



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

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The Honorable George H. Mahon  
Chairman, Committee on Appropriations  
House of Representatives

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Dear Mr. Chairman:

Your July 25, 1973, letter requested that we review the Uniformed Services Savings Deposit Program to update a 1970 Department of Defense (DOD) report on the program, review its current status, and provide information on (1) the program's impact on the U.S. balance of payments and (2) alternative savings programs that could be used. You requested that we report to the Committee by October 31, 1973.

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Because of the scope of the work involved in the DOD report and the early reporting date, we agreed with the Subcommittee on Defense to limit our work to:

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- Assessing program administration.
- Identifying the program's direct costs.
- Providing information on servicemen's program participation.
- Ascertaining the use of program deposits by the Treasury.

We further agreed to report the results of this work informally to the Subcommittee for its early consideration of the appropriations bill, when the need for additional work would be determined.

On October 5, 1973, we presented to the Subcommittee the results of our work.

PROGRAM BACKGROUND

The program was established by Public Law 89-538, August 14, 1966 (10 U.S.C. 1035) to replace the Soldiers', Sailors', and Airmen's Savings Deposits Program which had been in effect for almost 100 years. The primary objective of the new program was to encourage large numbers of military personnel overseas to save more money and thereby favorably affect the "goldflow" problem.

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Program participation is limited to officers and enlisted members stationed overseas. Ten-percent interest compounded quarterly is paid on all deposits up to \$10,000. The limit does not apply to members missing in action (MIAs). No withdrawals are permitted while the member is stationed overseas except in emergencies. Each service administers the program separately. As of June 30, 1973, about 95,000 members had accounts with deposit balances totaling \$253 million.

DOD's Deputy Comptroller for Internal Audit (DCIA) reported on this program in 1970. The report noted many weaknesses in program management and recommended that DOD reevaluate the need to continue the program.

We made our review at the Air Force Accounting and Finance Center in Denver, U.S. Army Finance Support Agency in Indianapolis, Navy Finance Center in Cleveland, and the Marine Corps Finance Center in Kansas City, Missouri. We reviewed the accounts of 666 service members, selected at random, to assess the administrative practices of each service and interviewed military and Department of the Treasury officials.

#### PROGRAM ADMINISTRATION

Our review of certain aspects of the program showed that many of the problems reported by DCIA in 1970 exist today. Emergency withdrawals occur at a high rate, excessive deposits have occurred, some participants redirected existing savings into the program, overpayments have been made on withdrawals, and accounts are not closed on time.

#### Excessive deposits

Excessive deposits continue to be a problem although they are not of the magnitude found by the DCIA audit. Of 666 accounts we selected servicewide, about 2.9 percent of the members' deposits from January through June 1973 exceeded the authorized limits. For the most part these excesses were small dollar amounts.

This shows some improvement over the DCIA findings. DCIA tested only Army accounts. Eleven percent of the participants had made deposits exceeding the monthly amounts permitted. We believe that excessive deposits are no longer a major administrative problem.

#### Redirection of savings

Some members redirected allotment funds from other savings programs to an account in the 10-percent program when they went overseas and became eligible. Program records and allotment histories of 490

participants showed that 52, or about 10.6 percent of those sampled, apparently had redirected a total of \$5,664, or an average of \$109 per month, into the program.

Since we limited our tests to allotment histories, we could not fully assess the extent of participation which represented a redirection of other types of savings. However, DCIA had found that about 75 percent of the participants had been depositing funds regularly in other savings programs before going overseas. That observation was based on responses to questionnaires completed by 2,302 Army and Air Force members.

Considering this data, it seems that many participants would have deposited money in other saving programs instead of spending it on foreign economies had the program not been available at such a desirable interest rate.

#### Withdrawals

Program participants are not permitted to withdraw deposits while overseas except when the health or welfare of the member or his dependents would be jeopardized.

Though records at military pay centers did not reveal the circumstances surrounding such emergency withdrawals, a substantial number did occur during fiscal year 1973.

As shown in the table below, during fiscal year 1973, Army, Air Force, and Navy members made 27,459 emergency withdrawals totaling \$22.9 million, or 13 percent of deposits for that year.

	Emergency withdrawals during fiscal year 1973		Total deposits during fiscal year 1973	Ratio of withdrawals to deposits
	<u>Number</u>	<u>Amount</u>		
Army	15,858	\$10,232,353	\$67,187,057	15%
Air Force	9,404	10,045,558	77,018,746	13
Navy	<u>2,197</u>	<u>2,679,263</u>	<u>33,539,114</u>	8
Total	<u>27,459</u>	<u>\$22,957,174</u>	<u>\$177,744,917</u>	13

In addition, DCIA disclosed that during fiscal year 1969 about 23 percent of all Army withdrawals and 5 percent of Navy withdrawals were emergency withdrawals. DCIA did not report on the Marine Corps or Air Force.

### Overpayments

The Army continued to have a problem with overpayments from members' accounts. The DCIA report of 1970 disclosed that in a few instances, Army members had made emergency withdrawals exceeding their account balances. The report referred to these withdrawals as overpayments.

