

From: GADDY, ZACK SES DFAS <ZACK.GADDY@DFAS.MIL>
Sent: Monday, December 10, 2007 12:02 AM
To: Rogers, Peter <peter.rogers@lmco.com>
Subject: Re: Thank You

My biggest concern is that you deliver on the plan. Once I brief the congressional staffers and the media on the plan, they will not be forgiving of another missed completion date.

Thx,
Zack

Sent from my BlackBerry Wireless Handheld

----- Original Message -----

From: Rogers, Peter <peter.rogers@lmco.com>
To: GADDY, ZACK SES DFAS
Sent: Fri Dec 07 09:39:22 2007
Subject: Thank You

Zack, I appreciate the time you took to meet with us yesterday. I've attached the presentation that we used. We will work w/ your staff to quickly review and calibrate every element of the plan and I will review our progress on a weekly basis. If you have any questions or concerns, or if there is anything I can help with, I can be reached at (301) 519-5159 or peter.rogers@lmco.com. Thanks again.



**DEFENSE FINANCE AND ACCOUNTING SERVICE
COLUMBUS CENTER
P.O. BOX 182317
COLUMBUS, OHIO 43218-2317**

IN EPLY
RE ER TO

DFAS: HCMCOC, Steven H. Minnich

28 April 2008

Subject: Completion of VA Retro Project

TO: Mr. Joseph Cipriano
President
Lockheed Martin Business Process Solutions
2275 Research Boulevard, Suite 400
Rockville, MD 20850

Reference: MDA220-01-D-0002-0077, VA Retro Project
Reference: Letter: Completion of VA Retro Processing Dated 5 March 2008
Reference: LM Letter VA Retro Project dated 13 March 2008

The Defense Finance and Accounting Service (DFAS) is again experiencing an erosion in confidence in Lockheed Martin's (LM) ability to establish a standard, reliable process to complete the remaining 22,000 original cases in a timely manner. Our concerns are amplified by the discovery in the most recent Department of Veteran Affairs (DVA) data file of an additional 31,000 cases. This, coupled with a monthly inflow of approximately 6,000 new and returning cases leaves DFAS with little hope that this project will be completed any time soon.

DFAS recognizes that since the above referenced letters were sent that substantial changes were made in processes, applied tools, and manpower resulting in over 13,000 cases being adjudicated in March. Unfortunately, this led DFAS, the DoD leadership and Congress placed a high level of confidence in your revised plan and the asserted completion dates. However, since that initial success, both production and quality have fallen off to a point where production is behind by 5,400 cases with no indication that the project can be completed in accordance with your plan.

In short, LM has failed to meet Congressional and DoD Leadership expectations, as established by LM projections. This failure has placed DFAS and LM credibility in serious jeopardy as those briefed on the project have moved from being guardedly optimistic to skeptical in their acceptance of our ability to complete this project. DFAS needs case-based details for each planning assertion and its associated completion date to restore the credibility that has been lost over the course of the past month.

We recognize that LM is committed to this process and is working to be responsive to the needs of the veteran, DoD, and the Congress. We also understand that LM has called upon internal subject matter experts and Blackbelts to evaluate production and quality control processes in an effort to modify and more precisely define changes needed to establish a reliable and repeatable production environment that will result in

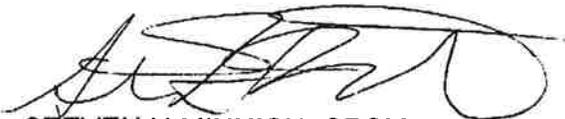


quality output. DFAS needs to be assured that the processes being put into place will increase production by case type and ensure the output of quality cases for payment. We must be assured that LM is going to be able to complete the original inventory and manage the new and returning inventory in a way that will bring this project to closure and fosters the smooth transition of future VA Retro requirements into the Retired and Annuitant (R&A) Pay process. To that end, we need:

1. The case processing model for each case type along with the documented standard operating procedures that account for the total inventory, including the newly discovered 31,000 cases.
2. The quality control process and standards being used that will provide assurances that the cases processed through production are going to be assessed using the same standard and are going to meet the 97 percent quality control standard for payment.
3. A comprehensive plan that tracks and reports on production performance by case type, provides detailed production and quality control processing deadlines, incorporates a rationale substantiating the schedule, addresses any projected risks, and identifies any additional costs. This plan must also be displayed in the form of a glide path that accounts for the original inventory, the newly discovered 31,000 cases, the backlog of new and returning cases and the recurring new and returning cases. It needs to also provide a milestone schedule for the transition of this effort into the R&A Pay process.

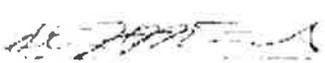
I cannot express strongly enough the criticality of completing the processing of the original inventory and for having a plan that will demonstrate our capability to manage this project as a standard business process. The expectation is that LM will expeditiously continue to plan, implement process changes and apply the necessary resources to address these requirements as expeditiously as possible and to ensure that any additional VA Retro cases coming into the inventory are processed for payment accurately and promptly.

Contractual questions and issues should be addressed to the undersigned or Mr. Eric Miller, (614) 693-0122. Operational and implementation questions and issues should be addressed to Mr. Doug Smith, (216) 522-6072.



