



089392

UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE
SUITE 500, WASHINGTON BOULEVARD BUILDING
234 STATE STREET
DETROIT, MICHIGAN 48226

089392

23 OCT 1975

Captain Harry H. Arnold
Director, Military Pay Systems Division
Navy Accounting and Finance Center
Washington, D. C.

Dear Captain Arnold:

As part of our continuing review of the Navy's financial management system, we have examined selected disbursing accounts to verify if sufficient rent has been collected from military personnel who are occupying Government-owned family housing units which the Navy has declared "inadequate".

Personnel occupying housing classified inadequate are charged rent through monthly payroll deductions. The rental rate, prescribed by paragraph 30223, Department of Defense Military Pay and Allowances Entitlements Manual, is generally the lesser of the appraised fair rental value of the housing unit or 75 percent of the member's basic allowance for quarters (BAQ). If members are paying rental equal to 75 percent of their BAQ, the rental charge must be adjusted when their quarters allowances are increased -- either by general pay raise or promotion.

In our tests, which covered the period from October 1 to December 31, 1974, we examined the accounts of five disbursing officers who are collecting rent for about 2,600 inadequate quarters. We reviewed 417 payroll deductions in these accounts and found 91 errors, an error rate of 22 percent. In 84 cases, the errors resulted because rental adjustments were not made when the members' BAQ rates were increased on October 1, 1974. In the remaining seven cases, rental adjustments were not made when the members received promotions. We could not determine whether any of the errors have been corrected because the pay records for the 6-month period ended June 30, 1975, are not yet available for audit. Our error data are summarized in the appendix.

~~90933~~

089392

Navy Facilities and Assignment reports show that Navy-wide there were about 7,200 inadequate housing units as of December 31, 1974. Since we examined the rental charges for less than 6 percent of that total and found a high incidence of error, we believe a review should be made of the records of each member occupying such housing to assure the accuracy of the rental charges. Such a review would be appropriate at this time as all BAQ rates have been increased again, effective October 1, 1975.

We would appreciate your furnishing information on actions taken, including the number and amount of rental adjustments made.

Sincerely yours,

W. C. HERRMANN, JR.

Walter C. Herrmann, Jr.
Regional Manager

Enclosure
Appendix

cc: Comptroller of the Navy (NCD-3)
Director, Naval Audit Service

APPENDIX

SUMMARY OF ERRORS

<u>Disbursing Officer</u>	<u>Inadequate units controlled 1/</u>	<u>Payroll deductions reviewed</u>	<u>Rent charges not adjusted</u>	
			<u>Number of errors</u>	<u>Amount of undercharge</u>
Fronabarger, J. L., LT NRFC, Norfolk	1,611	52	16	\$ 249,94
Callahan, P. W., LTJG NAS, Pensacola	368	58	32	937,26
Wong, R. T., (Civilian) NRFC, San Francisco	26	11	1	20,58
Shanks, G. A., ENS NSA, Rodman, Canal Zone	13	6	3	68,85
Welch, G. F., CWO, (ADO) NRFC, Washington, D. C.	576	290	39	654,05
Totals	<u>2,594</u>	<u>417</u>	<u>2/ 91</u>	<u>\$1,930,68</u>

Error rate - 22 percent

1/ Source: Statement of Facilities and Assignment Report (DD Form 1411)
as of December 31, 1974

2/ In 84 cases, rental adjustments were not made when BAQ rates were increased
October 1, 1974. In the remaining seven cases, adjustments were not made
when members received promotions.