Army officials did not have data readily available showing the extent of this condition since the program began. However, as of June 30, 1973, program records show that 2,347 Army members had withdrawn \$748,348 in excess of their deposits. These accounts currently carry credit balances in the Army records.

Army officials said that the U.S. Army Finance Support Agency regularly detected credit balances and routinely initiated collection actions to recover overpayments. Program records, however, do not indicate if collections were actually made. After our review, the Army implemented a project, scheduled to be completed in December 1973, to verify the accuracy of all accounts with credit balances.

The DCIA report stated that the credit balance condition was caused by the delay between the date of payment by the field disbursing officer and the date of recording in the Army's finance center records. DCIA stated that the Army should improve internal controls to prevent such overpayments. Officials of the U.S. Army Finance Support Agency said the condition still exists because the field disbursing officers do not always forward evidence of emergency withdrawals promptly. As a result, payments may not be recorded before processing a member's final settlement of his account.

Although we did not fully review Army procedures, we believe that the number of accounts with credit balances indicates procedural weaknesses in controlling emergency withdrawals. Our examination of the Air Force, Navy, and Marine Corps programs did not indicate any accounts with credit balances.

### Inactive accounts

The Army was maintaining many inactive accounts for participants who were no longer in the military or who had returned to the United States. The other services did not appear to have this problem. DCIA

reported that the Army had not identified and closed all participants accounts within 90 days after their return to the United States, as prescribed in the joint regulations, and these accounts were continuing to accrue 10-percent interest. DCIA said that 15 percent of the Army's accounts were inactive and the Army was not taking corrective action.

According to program records at the U.S. Army Finance Support Agency, as of June 30, 1973, the Army was maintaining 36,592 inactive accounts, about 48 percent of its total program accounts. Of these accounts, 26,971 were for members no longer in service and 9,621 were for members now stationed in the United States. The total deposits for the inactive accounts amounted to over \$17 million.

In September 1973, after our review, the Army implemented procedures for closing all inactive accounts. As of October 18, 1973, about 151 inactive accounts had been closed. Army officials advised us that all inactive accounts would be reviewed by December 1973.

PARTICIPATION OF SERVICE MEMBERS  
IN THE PROGRAM

As of June 30, 1973, about 40 percent of the eligible officers and 15 percent of the enlisted members were participating in the program, as shown below.

	<u>Participation rates</u>		
	<u>Officer</u>	<u>Enlisted</u>	<u>Total</u>
Air Force	53.9%	20.2%	24.7%
Army	29.4	12.5	15.1
Marine	20.8	4.0	5.6
Navy	58.9	20.0	24.9
Total	39.9	15.3	18.6

We compared the participation rates shown in the Hearings before a Subcommittee on Department of Defense, House Committee on Appropriations,<sup>1</sup> with military finance center records and found that the participation rate cited for December 1972 is overstated by about

<sup>1</sup>Department of Defense Appropriations for 1974, part 2 (Washington, D.C., U.S. Government Printing Office), P. 587.

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27.4 percent. This occurred because the rates included 35,510 inactive Army accounts. We estimate that rates as of December 31, 1972, were as follows:

	Percent of participation		
	<u>Officer</u>	<u>Enlisted</u>	<u>Total</u>
According to testimony in hearing	43.9	20.6	23.8
Our estimates, excluding inactive Army accounts	39.0	13.8	17.3

#### Other data on program participation

Records at the four military finance centers showed that \$182 million was deposited in the program during fiscal year 1973. As of June 30, 1973, the 95,110 participants had a total principal of about \$253 million on deposit, including 1,277 accounts with deposits of about \$36 million (14 percent of total deposits) for MIAs. (Enclosure I provides data stratified by officer and enlisted personnel, and enclosure II stratifies account balances by deposit balance.)

#### DIRECT PROGRAM COSTS

Direct program costs excluding interest costs are not ordinarily measured. In response to our request, however, finance center officials estimated direct program costs to be about \$30 million for fiscal year 1973. About \$29.4 million of this was for interest, and about \$0.6 million was for operating costs of personnel, equipment, and supplies. (See enclosure III.) This estimate included administration and management of the program at the military pay centers but not incidental costs in the field. We believe those costs are insignificant and their measurement is not feasible.

In 1970 DCIA reported that program costs were \$24 million annually--\$23 million for interest and \$1 million for direct operating costs at the finance centers.

#### TREASURY USE OF PROGRAM DEPOSITS

The public law authorizing the program requires that all funds deposited by eligible participants be deposited in the Treasury, kept in a separate fund, and accounted for in the same manner as public funds. We inquired about how the Treasury used these funds.

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Treasury officials said the program deposits have a twofold effect on cash outflows overseas. The payroll allotments to the program reduce the amount of cash that needs to be sent overseas to meet the military payroll. Cash deposits of participants are used by overseas disbursing officers to supplement authorized cash funds, thereby reducing the Treasury outflow of cash for that purpose.

Treasury officials also said that, without program deposits, the Government would have to incur additional debt, probably through issuing public-issue marketable securities. In September 1973 the interest rate for this type of security was about 6.7 percent.

We trust that this information satisfies your request. Please advise us if we can further assist you in this matter.