STEVEN H. MINNICH, CPCM
Contracting Officer
(614)693-0107

CC: Lawrence Vittori
Rocky Thurston

SOLICITATION/CONTRACT/ORDER FOR COMMERCIAL ITEMS <i>OFFEROR TO COMPLETE BLOCKS 12, 17, 23, 24, AND 30</i>				1. REQUISITION NUMBER RPLYCL6RV321		PAGE 1 OF 22	
2. CONTRACT NO. MDA220-01-D-0002		3. AWARD/EFFECTIVE DATE 27-Sep-2006		4. ORDER NUMBER 0077		5. SOLICITATION NUMBER	
6. SOLICITATION ISSUE DATE		7. FOR SOLICITATION INFORMATION CALL:		a. NAME		b. TELEPHONE NUMBER (No Collect Calls)	
8. OFFER DUE DATE/LOCAL TIME		9. ISSUED BY CODE HQ0423 DEFENSE FINANCE AND ACCOUNTING SERVICE CONTRACT SERVICES DIRECTORATE BLDG 21/ 2B218 3990 EAST BROAD STREET COLUMBUS OH 43213-1152 TEL: 614-693-0291 FAX: 614-693-5674		10. THIS ACQUISITION IS <input checked="" type="checkbox"/> UNRESTRICTED <input type="checkbox"/> SET ASIDE: % FOR <input type="checkbox"/> SMALL BUSINESS <input type="checkbox"/> HUBZONE SMALL BUSINESS <input type="checkbox"/> 8(A) NAICS: SIZE STANDARD:		11. DELIVERY FOR FOB DESTINATION UNLESS BLOCK IS MARKED <input type="checkbox"/> SEE SCHEDULE 13a. THIS CONTRACT IS A RATED ORDER UNDER DPAS (15 CFR 700) 13b. RATING 14. METHOD OF SOLICITATION <input type="checkbox"/> RFQ <input type="checkbox"/> IFB <input type="checkbox"/> RFP	
12. DISCOUNT TERMS		15. DELIVER TO DFAS RETIRED PAY OPS - CLEVELAND WAWF ATTN DFAS-PD-CL 1240 EAST 9TH STREET CLEVELAND OH 44199-2055 CODE HQ0325		16. ADMINISTERED BY SEE ITEM 9			
17a. CONTRACTOR/OFFEROR CODE 4D149 LOCKHEED MARTIN GOVERNMENT SERVICES, INC 7375 EXECUTIVE PLACE SUITE 301 SEABROOK MD 20706 FACILITY CODE CODE TEL.		18a. PAYMENT WILL BE MADE BY CODE HQ0131 DFAS CO LCO PO BOX 369016 COLUMBUS OH 43236-9016		17b. CHECK IF REMITTANCE IS DIFFERENT AND PUT SUCH ADDRESS IN OFFER <input type="checkbox"/>			
18b. SUBMIT INVOICES TO ADDRESS SHOWN IN BLOCK 18a. UNLESS BLOCK BELOW IS CHECKED <input type="checkbox"/> SEE ADDENDUM		19. ITEM NO.		20. SCHEDULE OF SUPPLIES/ SERVICES		21. QUANTITY	
		22. UNIT		23. UNIT PRICE		24. AMOUNT	
		SEE SCHEDULE					
25. ACCOUNTING AND APPROPRIATION DATA See Schedule				26. TOTAL AWARD AMOUNT (For Govt. Use Only) \$1,448,620.49			
<input type="checkbox"/> 27a. SOLICITATION INCORPORATES BY REFERENCE FAR 52.212-1, 52.212-4, FAR 52.212-3, 52.212-5 ARE ATTACHED. ADDENDA <input type="checkbox"/> ARE <input type="checkbox"/> ARE NOT ATTACHED				<input type="checkbox"/> 27b. CONTRACT/PURCHASE ORDER INCORPORATES BY REFERENCE FAR 52.212-4, FAR 52.212-5 IS ATTACHED. ADDENDA <input type="checkbox"/> ARE <input type="checkbox"/> ARE NOT ATTACHED			
28. CONTRACTOR IS REQUIRED TO SIGN THIS DOCUMENT AND RETURN <u>2</u> COPIES <input checked="" type="checkbox"/> TO ISSUING OFFICE. CONTRACTOR AGREES TO FURNISH AND DELIVER ALL ITEMS SET FORTH OR OTHERWISE IDENTIFIED ABOVE AND ON ANY ADDITIONAL SHEETS SUBJECT TO THE TERMS AND CONDITIONS SPECIFIED HEREIN.				29. AWARD OF CONTRACT: REFERENCE <input type="checkbox"/> OFFER DATED . . . YOUR OFFER ON SOLICITATION (BLOCK 5), INCLUDING ANY ADDITIONS OR CHANGES WHICH ARE SET FORTH HEREIN, IS ACCEPTED AS TO ITEMS:			
30a. SIGNATURE OF OFFEROR/CONTRACTOR		31a. UNITED STATES OF AMERICA (SIGNATURE OF CONTRACTING OFFICER) 		31c. DATE SIGNED 29-Sep-2006			
30b. NAME AND TITLE OF SIGNER (TYPE OR PRINT)		30c. DATE SIGNED		31b. NAME OF CONTRACTING OFFICER (TYPE OR PRINT) STEVEN H. MINNICH / DIVISION CHIEF, MCG TEL: 614-693-0107 EMAIL: steven.minnich@dfas.mil			

