage of Total Outlays)**



Discussion of Actions Taken in the Preceding Quarter and Actions Planned in the Following Quarter to Prevent Overpayments

R&A completed the final phase of Survivor Benefit Plan (SBP) - Dependency and Indemnity Compensation (DIC) offset elimination in January 2023. These mitigation efforts were in response to prior IP findings. R&A is collaborating with Disbursing on a Lean 6 project focused on refining and enhancing the Reclamation Process. This is in preparation of an Internal Review audit slated for June 2023 which will further test Disbursing's reclamation process. R&A pursued efforts with Treasury and VA to implement use of the Treasury Do Not Pay (DNP) file. During R&A's testing it was determined that pertinent death data was missing. As a result R&A is still pursuing use of the DNP and has continued collaboration with Defense Manpower Data Center (DMDC). DMDC is actively working with an outside source to receive new and improved death data on a more frequent base which is on track for implementation in CY 2024. R&A has partnered with other agencies as a part of the Payment Integrity Center of Excellence working group which focuses on synchronization of interagency efforts to streamline multiple lines of corrective action efforts and effectiveness in reducing IP/UP. The Working Group has been established during quarter one and continues to meet on an ongoing basis.

Accomplishments in Reducing Overpayment

		Date
1	DoD, in joint collaboration with Treasury and VA to implement use of the Treasury Do Not Pay (DNP) file. During R&A's testing of the DNP it was determined that pertinent death data was missing. As a result R&A is delayed in pursuing use of the DNP.	Dec-22
2	SBP DIC offset, phased removal. Annuitants receive full SBP payment from DFAS and full DIC payment from the VA. As a result, the cost refunds dropped to minimal levels. These generate the bulk of payments over the projected threshold and will be effectively reduced.	Jan-23
3	R&A has shifted to collaboration with Defense Manpower Data Center (DMDC). DMDC is actively working with an outside source to receive new and improved death data on a more frequent base. Move is on track for implementation calendar year 2024.	Mar-23

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	Goals towards Reducing Overpayments	Status	ECD	Recovery Method	Brief Description of Plans to Recover Overpayments	Brief Description of Actions Taken to Recover Overpayments	
1	R&A has partnered with DMDC and is continuing to pursue efforts to implement an alternative source of death data. The effort is on track for implementation calendar year 2024. At that time, it is expected the new and improved death data files will include all information currently received from DMDC. This data will be received on a more frequent basis, thus reducing errors associated with timeliness and supporting documentation.	On-Track	Jul-23	1	Recovery Audit	Internal Controls' review process allows to quickly identify erroneously processed overpayments. The post review process identifies errors after release, at which point the funds would be reclaimed. Most reclamations are automated through EFT recall requests.	R&A has multiple internal review processes which consist of: random sampling reviews of payments under \$2500, pre-reviews of all one-time payments over \$2500, and post pay sampling reviews.
				2	Recovery Audit	The death match run provides a method of notification for deceased payees and timely suspension of pay. Any payments made after the date of death are reclaimed.	R&A completes a systematic monthly death match review, in which we send DMDC a full list of R&A customers. DMDC uses that information to bump against SSA death files and return Retiree and Annuitant death notifications to R&A for action.
2	R&A is continuing to collaborate with Disbursing on a Lean 6 project focused on refining and enhancing the Reclamation Process. This project is in preparation of an Internal Review audit slated for June 2023 which will further test Disbursing's reclamation process. R&A will support Disbursing Operations with any potential recommendations and/or appropriate corrective actions identified via the audit, to strengthen the program.	On-Track	Jul-23	3	Recovery Audit	DFAS utilizes a well-established Risk Management framework called i-Control. Specifically, Military Retirement has 29 key internal controls and 26 unique controls to ensure proper execution and or subsequent recoupment of Military Retirement payments.	DFAS Internal Review is conducting a Payment Reclamation Audit through Disbursing Operations and any potential recommendations and/or appropriate corrective actions identified will be pursued in order to strengthen the program.

Amt(\$)	Root Cause of Overpayment	Root Cause Description	Mitigation Strategy	Brief Description of Mitigation Strategy and Anticipated Impact
\$318M	Overpayments outside the agency control that occurred because of an Inability to Access the Data/Information Needed.	Timing differences between notification of a retiree/annuitant's death vice when they are paid. Notifications that come in after the pay file has gone out will result in an overpayment. The notification is dependent upon when SSA, the VA, or DFAS is informed of the death.	Cross Enterprise Sharing - sharing of documents, processes, and opportunities with intra-agency partners and stakeholder. Potentially managed through federated repositories and a registry to create a longitudinal connection to information used to mitigate Improper Payments	R&A is pursuing efforts to implement an alternative source of death data. It is expected death data files will include all information currently received from DMDC and on a more frequent basis, thus reducing errors associated with timeliness and supporting documentation.
\$51M	Overpayments within agency control that occurred because of a Failure to Access Data/Information Needed.	Root Cause 2 refers to errors within agency control because these errors are the result of missing documentation in the Cost Refund Process. Phased elimination of SBP-DIC offset is complete and Cost Refunds are no longer processed.	Change Process – altering or updating a process or policy to prevent or correct error.	R&A has completed the final phase of eliminating the SBP-DIC offset. Cost Refunds are no longer processed thus the risk associated with the projected overpayment rate for this error has been mitigated

The Department has internal controls in place to support the reduction of improper payments in the Military Retirement program to the levels the Department has targeted. As part of the internal control framework for this program, the DFAS Director of R&A Pay has identified and documented known risks associated with the processes for providing pay services to the customers of the Military Retirement program. Along with identifying these risks by process, the Director of R&A Pay instituted key controls and control activities over pre-review of payments and certifying officer legislation and developed an internal post-payment review process to mitigate the documented risks. The Director also tests the controls to ensure their effectiveness and documents the test results. R&A has identified obstacles resolving overpayments outside of the Agency control errors, in particular the erroneous after death payments, include timely receipt of death notifications. There are instances when death notices can be received timely, but payments still go out due to payment schedules and end of month file runs. To avoid this issue completely is nearly impossible, but R&A continues to make efforts to improve such as collaborating with outside agencies, and pursuing alternative sources of death data received from DMDC on a more frequent basis. Thus, further reducing errors associated with timeliness.