

Payment Integrity Scorecard

Program or Activity
Military Retirement

Reporting Period
Q3 2023

FY 2022 Overpayment Amount (\$M)*

\$369

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

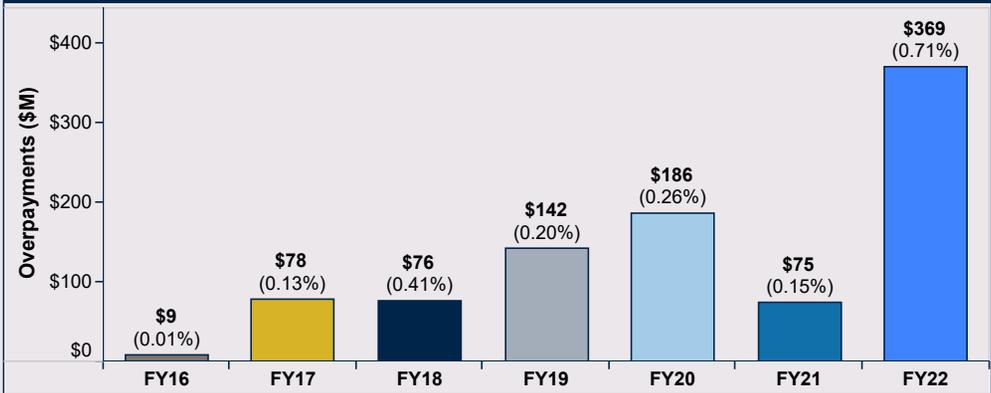


DOD
Military Retirement

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

The DoD's Military Retirement Payment Integrity program is responsible for retired military and civilian annuitant customer accounts, including establishment, payment, maintenance, and termination activities. Military Retirement's projected monetary loss rate for FY 2022 was \$369.45M. The largest contributor to this amount was payments released in error, categorized as overpayments outside of agency control. Only four errors were found in testing, with one payment in the amount of \$1,679.25. This one overpayment forecasted the impact of the projected unintentional monetary loss to \$302M. This error was outside of the DoD's control because the payment was made to a deceased retiree prior to receiving the official death notifications.

**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

Military Retirement completed the final phase of Survivor Benefit Plan (SBP) - Dependency and Indemnity Compensation (DIC) offset elimination. This mitigation effort was in response to improper payment (IP) findings. Military Retirement collaborated with Disbursing Operations on a Lean 6 project focused on refining and enhancing the reclamation process. This project is in preparation of the internal review audit that tests the reclamation process. Disbursing Operations is currently finalizing the solution set for this project with the anticipated completion in Q4. Military Retirement pursued efforts with Treasury and Veteran Affairs (VA) to implement use of Treasury's Do Not Pay (DNP) file. During testing, it was determined that pertinent death data was missing. As a result, Military Retirement is pursuing its collaboration with Defense Manpower Data Center (DMDC). As of July 1, 2023, DMDC has contracted with Experian as the new source for death data and is currently working to obtain the data on a more frequent basis. Military Retirement will strengthen its partnership with Treasury's Payment Integrity Center of Excellence, which focuses on the synchronization of interagency efforts to streamline multiple lines of corrective action efforts and effectiveness in reducing IP. Additionally, the OUSD(C) Payment Integrity Team engaged with Treasury's DNP Product and Development team to discuss DNP processes and data sources that will meet the Department's needs.

Accomplishments in Reducing Overpayment

		Date
1	The final phase of the SBP - DIC offset was completed. Annuitants now receive SBP payments from Defense Finance and Accounting Service (DFAS) and DIC payments from VA. As a result, cost refunds have dropped to minimal levels, which was the bulk of improper payments.	Jan-23
2	DMDC has contracted with Experian as the new source for death data. As a result of the new contract, Military Retirement has the opportunity to receive the death data on a more frequent basis. The Military Retirement systems team is working to fully implement this process.	Jun-23
3	Military Retirement is collaborating with Disbursing Operations on a Lean 6 project focused on refining and enhancing the Reclamation Process. The project is currently finalizing the solution set. As a result, Military Retirement will receive funds in a timely manner.	Jun-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	On-Track	Sep-23	1	Recovery Audit The internal control review process allows for quick identification of erroneously processed overpayments. This analysis of the records identifies errors after release, at which point the funds would be reclaimed. Most reclamations are automated through EFT recall requests.	Military Retirement has multiple internal review processes. These internal review processes consist of the following: (1) random sampling reviews of payments under \$2,500, (2) pre-reviews of all one-time payments over \$2,500, and (3) post-pay sampling reviews.
2	On-Track	Sep-23	2	Recovery Activity The DFAS Military Retirement operations utilizes the DMDC contract with Experian for the source of death data to provide an effective method for notification for deceased payees timely suspension of pay. Any payments made after the date of death are recovered.	Military Retirement completed a systematic monthly death match review, in which a full list of Retired and Annuitant (R&A) customers was sent to DMDC. DMDC compares that information against death files and return R&A death notifications to Military Retirement for action.
2	On-Track	Sep-23	3	Recovery Activity DFAS utilizes a well-established enterprise risk management framework called i-Control. Specifically, Military Retirement has 29 key internal controls and 26 unique controls to ensure proper execution and subsequent effective recoupment of Military Retirement payme..	DFAS Internal Review began conducting a Payment Reclamation Audit through Disbursing Operations. Any potential recommendations or appropriate corrective actions identified in the Payment Reclamation audit 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 a retiree or annuitant's death notification versus 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 the SSA, 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	Military Retirement, in partnership with DMDC, has entered a contract with a new vendor and is pursuing efforts to implement the receipt of death data 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.	Cost refund miscalculations due to the complexity of the SBP-DIC calculation, along with missing or outdated documentation, resulted in the bulk of the improper/unknown payments. In accordance with the NDAA FY 2020, the program eliminated the SBP-DIC offset calculation.	Change Process – altering or updating a process or policy to prevent or correct error.	Military Retirement completed the final phase of Survivor Benefit Plan (SBP) - Dependency and Indemnity Compensation (DIC) offset elimination. Cost refunds are no longer processed; 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 targeted levels set by the Department. As part of the internal control framework for the Military Retirement 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 DFAS Director of R&A Pay has instituted key controls and control activities over pre-reviewing of payments and certifying officer legislation and has developed an internal post-payment review process to mitigate the documented risks. The DFAS Director of R&A Pay also tests the controls to ensure their effectiveness and documents the test results. R&A has identified obstacles to resolving errors related to overpayments outside of agency control. For example, the erroneous after death payments is due to the timing of 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 timing issue completely is nearly impossible. However, R&A continues to make efforts to improve the process by collaborating with outside agencies and pursuing alternative sources of death data received from DMDC on a more frequent basis. These efforts will help reduce errors associated with timeliness.