AUTHORIZED FOR LOCAL REPRODUCTION
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FAR (48 CFR) 53.212

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**SOLICITATION/CONTRACT/ORDER FOR COMMERCIAL ITEMS
(CONTINUED)**

19. ITEM NO.	20. SCHEDULE OF SUPPLIES/ SERVICES	21. QUANTITY	22. UNIT	23. UNIT PRICE	24. AMOUNT
SEE SCHEDULE					

32a. QUANTITY IN COLUMN 21 HAS BEEN

RECEIVED INSPECTED ACCEPTED, AND CONFORMS TO THE CONTRACT, EXCEPT AS NOTED: _____

32b. SIGNATURE OF AUTHORIZED GOVERNMENT REPRESENTATIVE

32c. DATE

32d. PRINTED NAME AND TITLE OF AUTHORIZED GOVERNMENT REPRESENTATIVE

32e. MAILING ADDRESS OF AUTHORIZED GOVERNMENT REPRESENTATIVE

32f. TELEPHONE NUMBER OF AUTHORIZED GOVERNMENT REPRESENTATIVE

32g. E-MAIL OF AUTHORIZED GOVERNMENT REPRESENTATIVE

33. SHIP NUMBER

34. VOUCHER NUMBER

35. AMOUNT VERIFIED CORRECT FOR

36. PAYMENT

37. CHECK NUMBER

PARTIAL FINAL

COMPLETE PARTIAL FINAL

38. S/R ACCOUNT NUMBER

39. S/R VOUCHER NUMBER

40. PAID BY

41a. I CERTIFY THIS ACCOUNT IS CORRECT AND PROPER FOR PAYMENT

42a. RECEIVED BY (Print)

41b. SIGNATURE AND TITLE OF CERTIFYING OFFICER

41c. DATE

42b. RECEIVED AT (Location)

42c. DATE REC'D (YY/MM/DD)

42d. TOTAL CONTAINERS

Section B - Supplies or Services and Prices

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0001	VA Retro CPFF Enhanced Development Prototype Period (Phase I), IAW VA Retro SOW as provided under Section "B" of this task order. FOB: Destination PURCHASE REQUEST NUMBER: RPYCL6RV321	UNDEFINED	Each	UNDEFINED	UNDEFINED
				MAX COST	\$1,316,927.90
				FIXED FEE	\$131,692.59
				TOTAL MAX COST + FEE	<u>\$1,448,620.49</u>
	ACRN AA CIN: RPYCL6RV3210001				\$1,448,620.49

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
000101	VA Retro CPFF Prototype Period and POP thru End of FY06 - ROM \$1,090,064.92 FOB: Destination	UNDEFINED		UNDEFINED	UNDEFINED
				MAX COST	UNDEFINED
				FIXED FEE	UNDEFINED
				TOTAL MAX COST + FEE	<u>UNDEFINED</u>



ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
000102	VA Retro Phase I CPFF System Change Impacts - ROM \$113,042.59 FOB: Destination	UNDEFINED		UNDEFINED	UNDEFINED
				MAX COST	UNDEFINED
				FIXED FEE	UNDEFINED
				TOTAL MAX COST + FEE	UNDEFINED

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
000103	VA Retro Phase I CPFF ODC Charges - ROM \$245,513.18 FOB: Destination	UNDEFINED		UNDEFINED	UNDEFINED
				MAX COST	UNDEFINED
				FIXED FEE	UNDEFINED
				TOTAL MAX COST + FEE	UNDEFINED

ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0002	VA Retro CPFF Initial Account Processing (Phase II), IAW VA Retro SOW as provided under Section "B" of this task order. FOB: Destination	UNDEFINED	Each	UNDEFINED	UNDEFINED
				MAX COST	UNDEFINED
				FIXED FEE	UNDEFINED
				TOTAL MAX COST + FEE	UNDEFINED



ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
000201	VA Retro Phase II	UNDEFINED		UNDEFINED	UNDEFINED
	Initial Account Processing				
	FOB: Destination				

NET AMT

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
000202	VA Retro Phase II	UNDEFINED		UNDEFINED	UNDEFINED
	System Change Impacts				
	FOB: Destination				

NET AMT

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
000203	VA Retro Phase II	UNDEFINED		UNDEFINED	UNDEFINED
	ODC Charges				
	FOB: Destination				

NET AMT

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ITEM NO	SUPPLIES/SERVICES	MAX QUANTITY	UNIT	UNIT PRICE	MAX AMOUNT
0003	VA Retro CPFF Final Account Processing (Phase III), IAW VA Retro SOW as provided under Section "B" of this task order. FOB: Destination	UNDEFINED	Each	UNDEFINED	UNDEFINED
				MAX COST	UNDEFINED
				FIXED FEE	UNDEFINED
				TOTAL MAX COST + FEE	UNDEFINED

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
000301	VA Retro Phase III Final Account Processing FOB: Destination	UNDEFINED		UNDEFINED	UNDEFINED
				NET AMT	

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
000302	VA Retro Phase III System Change Impacts FOB: Destination	UNDEFINED		UNDEFINED	UNDEFINED
				NET AMT	

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ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
000303	VA Retro Phase III	UNDEFINED		UNDEFINED	UNDEFINED
	ODC Charges				
	FOB: Destination				

NET AMT

STATEMENT OF WORK
Effective Date is Date of Order

I. BACKGROUND

The requirement to make retroactive payments of CRSC and CRDP originate from the laws establishing the two entitlements and their relationship to disability awards made by the DVA. Essentially, CRSC or CRDP are being paid by DFAS based on a disability percentage in effect at the time of payment. Subsequent to those payments, the VA may award a higher disability percentage and make the determination effective to a retroactive date. This creates a condition where the retiree is owed additional CRSC or CRDP money based on the higher percentage disability award and/or the retroactive effective date. The increased rate of CRSC or CRDP using the higher percentage begins as soon as the change is reported to DFAS, however, when the date is effective earlier than the current date, a retroactive condition occurs. The retiree must then be paid the difference between the lower rate which was paid, and the higher rate established by the DVA's increased award for the period between the DVA effective date and the date DFAS increased the rate to match the retroactive award.

