



DOT 11-10



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

IN REPLY
REFER TO

COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

MAR 25 1977

Admiral Owen W. Siler
Commandant
U. S. Coast Guard
Department of Transportation

Dear Admiral Siler:

We have completed our examination at Coast Guard Headquarters, Washington, D.C., of military pay records for January 1 through June 30, 1976. Our examination did not include an overall evaluation of Coast Guard's payroll operations since we considered only those records available at headquarters. Although our review indicates that most military personnel are paid accurately, we would like to point out areas where we believe controls can be strengthened.

We examined a Coast Guard-wide statistical sample of 269 military pay records--278 regularly closed and 31 irregularly closed^{1/} pay records.

We found 46 errors amounting to \$2,019 in 41 of the pay records in our sample. This represents an error rate of 13.7 percent. Our statistical projection indicates that Coast Guard-wide, there may have been 5,363 errors amounting to about \$342,600 in the 10,113 pay records in the universe. A summary of the types and frequency of the errors found is shown in the appendix.

At the conclusion of our examination, we reported our findings in detail to the Chief, Personal Support Division, so corrective action could be promptly initiated. Corrective action has been initiated on all errors reported.

We found 11 errors in withholding rates for Federal income taxes. Our analysis indicated that these errors were caused by the storckkeepers using the wrong line or column of the tax tables. While we recognize the errors will be corrected when the member files his/her return, the number of errors in this category indicates carelessness on the part of the storckkeepers and inadequate supervisory review.

^{1/} Pay records are regularly closed June 30 and December 31 of each year. Some records are closed in the interim, primarily as a result of service terminations. These records are referred to as irregularly closed pay records.

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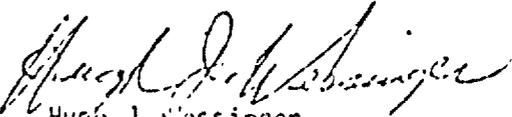
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We found errors on 4 (19 percent) of the 21 irregularly closed pay records in our sample. Three of the errors were related to leave. The other error related to improper withholding rates for federal income taxes. While the number of irregularly closed pay records in our sample was small, we believe the high error rate--19 percent--found on these irregularly closed pay records indicates that this could be a problem area.

Our experience in auditing irregularly closed pay records in the other military services has consistently shown a high incidence of errors in final leave settlements. We believe additional supervisory reviews in the Districts and increased administrative examinations at headquarters could substantially reduce these errors.

We appreciate the courtesy and cooperation extended to us during our examination. Please advise us of any actions the Coast Guard plans to take to reduce the incidence of the types of errors discussed in this letter.

Sincerely yours,


Hugh J. Wessinger
Associate Director

Enclosure

SUMMARY OF ERRORS FOUND IN THE MILITARY PAY ACCOUNTS OF
U.S. COAST GUARD VETERANS
JANUARY 1967 TO DECEMBER 1976

<u>Type of Error</u>	<u>Number</u>	<u>Overpayment</u>	<u>Underpayment</u>	<u>Total</u>
Federal income tax incorrectly withheld	11	\$ 258.50	\$ 9.20	\$ 267.70
Computation errors (extensions)	5	32.09	23.44	55.53
Errors in addition (total debits/credits)	4	18.53	16.90	35.43
Taxable income incorrectly computed (note a)	4			
Lump sum leave incorrectly computed	3	558.54		558.54
Basic pay at wrong rate (note b)	2	932.72	60.00	992.72
Bachelor Allowance For Quarters not credited to member without dependents in travel status for Permanent Change of Station	2		123.73	123.73
Family separation allowance (FSA-S) not entitled	2	60.00		60.00
Difference between Basic Allowance For Subsistence and leave rations not checked	2	18.60		18.60
Pay adjustment authorization not entered on pay record	1	150.00		150.00
Pay and allowances not checked for period of excess leave	1	136.52		136.52
Leave rations not checked for period of ANOL	1	70.84		70.84
Housing allowance not authorized	1	61.20		61.20

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<u>Type of error</u>	<u>Number</u>	<u>Overpayments</u>	<u>Underpayment</u>	<u>Total</u>
Basic allowance for subsistence at wrong rate	1	\$	\$ 58.24	\$ 58.24
Leave rations not credited	1		4.03	4.03
Withholding tax understated	1		10.00	10.00
Standard maintenance allowance not credited when due	1		7.74	7.74
Aviation pay (crew member) at wrong rate	1		4.50	4.50
Duplicate credit of basic maintenance allowance	1	3.15		3.15
FICA tax understated	1	.59		.59
Totals	<u>6</u>	<u>\$2,301.28</u>	<u>\$317.78</u>	<u>\$2,619.06</u>

a/ Consists of three overstatements totaling \$390.74 and an understatement of \$38.33.

b/ The overpayment includes \$799.52 for the period September 3, 1972 through December 31, 1975.