Sincerely yours,

*Deputy* *P. F. Kellman*  
Comptroller General  
of the United States

Enclosures - 4

*per Ed Sawyer*  
*5/8/79*

NUMBER AND AMOUNT OF DEPOSITS IN THE  
UNIFORMED SERVICES SAVINGS DEPOSIT PROGRAM

AS OF JUNE 30, 1973

	<u>Officer</u>		<u>Enlisted</u>		<u>Total officer, enlisted, and MIA</u>		<u>Total MIA</u>	
	<u>Number of ac- counts</u>	<u>Amount of deposits</u>	<u>Number of ac- counts</u>	<u>Amount of deposits</u>	<u>Number of ac- counts</u>	<u>Amount of deposits</u>	<u>Number of ac- counts</u>	<u>Amount of deposits</u>
Air Force	11,330	\$ 60,815,509	27,416	\$ 56,906,092	38,746	\$117,721,601	623	\$17,611,251
Army	10,934	44,899,749	28,117	40,001,965	39,051	84,901,714	373	8,828,677
Marine Corps	591	3,945,676	1,077	2,479,872	1,668	6,425,548	110	3,722,929
Navy	<u>4,663</u>	<u>23,227,747</u>	<u>10,982</u>	<u>20,717,954</u>	<u>15,645</u>	<u>43,945,701</u>	<u>171</u>	<u>5,748,786</u>
Total	<u>27,518</u>	<u>\$132,888,681</u>	<u>67,592</u>	<u>\$120,105,883</u>	<u>95,110</u>	<u>\$252,994,564</u>	<u>1,277</u>	<u>\$35,911,643</u>

ENCLOSURE I



ENCLOSURE II

STRATIFICATION OF DEPOSITS IN  
THE UNIFORMED SERVICES SAVINGS DEPOSIT PROGRAM  
AS OF JUNE 30, 1973

Account deposit <u>balance</u>	Percent of accounts			
	<u>Air Force</u>	<u>Army (note a)</u>	<u>Marine Corps</u>	<u>Navy</u>
\$2,000 and under	54.3	82.2	69.3	59.9
\$2,001 to \$5,000	23.5	9.0	15.6	22.2
\$5,001 to \$10,000	20.5	7.2	9.3	16.9
Over \$10,000	<u>1.7</u>	<u>1.6</u>	<u>5.8</u>	<u>1.0</u>
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

<sup>a</sup>Includes 36,592 inactive accounts.

DIRECT COSTS TO ADMINISTER  
UNIFORMED SERVICES SAVINGS DEPOSIT PROGRAM  
FOR FISCAL YEAR 1973

3	<u>Personnel</u>	<u>Supplies</u>	<u>Automatic data processing equipment time</u>	<u>Interest</u>	<u>Total</u>
Air Force	\$162,335	\$ 556	\$11,565	\$14,129,243	\$14,303,699
Army	223,696	2,553	50,538	9,363,182	9,639,969
Marine Corps	25,250	(a)	3,817	610,111	639,178
Navy	<u>82,713</u>	<u>500</u>	<u>9,146</u>	<u>5,294,443</u>	<u>5,386,802</u>
Total	<u>\$493,994</u>	<u>\$3,609</u>	<u>\$75,066</u>	<u>\$29,396,979</u>	<u>\$29,969,648</u>

<sup>a</sup>Not available.

ENCLOSURE III

ENCLOSURE IV

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Congress of the United States  
House of Representatives  
Committee on Appropriations  
Washington, D.C. 20515

July 25, 1973

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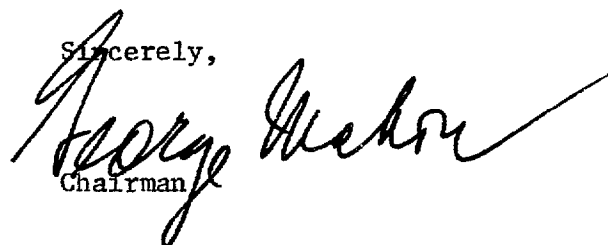
Honorable Elmer B. Staats  
Comptroller General of the United States  
441 G Street, N. W.  
Washington, D. C. 20548

Dear Mr. Staats:

During recent appropriation hearings with the Department of Defense, we have discussed in some detail the Uniform Services Savings Deposit Program. Many of the questions asked by this Committee were based on an Office of the Secretary of Defense audit report issued by the Deputy Comptroller for Internal Audit (DCIA). This report was issued in May 1970 and, according to testimony from Department of Defense witnesses, may not reflect conditions prevailing at the current time. The Committee requests that the General Accounting Office review the Uniform Services Savings Deposit Program in order to update the original Defense Department audit report and review the current status of this program. We also request any information available on (1) the impact this program has on the United States balance of payments and (2) alternative savings programs that could be used if this program were cancelled.

It is requested that a report on your findings, if possible, be submitted to the Committee by October 31, 1973. Early receipt of your findings will be of invaluable assistance when the Committee considers the fiscal year 1974 Defense appropriation bill. Your assistance and efforts in support of the Committee are appreciated.

Sincerely,

  
Chairman