CRSC laws:

Public Law 107-107 established Section 1413a, of Title 10 United States Code effective 06/01/2003.
Public Law 108-136 modified CRSC eligibility requirements effective 01/01/2004.

CRDP law:

Public Law 108-136 modified Section 1414 of Title 10, United States Code to phase-in Concurrent Receipting beginning in January 2004. Public Law 108-375 modified Section 1414 to eliminate the phase-in period for retirees with a 100% DVA disability rating.

Entitlement to retroactive DVA payment requires validation of data from three sources, the military services, the DVA and DFAS. The applicable military service approves a retiree's application for CRSC, the DVA supplies recurring validation of entitlement and DFAS establishes the CRSC account and makes continuing payments and needed changes. CRDP entitlement is based solely on a retiree's entitlement to DVA payments. The amount of payment is based on DVA combined ratings which is provided by the DVA but validation for this entitlement is based on retired pay data contained in the DFAS Retired and Casualty Pay System (RCPS).

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Extensive coordination will be required throughout the entire duration of this project between LMGS, CGA and DVA. Coordination meetings and exchanges of information will continue to be needed to ensure the proper information is communicated to the population that is awaiting payments.

II. SCOPE

Phase 1 – Enhanced Developmental Prototyping Period

Objective: Prepare and design a process to initiate retroactive CRSC and/or CRDP payments for entitled retirees. Payments made will originate from DFAS or VA dependent on project requirements.

The prototype period includes the preparation required to perform the VA Retro project and will result in the payment of “process proofing” cases (enhanced developmental process prototyping).

Automated tools will be used to the extent possible to facilitate the review of cases, with associated payment where applicable. The impact of these tools will be assessed during this period to determine its impact on the project, specifically the cost and schedule of the succeeding phases.

The contractor will prove a representative sample of cases to validate the process required to make payments. This proof of concept will be made in concert with DFAS.

The end product of Phase 1 will be a requirements plan that shall document the proof of concept approach. The plan, once approved by DFAS, shall form the basis for LMGS to move to Phase 2 (Initial Account Processing). Phase II (and III) detail such as price, delivery, etc. will be provided for CLINs 0002 and 0003 by modification.

Phase 2 – Initial Account Processing

Objective: Perform case review and complete a preponderance of the backlog of cases. Bring cases current and prepare for transition to account maintenance. The following categories of cases are follows, and reference the case status on the VA Retro database:

- Category 1 - Ready to compute
- Category 2 - Error conditions solvable by technician
- Category 3 - Complex cases - (e.g. Former spouse, Garnishments, “Method A”, Casualty)

Phase 3 – Final Account Processing

Objective: Most cases are processed on a current basis. Potential anomalous cases, complex in nature, that remain from Phase 2 shall be completed as a part of this phase.

LMGS shall provide customer service for members that inquire about this project.

III. Tasks

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1.1 Management and Supervision. (All phases)

A. General - Management and Supervision (for all phases)

LMGS shall provide the needed management and supervision associated with a task of this size and scope. Management and supervision will direct the DVA CRSC/CRDP retroactive operations and manage the workflow and resources. A dedicated project leader will be assigned to this effort.

To help mitigate the risks associated with such a short timeframe, LMGS will utilize a Project Planner to track project tasks to the required timeline using Microsoft Project. The project planner will also utilize the principles of Earned Value Management (EVM) to help determine if the project is on track to deliver the required results. The project planner will work closely with the project leadership team in managing the project within the required timeline.

1.2 DVA Retro Processing. (Blended CRSC and CRDP) (for all phases)

If the member is entitled to CRSC or CRSC and CRDP during the entire retroactive period:

This effort will serve to compute and pay members for their retroactive entitlement, and will also serve as a review to validate data used in prior calculations and initiate any needed adjustments.

If the member is entitled to CRDP only for the entire retroactive period:

This effort will serve to compute and pay members for their retroactive entitlement, and will also serve as a full review to validate data used in prior calculations and initiate any needed adjustments.

In cases that need manual computation (not processed through the VA Retro Database, case documentation ("case jackets") will be provided.

Debt collection:

- New Debts: If DVA retro computations result in a negative (new debt is discovered), LMGS shall utilize existing R&A debt collection procedures.
- Unassociated Debts: Will not be collected from a pending VA Retro payment.

Some Special circumstances will exist. LMGS will address the following as a part of the review:

VA Retro payment processing will be conducted in accordance with the business rules found in SECTION IX. Changes to the business rules will be made only by mutual agreement.

- If member has a former spouse or garnishment, only the amount of the credit due from DFAS will be forwarded to Former Spouse and Garnishment departments for computation of garnishment/former spouse deductions.
- For disability retirements, an additional computation will be performed to show the amount of retired pay a member would have been entitled to based on years of service.



- A retiree may be entitled to CRSC and CRDP during the retroactive period. For purposes of this project, these cases are considered CRSC cases. In the estimates of the identified population, CRDP cases are cases in which CRSC has never been paid during the retroactive period.
- In situations case completion requires from an external source, i.e. the VA or military services, and that request is made timely, LMGS is not responsible for case completion until the appropriate data are received.
- DVA shall provide rating decisions on a timely basis in order to complete cases within the defined schedule.

1.3 Payment Initiation.

Payments made by DFAS.

