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Improvements Have Been Made
But Problems Still Exist
In Claims Operations At
Army Finance Support Agency

B-117604(16)

Department of the Army

*UNITED STATES
GENERAL ACCOUNTING OFFICE*

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CONFIDENTIAL



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

TRANSPORTATION AND
CLAIMS DIVISION

B-117604(16)

The Honorable
The Secretary of the Army

Dear Mr. Secretary:

In June 1973 we made a periodic review of claims procedures and operations at the U.S. Army Finance Support Agency, Indianapolis, Indiana. This followed our request of May 7, 1973, that beginning on that date all payment claims closed by Settlements Operations and all waiver cases closed by the Field Services Office be held for our review. Debt cases were available on the site. 102

We found that, although improvements had been made, there were still some problems in claims operations. Generally, the Army Finance Support Agency agreed to take action on our recommendations.

Copies of this report are being sent to the Director, Office of Management and Budget, and to the Assistant Secretary of Defense.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "A. Sullivan".

Director, Transportation and
Claims Division

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D I G E S T

WHY THE REVIEW WAS MADE

Since the Federal Claims Collection Act of 1966 was enacted, GAO has periodically reviewed debt claims procedures and operations at the U.S. Army Finance Support Agency in Indianapolis.

GAO also evaluates the agency's compliance with GAO's Policy and Procedures Manual for Guidance of Federal Agencies and the Joint Standards issued under the Federal Claims Collection Act of 1966.

FINDINGS AND CONCLUSIONS

Debt claims

--A part of the interoffice procedures for the Collections Branch was incorrect; it showed that a claim would be barred from enforced collection proceedings 6 years from the date on which the erroneous payment occurred without considering events which toll the statute or renew the limitation period. (See p. 4.)

--When the record of a service member, who is discharged in the field, shows a debt due the United States in excess of the amount due the member, the Army gives the member a letter showing only a code number and amount due. This data is insufficient to explain the debt. (See p. 5.)

--Contrary to prior information, the discharge date and separation program number are generally available within the Finance Support Agency. (See p. 6.)

Payment claims

GAO's examination of paid vouchers showed that:

--Claimants were not given citations to applicable regulations when claims were disallowed. (See p. 9.)

--Some computations were incorrect. (See p. 9.)

--If an audit of the account showed an indebtedness, the debt was not reported to the Collections Branch. (See p. 9.)

Waiver requests

GAO did not disagree with any of the agency's determinations made on civilian employees' requests for waivers of erroneous pay and allowances. (See p. 12.)

RECOMMENDATIONS

GAO recommended that the Finance Support Agency:

--Determine the correct date on which legal proceedings on a claim will be barred. (See p. 6.)

--Stop using code numbers on debtors' letters. (See p. 6.)

--Show discharge date and separation program number on all cases forwarded to GAO. (See p. 6.)

--Cite applicable regulations if a claim is disallowed. (See p. 9.)

--Report overpayments to the Collections Branch. (See p. 9.)

AGENCY COMMENTS

Generally, the Finance Support Agency agreed to take action on GAO's recommendations. (See pp. 7 and 10.)

CHAPTER 1

INTRODUCTION

The Transportation and Claims Division reviews agency regulations, procedures, and actual operations in areas relating to both debt and payment claims. It also reviews administrative decisions on waiving erroneous payments of pay and allowances (other than travel and transportation allowances) to civilians and members or former members of the uniformed services. Public Law 92-453, approved October 2, 1972, authorized waiver authority for military personnel.

After the Federal Claims Collection Act of 1966 (31 U.S.C. 951-953) was enacted and after the implementing Joint Standards (4 CFR 101-105) were issued, Claims Division and Army representatives met several times to resolve matters relating to applying the act and standards to the Finance Support Agency's heavy workload.

Since this act became effective, we have visited the agency on several occasions to review its debt claims operations and to assist it in processing debt claims more expeditiously. As of June 30, 1973, the agency had 49,575 debt claims on hand; the field had identified 21,079 of these claims as unsatisfied indebtedness cases at date of discharge. During these visits we ascertained whether the agency was complying with the act, the Joint Standards, GAO Policy and Procedures Manual for Guidance of Federal Agencies, and decisions of the Comptroller General of the United States.

The Claims Division's Collections Branch is mechanizing many of its operations. Some of the current published procedures are being revised to show how actions will be taken when the mechanization is completed. We will review the new procedures when they are available.

