

GAO Highlights

Highlights of [GAO-24-105679](#), a report to congressional committees

Why GAO Did This Study

A committee report accompanying a national defense authorization bill for fiscal year 2022 includes a provision for GAO to review DOD's payroll system for overseas DOD Education Activity employees. This report (1) describes the status of DOD's efforts to address auditors' prior recommendations to improve its civilian payroll system, which includes overseas DOD Education Activity employees, and (2) examines the process DOD used to calculate overseas DOD Education Activity employees' pay, including base pay, differentials, additional allowances, and deductions, as well as how the department communicated payroll changes to employees.

GAO reviewed an extract from a database containing all civilian payroll notices of findings and recommendations as of March 2023 to report on the status of prior recommendations. GAO also examined fiscal year 2021 payroll records (the most recent available at the time of GAO's analysis) and interviewed DOD representatives to gain an understanding of the payroll process. GAO traced payroll records for 10 employees to supporting documentation and verified the calculations using applicable criteria. GAO also reviewed payroll adjustments for 24 employees that were the result of either normal adjustments or payroll errors. Since DOD was not able to provide sufficient supporting documentation timely, the number of DOD Education Activity employees that GAO was able to review was too small to support generalizable conclusions.

View [GAO-24-105679](#). For more information, contact Asif A. Khan at (202) 512-9869 or khana@gao.gov.

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DOD EDUCATION ACTIVITY

Civilian Payroll Remediation Continues

What GAO Found

The Department of Defense's (DOD) Education Activity operates schools around the world, providing educational services for the dependents of military service members and civilian employees. Since fiscal year 2018, independent public accounting firms auditing DOD's annual financial statements have reported more than 100 notices of findings and recommendations across the department related to the civilian payroll system. Many of these notices remain open and affect the pay of all DOD employees, including overseas civilian employees.

DOD Civilian Payroll Notices of Findings and Recommendations, as of March 2023

Total	Closed	No longer applicable	Open
147	92	8	47

Source: GAO analysis of DOD data on notices auditors issued since fiscal year 2018. | [GAO-24-105679](#)

Closed notices addressed issues such as approving and maintaining time cards, gross pay reconciliation, and unsupported payroll allowances for some components of DOD. Some common issues identified in the open notices are (1) inconsistent documentation supporting employees' payrolls and (2) payroll amounts not agreeing with calculations based on supporting documentation. These open issues are similar to instances GAO observed, as discussed below. DOD has developed corrective action plans and roadmaps to remediate these open notices, but they will take time to effectively implement and address the issues that other auditors and GAO found.

DOD Education Activity uses the Civilian Human Resources Agency and the Defense Finance and Accounting Service to perform human resources and payroll processing. DOD bases payroll computations on various requirements and must support payments with one or more source documents.

GAO reviewed payroll records for 10 overseas DOD Education Activity employees. GAO found that the records for regular pay and incentives were accurate and contained adequate supporting documentation. GAO also found that of the five employees receiving allowances—such as for their living quarters—the amounts paid to three were inconsistent with the supporting documentation. In addition, GAO found that for eight of these 10 employees, at least one payroll deduction was not adequately supported.

GAO also reviewed payroll records for 24 employees and found that 21 had adjustments that were not all processed timely or communicated adequately. The department processed 57 adjustments for the 21 employees' pay, 23 of which were retroactive, paid in a lump sum, and without many details provided on the employees' earnings and leave statements. The amount of time it took to process the adjustments ranged from a low of one biweekly pay period to a high of 34 biweekly pay periods. According to Defense Finance and Accounting Service officials, these delays are attributable to retroactive pay adjustments, corrective actions initiated by human resources offices or timekeepers, or employee-generated changes that were not sent timely for processing.