LMGS shall process payments via the Automated Disbursing System. CRSC payments will be issued as a payroll to ADS. CRDP payments will be initiated through an automatic process of creating NRRCR transactions into RCPS. VA Retro payroll processing for DFAS issued payments will be performed weekly, or on another mutually agreed upon schedule defined by business needs.

Payments to be made by the DVA.

Whenever it is determined that additional disability compensation is to be paid by the DVA, those computed amounts will be provided to the DVA for their use as DVA deems appropriate. LMGS will work with the DVA to construct a recurring file which contains the required data elements for the DVA to issue a payment through their disbursement processes. LMGS will design for DVA a format and mechanism to provide the required data. The DVA will be responsible for effecting payment to the retiree.

Work to establish the payment processes which impact existing systems is being completed according to existing systems processes employed in the R&A Program. Changes required to support these payment processes are documented under System Change Request 2502, with associated amendments, and will utilize the full set of process steps required for system changes. Specifically, changes will be supported by a white paper, detailed requirements, SRR, coding, unit test review, code reviews, Customer Acceptance Testing Readiness Review (CAT-RR), Customer Acceptance Testing (CAT) under the same requirements for any SCR, and submission of test packages to DFAS for their review and authorization to implement

The process constructed to move payment data into the mainframe environment will be accomplished using the required steps of CMM Level III.

Part applies to all Phases.

1.4 Quality Assurance.

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A. Quality Assurance Review – Payment processing

1. Phase 1

During the Phase 1 Prototype period - Every case, without regard to result (overpayment, underpayment, or no change), will be reviewed to determine accuracy by the LMGS Quality Assurance process. The review will validate the required payment(s), a determination that the case is paid to date, or the existence of a debt and the debt amount.

2. Phase 2 and 3:

CRSC payroll files – LMGS will use a statistically relevant sample consistent with existing R&A practices for CRSC payrolls (currently available as described in the R&A QCP).

CRDP (NRCRs) – random sampling technique to be utilized as directed by DFAS

Manual (RAVCs) – 100% review consistent with existing R&A practices (currently available as described in the R&A QCP).

NOTE of Clarification (9-20-06):

- Manual payments will be 100% review. Full review of all
- Payroll files [CRSC and CRDP (NRCRs)] will be randomly sampled (current standard is 20 cases per payroll per CRSC standards). Full supporting documentation would be presented to the CGA in support of that sampling.

B. Management Control Review: (for all phases)

1. LMGS will initiate a management control process to document the entire DVA Retro process. This process will include flow charts and supporting documentation.

2. LMGS will create Standard Operating Procedures (SOPs) to document the process and provide instruction on how to process and pay DVA retroactive payments.

C. Review of Use of Software Tools or Other Automation (for all phases)

LMGS Quality Assurance personnel will review the proposed plans and test output used to validate software tools determined to be useful for this project. The review will determine the technical accuracy of the software tools to ensure calculations and other pay impactful activities perform as required.

1.5 Database. (For all phases)

DVA Retro will reside in a database that will be designed to hold CRSC and CRDP DVA records. The initial database records will be set up using the information provided by the DVA

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file and comparison information that identified the population that may be entitled to further compensation.

LMGS will define the database structure containing the relevant data needed to determine the outcome of the case (payment, paid correctly or overpaid).

Since new cases will occur, recurring data are required. New cases identified will be automatically added to the database using a recurring data feed from the DVA, identifying new retroactive awards granted by the DVA.

The VA Retro database will record the outcome of every review.

1.6 Reporting.

The following reports will be provided to CGA in the normal course of business:

Inventory Report showing:

- Cases processed to date
- Remaining cases to be processed
- New cases added
- Cases delivered for review to CGA
- Frequency is at least weekly

Payroll Report showing:

- Number of cases paid by service
- Dollar value of cases by service
- Review frequency is daily

There is no requirement to distinguish CRSC and CRDP funds paid by DFAS as a result of this project from regular, recurring CRSC and CRDP funds. No changes to existing accounting reports are required.

This part applies to all phases.

1.7 Customer Service. (For all phases)

Telephone Calls:

LMGS shall use a separate 1-800 number, unique from any 1-800 number in service today. The 1-800 number will be advertised as exclusively serving retirees who have questions or need information on their CRSC or CRDP entitlement due to a retroactive DVA award.

LMGS shall respond as necessary to calls from Veteran's Administration Regional Office (VARO) representatives with questions regarding the data provided to affect the DVA required payment to this number.



LMGS shall respond to callers using Customer Service Representatives (CSRs) in the organizational unit established for working cases under this proposal. These calls will not be blended into the existing Customer Service Center, however, call tracking and reporting techniques utilized in the Customer Service Center will apply. Efforts will be made to separate customer calls on the existing 1-800-321-1080 number from customer calls related exclusively to a VA retro payment. LMGS recognizes that this separation will not be flawless. Internal procedures will redirect callers to the appropriate area if required.

LMGS is not required to develop a specific VA Retro IVR script.

LMGS will respond to retirees regarding payment(s) made by DFAS. Questions about payment(s) made by the DVA, or potentially required by the DVA, will be referred to the DVA without action by LMGS. Claims of non-receipt of DVA payments will be referred immediately to the DVA.

Phone service shall be offered from 8:00 a.m. to 4:30 p.m. Monday through Friday (except federal holidays).

Correspondence:

LMGS will provide informational letters and send to retirees in cases which will result in a payment, or notification of an overpayment if applicable.

Informational letters will contain a specific 1-800 number and a mailing address for questions.