CHAPTER 2

DEBT CLAIM PROCEDURES AND OPERATIONS

We selected March 1973 for our review of debt claims. At the beginning of that month, the Finance Support Agency's Collections Branch had on hand 48,404 debt claims and had received 5,683 during the month. At the end of March the agency was collecting installment payments on 12,948 claims and was taking collection action on 34,434 claims. The agency closed 6,705 claims during the month. Of these claims the agency forwarded 1,120 to us for further collection action and terminated action on 5,585 because of collection in full or inability to collect. We sampled at random 284 closed cases and 300 open cases.

PROBLEMS WITH STATUTE OF LIMITATIONS

Under 28 U.S.C. 2415 and 2416, a debt claim against a member or dependents of a member of the uniformed services is barred from enforced collection proceedings unless the complaint is filed within 6 years after the date the right of action accrues. The right of action is deemed to re-accrue each time a partial payment is made or the debt is acknowledged.

We found that the interoffice procedures for the Collections Branch were incorrect. They showed that a claim would be barred from enforced collection proceedings 6 years from the date of the erroneous payment. Under the provisions of the Soldiers' and Sailors' Civil Relief Act Amendments of 1942 (50 U.S.C. app. 525), the period of military service shall not be included in computing any period now or hereafter to be limited by any law, regulation, or order for the bringing of any action or proceeding in any court, board, bureau, commission, department, or other agency of Government by or against any person in military service.

In effect, the Soldiers' and Sailors' Civil Relief Act Amendments toll the statute of limitations. Thus, it is the date of discharge which determines when the statute will begin to run on any debt incurred by a member of the uniformed services.

Our review showed that the Finance Support Agency was, in most cases, using the date the debt accrued as the applicable date for determining when the claim would be barred from enforced collection proceedings, without considering events which toll the statute or which renew the limitation period. This date is also erroneously shown on the cases referred to us for further collection action.

INDEBTEDNESS SHOULD BE EXPLAINED

The likelihood of collecting a debt is far better if the debtor knows the reason for the debt. Our review indicates that, when a service member is discharged in the field, he is given a letter which shows only a code number and the amount of the debt.

The debtor should be given a complete explanation of his debt in demand letters prepared in the field. In addition, should the claim later be sent to us, this information is necessary for us to reply to correspondence or refer the claim to the Department of Justice.

COMPROMISES SHOULD BE REASONABLE

Part 103 of the Joint Standards sets forth the conditions which should be met in accepting a compromise on a debt owed to the United States. Such factors as inability to pay, present and potential income, availability of assets, income realized by enforced collection action, age, and health should be considered. It has been our policy to determine the acceptability of each compromise strictly on the merits of the case. For the past 3 fiscal years, our compromises have averaged 42 or 43 percent of the amount of the debt.

Our random sample of cases included one compromise case in which an offer of \$50 was accepted for a debt of \$990.27. Credit information, while not complete, showed that the debtor was an employed electrician. Although this may be an isolated case, internal procedures should be established to preclude accepting such token offers.

HELPFUL INFORMATION ON
CLAIMS REPORTED TO US

Under section 105.3 of the Joint Standards, claims referred to us and to the Department of Justice for litigation should be accompanied by reasonably current credit data. We have found that, in addition to credit information, the separation program number frequently indicates the prospect of effecting enforced collection.

We previously requested that both the date of discharge and the separation program number be furnished on all debt claims referred to us but were informally advised that the information was not always available in the Collections Branch. During our review, however, we learned that this information on most cases was available within the Finance Support Agency.

In addition to the discharge date informing us when legal action is barred, that date is necessary to determine whether the member or the allottee is liable for repayment if there is an allotment overpayment.

RECOMMENDATIONS

We recommend that appropriate action be taken to insure that the Finance Support Agency:

1. Determines the correct date on which legal action is barred and shows that date on all claims forwarded to us.
2. Explains in letters given to service members at the time of their discharge the reason they are indebted.
3. Does not compromise for token amounts when the potential for collection exists.
4. Shows both date of discharge and separation program number on all claims reported to us.

AGENCY COMMENTS

Collections Branch personnel agreed to change interoffice procedures to determine more accurately when the statute of limitations will begin to run. They also agreed to give the member or former member adequate explanations for debts.

CHAPTER 3

REVIEW OF PAYMENT CLAIMS

Claims against the Army which were held for our review were settled by the Special Action, Travel, and Claims Branches. Because our time was limited, we were unable to review the claims settled by the Special Action Branch.