Overpayment letters will be the standard overpayment letters in use today.

Letters informing retirees that they are "paid to date" (i.e. not entitled to any additional funds) will only be provided when requested by the retiree.

LMGS will respond to retirees regarding payment(s) made by DFAS. Questions about payment(s) made by the DVA, or potentially required by the DVA, will be referred to the DVA without action by LMGS. Claims of non-receipt of DVA payments will be referred immediately to the DVA.

Congressional, hotlines or other sensitive correspondence regarding VA retro issues will be completed as a part of this project.

External Customer Communications:

Consistent with existing R&A practices, LMGS will use the existing DFAS and myPay web sites to provide Frequently Asked Questions (FAQs), appropriate Press Release(s), articles to Service publications, the electronic Retired and Annuity Pay Newsletter, and monthly conference calls with the Services to communicate the status and any issues associated with this effort. DFAS shall provide support for timely issuance and posting of external information.

For Phase 1, LMGS shall consider, identify, and provide as necessary informational materials and other support that may be required to assist VAROs in executing the DVA Retro process from a customer service perspective.

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LMGS shall augment its current operation to establish a dedicated customer service call center. The center shall be based via a separate 800 number staffed with dedicated agents able to addresses customer questions, inquires, and process cases as necessary. It may be necessary, at times, for this core service center to be augmented by trained VA Retro technicians during peak times of performance.

1.8 Recruitment and Training. (For all phases)

Training will be targeted to LMGS personnel performing tasks associated with the review and customer service associated with the VA Retro project. Formal classroom training for processors, reviewers and customer service representatives (CSRs) who deal directly with VA Retro cases will be accomplished. Familiarization efforts with other parts of the Military Retired and Annuity Pay Program will be conducted to ensure customers are served by the appropriate expertise.

LMGS will initiate, during the prototype phase, efforts to assist the VA in understanding VA Retro computations and payments so that they may assist retirees. Two activities are envisioned:

1. Training VA representatives on the use of RCPS and CRSC data and any other data VA deems relevant which DFAS is agreeing to provide.
2. An information package aimed at assisting VA Regional Offices (VAROs) in responding to retiree questions about eligibility for additional payments as a result of a retroactive VA award during periods of CRSC and CRDP, or in responding to questions about payment computations

IV. END-STATE OUTCOMES/ SUCCESS CRITERIA

Phase 1:

- Identify and categorize the potential accounts
- Pay initial accounts to prove the process
- Explore, leverage, and execute automated tools to the maximum extent practicable
- Establish effective data exchanges with the DVA
- Business rule definition
- Establish payment processes (manual and automated payroll methods)
- Customer service function – respond to callers on 1-800 number
- Inspection and acceptance processes finalized
- Infrastructure implemented (Sufficient GFE provided)
- VA Retro worksheet development and validation
- VA Retro database development and validation
- Documented Process Book
- Complete hiring and training
- Establish benefit of automation and subsequent staffing
- Define letters and establish letter production process
- Define customer service responsibilities between DFAS and DVA
- Weekly Report – Weekly Report VA Format

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Phase 2:

- Process accounts
- Customer service delivery
- Data exchanges to VA as required
- Others to be mutually defined as necessary

Phase 3:

- Process accounts
- Customer service delivery
- Data exchanges to VA as required
- Others to be mutually defined as necessary

V. INSPECTION AND ACCEPTANCE – Phase I

CGA shall review for approval the following key project components. The parameters of acceptance shall be based on mutual agreement between LMGS and DFAS:

- DVA Retro worksheet
- DVA Retro database construction
- DVA Retro computation module
- CRSC Payment process
- CRDP Payment process
- Payment file to VA
- Mainframe system changes to support payment process

DFAS acceptance of the above items is required to complete the Prototype Phase.

VI. TRAVEL

Travel shall be conducted as approved and required by the COR, consistent with existing travel regulations.

VII. PLACE/PERIOD OF PERFORMANCE

The place of performance is Cleveland, Ohio.

Phase 1: The estimated period of performance is July 12, 2006 through September 30, 2006.

Phase 2: TBD

Phase 3: TBD



VIII. COR/COTR/TA

The COR is Bill Tyminski.

IX. BUSINESS RULES [As of 8/31//06; or a later edition, if applicable, and if that is mutually agreed to by both parties]

LMGS shall perform VA Retro services based on the multiple steps associated with the payment of CRSC and CRDP as is generally done under current procedures. The following business rules apply to this project. Changes are subject to mutual agreement between DFAS and LMGS:

I. General

- A. We will use the retirement date or effective date of VA waiver as appropriate when the CRSC authorization letter is understood to be incorrect because the effective date is prior to the retirement date or authorized date of disability. Similarly, award letters in cases of obvious clerical errors, e.g. transposed first and last names, missing middle initial, etc., when there is no ambiguity in determining who to pay or the amount of the entitlement, will be utilized. Corrected award letters will not be requested in these cases.
- B. We will pay CRSC based on the services' authorization letter. If the service indicates SMC is combat related, LMGS will include the SMC in the CRSC entitlement computation. LMGS will not routinely question or require validation from the Services regarding component parts of the letter authorizing CRSC, and expects the CGA will not require further validation absent any real evidence that the letter may be incorrect.
- C. CRSC Automation Part 1 established DB2 accounts for CRSC recipients with an automated calculation for combined disability ratings. Consequently, LMGS will utilize this calculation as the correct value to use in combined disability ratings. Corrected award letters will not be requested in these cases.
- D. Garnishments will be deducted from payments due in the exact amount and to the address directed by DFAS Garnishment Operations without regard to the address information contained in RCPS.
- E. If the VA Target does not show a retiree codes as "06" in the VA system, indicating the veteran is a retiree, LMGS will notify the VA in writing that the veteran should be identified as a retiree.
- F. In the case of a former spouse who incurs a debt based on the retiree transitioning from CRDP to CRSC retroactively, a debt letter to the former spouse and the associated debt will be posted to the former spouse account prior to payment of CRSC.
- G. Retirees will be held to their CRSC/CRDP Open Season election without exception in cases where the retiree was afforded the opportunity to elect during Open Season. Personal reasons such as not understanding the letter, not acting prior to the close of Open Season, or a change in the retiree's VA rating do not negate Open Season elections, even if that election