TRAVEL BRANCH

During May 1973, the Travel Branch closed 2,511 cases from which a random sample of 57 cases was selected for review. Approximately 90 percent of the cases reviewed involved dependents' travel incident to members' service discharges. Before July 1, 1973, members were usually paid travel allowance when discharged and claims for dependents' travel were forwarded to the Claims Division, Settlements Operations, for payment after the travel had been completed.

Effective July 1, 1973, however, members at the time of their separation will receive a form for claiming dependents' travel. Upon completion of the travel by their dependents, members are to execute the form and return it for payment to the station from which they were separated. Only those claims which are considered questionable by the station should be forwarded to the U.S. Army Finance Support Agency in Indianapolis.

Our review of the 57 cases selected from the Travel Branch disclosed that, without exception, claimants were not given citations to the regulations supporting disallowance of their claims. The number of appeals on disallowed claims could be substantially decreased if the applicable regulations were cited. Also, on these vouchers on which a part of the claim was allowed and a part disallowed, the reasons for the disallowance were not shown nor were disallowances mentioned on the vouchers.

Although we did not audit the computation on all the claims examined, we did find erroneous payments on two claims. One was overpaid and one was underpaid. Several other cases showed payment of mileage allowance based on questionable mileage figures.

CLAIMS BRANCH

In the Claims Branch, we randomly selected 145 cases for review from a total of 6,193 cases closed during May 1973. Claimants were not given citations to the applicable regulations to justify the disallowances.

Due to increased separations in the past year, a large number of claims were not settled until after a 9- to 12-month delay. A small percentage of the older claims showed an indebtedness due the Government because of excess leave but did not indicate that these debts were reported to the Collections Branch for action. Debt claims identified in the Claims Branch should be reported immediately to the Collections Branch since any undue delay diminishes effective collection action. In two of the cases we examined, the debts had not been computed correctly.

WORKLOAD IN THE CLAIMS DIVISION

The Claims Division substantially reduced its workload of payment claims during the past year by assigning to this area about 20 enlisted men trained in the finance school and by detailing civilian employees from other branches.

Claims by members honorably discharged from service are now current. However, approximately 12,000 bad discharge cases have not been settled. These cases were set aside since experience has shown these service members are seldom due any amount.

RECOMMENDATIONS

We recommend that the Finance Support Agency:

1. Give the service member a complete citation to the regulations involved in all disallowances.
2. Verify computations.
3. Promptly report to the Collections Branch debts identified in other branches.

AGENCY COMMENTS

The Finance Support Agency officials concurred with, and promised to investigate, our recommendations.

CHAPTER 4

REVIEW OF WAIVER OPERATIONS

Our discussions with Field Services Office officials centered on implementing Public Law 92-453 which added section 2774 to title 10 of the United States Code. This section provides authority to waive claims of the Government arising from erroneous payments of pay and allowances made to service members or former service members. According to Field Services Office officials, implementing regulations are presently being drafted by the Army. Officials were unable to estimate how many waiver requests had already been filed since all requests from service members were being held in abeyance either in the Finance Support Agency or in the field finance offices pending issuance of the regulations.

Of the 72 requests for waiver being held at the agency, more than 50 percent resulted from congressional inquiries on behalf of service members on claims pending in GAO. Although the Field Services Office has been supplying us with investigative reports on these cases, it has declined to recommend for or against waiving the indebtedness until the regulations are issued.

Some Field Services Office personnel expressed the opinion that we have been requesting information not understandably requisite to waiver determinations. In accordance with 4 CFR 92.8(b), no claim for the recovery of an erroneous payment of pay and allowances shall be referred to the Attorney General for litigation until it has first been considered for waiver, unless the time remaining for suit within the applicable period of limitations does not permit such waiver consideration before referral.

The information which we requested on the cases involving congressional inquiries was not only for considering the claim for waiver but also in anticipation that the claims might be reported to the Department of Justice for litigation. We were not trying to burden the Field Services Office with unnecessary work.

Field Services Office personnel asked whether overpayments aggregating over \$500 which resulted from erroneous payments of several types of entitlements to pay and allowances, each under \$500, should be forwarded to us. We advised them that these cases should be forwarded to us without delay in accordance with 4 CFR 91.4(b) which states that the head of the agency or the Secretary concerned may waive, in whole or in part, a claim of the United States in an amount aggregating not more than \$500.

We also examined 57 civilian waiver claims settled during fiscal year 1972 by the Field Services Office. We found that the reports of investigation were generally complete and that corrective action was usually taken to preclude similar future overpayments. We did not disagree with any of the waiver determinations.