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was a passive election. LMGS will make no change unless advised otherwise by the CGA.

- H. Transition from CRDP to CRSC, or vice versa, can occur in periods other than Open Season based on initial authorization to CRSC or CRDP. The retiree will be paid CRSC or CRDP based on the largest gross amount due, without regard to presumptive tax deductions or former spouse deductions which may be required.
- I. Cases involving VA retroactive decreases will require adjusting the VA amounts on the database to account for credits/debit action taken as required by the current MOU with the VA.
- J. No effort will be made to collect existing debts from the retro credit.

II. Payment Process

- A. The only condition for an RAVC payment will be the third party payments (garnishments and casualty payments). Payment will be effected by automated NRCR for CRDP accounts and by CRSC Weekly Payroll for CRSC accounts.
- B. Garnishment payments will be required only in those cases where there is an existing garnishment being paid from the CRDP or CRSC account and IGS determines that part of the retro payment should go to the third party recipient.
- C. If there is an amount due by the VA, and there is a former spouse, the VA will not issue payment to the former spouse. The VA will only pay "disability compensation" which is not divisible.

III. Special Rules for Exception Cases

- A. Certain cases will require special handling through alternate means due to unusual circumstances. The cases include, but will not be limited to:
 - Former Spouse division of pay cases
 - Garnishment cases
 - Disability method A cases
 - Deceased cases
- B. If the spreadsheet indicates that a payment is due from DFAS, and the indicator reflects a former spouse/garnishment was active, the accounts must be processed through the appropriate manual worksheet to issue payment to a former spouse or garnishment, as well as payment to the retired member.
- C. The disability method A cases will also be processed through the manual worksheet to ensure that the payment is reduced as appropriate.
- D. The deceased cases will be the last category to be processed. The spreadsheet/database may be utilized to compute amounts due, but the account will have to be manually processed to determine eligible beneficiary(ies) and to effect payment. New claim forms will not be



solicited if on file.

IV. Audit Trail Requirements

- A. Manually prepared records will be archived in RAPID.
- B. The ACCESS database will contain the VA Retro Record and will maintain what cases have been worked.
- C. RCPS and CRSC will record payment history.

X. GOVERNMENT FURNISHED EQUIPMENT/PROPERTY/SUPPORT (GFE)

DFAS shall make available appropriate work spaces for additional resources including: Desk space, Computer, Monitor, Printer, Telephone and chairs.

GFE items may include the following:

Space

- Adequate cubicle space for each process, reviewer, customer service representative and supervisor
- Each cubicle will require the standard components of a workstation, including but not limited to a personal computer on the DFAS network with LAN and mainframe capabilities, telephones (ACD capable phone and headsets for CSRs), chairs, wastebaskets, file drawers and cabinets, and basic office supplies.
- Software licenses as required to perform on the DFAS network
- Training rooms with mainframe access and LAN capability
- Space for basic office equipment such as copiers, faxes, printers and scanners
- One conference space for 15-20 people
- Printing capabilities from both the LAN and mainframe

Additional GFE requirements will be presented to the CGA as soon as practicable after they are identified. GFE may be provided, may be recommended for contractor purchase (contract modification to be processed), or may be denied if the supporting rationale provided is deemed lacking in substantiation.

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Security and Personnel

- EPSQ, waiver to work and initiation of background security check for all new employees
- CAC badge issued for all new employees
- LAN and mainframe access authorizations within 5 days of hire date for new employees
- Grant LMGS additional TASO authority for the increase volume of work associated with the new hires, or provide TASO support for the project from DFAS resources
- Allow the all correctly computed CRSC payments to be paid via the payroll process, including those with disability percentages of 50% or greater so that existing CRSC resources can be utilized on VA Retro cases

Casework Support

- Release payments due, either in the form of payrolls, case jackets or RAPID cases.
- Perform as Certifying Officer for payments
- Disburse DFAS payments
- Provide criteria for garnishments to be deducted from any monies due
- Assistance in advertising to the customer community with press releases, web updates and other communication vehicles appropriate for the project
- Agreement on the documented business rules used to perform the review of VA Retro cases
- Consistent review that reviews the complete case for cases resulting in a payment

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Section E - Inspection and Acceptance

INSPECTION AND ACCEPTANCE TERMS

Supplies/services will be inspected/accepted at:

CLIN	INSPECT AT	INSPECT BY	ACCEPT AT	ACCEPT BY
0001	N/A	N/A	N/A	Government
000101	N/A	N/A	N/A	Government
000102	N/A	N/A	N/A	Government
000103	N/A	N/A	N/A	Government
0002	N/A	N/A	N/A	Government
000201	N/A	N/A	N/A	Government
000202	N/A	N/A	N/A	Government
000203	N/A	N/A	N/A	Government
0003	N/A	N/A	N/A	Government
000301	N/A	N/A	N/A	Government
000302	N/A	N/A	N/A	Government
000303	N/A	N/A	N/A	Government

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Section F - Deliveries or Performance

DELIVERY INFORMATION

CLIN	DELIVERY DATE	QUANTITY	SHIP TO ADDRESS	UIC
0001	POP 06-JUL-2006 TO 30-SEP-2006	N/A	DFAS RETIRED PAY OPS - CLEVELAND WAWF ATTN DFAS-PD-CL 1240 EAST 9TH STREET CLEVELAND OH 44199-2055 216-204-3648 FOB: Destination	HQ0325
000101	POP 06-JUL-2006 TO 30-SEP-2006	N/A	(SAME AS PREVIOUS LOCATION) FOB: Destination	HQ0325
000102	POP 06-JUL-2006 TO 30-SEP-2006	N/A	(SAME AS PREVIOUS LOCATION) FOB: Destination	HQ0325
000103	POP 06-JUL-2006 TO 30-SEP-2006	N/A	(SAME AS PREVIOUS LOCATION) FOB: Destination	HQ0325
0002	POP 01-OCT-2006 TO 31-MAR-2007	N/A	(SAME AS PREVIOUS LOCATION) FOB: Destination	HQ0325
000201	POP 01-OCT-2006 TO 31-MAR-2007	N/A	(SAME AS PREVIOUS LOCATION) FOB: Destination	HQ0325
000202	POP 01-OCT-2006 TO 31-MAR-2007	N/A	(SAME AS PREVIOUS LOCATION) FOB: Destination	HQ0325
000203	POP 01-OCT-2006 TO 31-MAR-2007	N/A	(SAME AS PREVIOUS LOCATION) FOB: Destination	HQ0325
0003	N/A	N/A	N/A	N/A
000301	N/A	N/A	N/A	N/A
000302	N/A	N/A	N/A	N/A
000303	N/A	N/A	N/A	N/A

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Section G - Contract Administration Data

ACCOUNTING AND APPROPRIATION DATA

AA: 97XXXX49305L2P 252ZZ00 060400000000 DFAS PL000 2_PD_CLCL_RPY_5L2P_FY06 RPYCL6RV321 | 033186
AMOUNT: \$1,448,620.49
CIN RPYCL6RV3210001: \$1,448,620.49

DFAS-CL



WINN, SHARON CIV DFAS

From: MINNICH, STEVEN CIV DFAS
Sent: Tuesday, December 04, 2007 8:29 AM
To: MINNICH, STEVEN CIV DFAS; KANE, DAVID CIV DFAS; LINDSAY, MICHAEL CIV DFAS
Cc: MAJESKI, MICHAEL CIV DFAS; MILLER, ERIC CIV DFAS
Subject: RE: VA Retro update

One other thing I should have included was that throughout this effort folks have not understood the "best effort" nature of cost plus. At the end of this they will want a hammer to hold over the contractor and there will not be one.

-----Original Message-----

From: MINNICH, STEVEN CIV DFAS
Sent: Tuesday, December 04, 2007 8:18 AM
To: KANE, DAVID CIV DFAS; LINDSAY, MICHAEL CIV DFAS
Cc: MAJESKI, MICHAEL CIV DFAS; MILLER, ERIC CIV DFAS
Subject: VA Retro update

here is the other string that you should be aware of

-----Original Message-----

From: SMITH, DOUGLAS CIV DFAS
Sent: Monday, December 03, 2007 9:45 AM
Cc: MINNICH, STEVEN CIV DFAS; MILLER, ERIC CIV DFAS
Subject: FW: VA Retro Timeline

-----Original Message-----

From: BERNHARDT, KARL H CIV DFAS
Sent: Monday, December 03, 2007 9:41 AM
To: KRUSHINSKI, LEE SES DFAS; STEARNS, MARTHA SES DFAS
Cc: BOUTELLE, CHET SES DFAS; SMITH, DOUGLAS CIV DFAS
Subject: Re: VA Retro Timeline

Lee,

I had a face to face discussion with Robert Cook at the airport this morning about options. O/T is good, but to accomplish what Zack wants will require more effort. To do that we may need to dig into the other processing areas (because the skilled people are throughout the org that can work these hardest cases). Backfilling with new people (or in the short term not even backfilling) can work to accelerate the retro case throughput. However, we may need some creative support from contracting. For example, if we pull substantially from new account processing that J-1 measure will go red quickly (ie too many accounts started too slowly) - if we permit LM to slip without penalty for let's say two months we could really give the retro project a dramatic kick immediately. Unfortunately because these accounts are so complicated, there is only a select group of skilled technicians that could satisfactorily calculate these cases. Otherwise we just bunch up a whole lot of reject action in the CGA and increase the "churn" in LM.

Vr/Karl

Sent from my BlackBerry Wireless Handheld

----- Original Message -----



Letter to Lockheed Martin:

Subject: Unsatisfactory Performance; VARetro project. Completion of VA Retro Processing

This is to inform Lockheed Martin (LM) that the Defense Finance and Accounting Service (DFAS) deems the performance of LM in the processing of VARetro payments to be unsatisfactory. Defense Finance and Accounting Service (DFAS) is extremely concerned about the inability to meet historical promises contained in plans to date and the fact that little, if any, substantive process change is evident in the most recent plan presented to Mr. Gaddy on Friday February 29, 2008.

Lockheed Martin's plan, as presented on Friday February 29, 2008, continues to make promises of delivery in April of all remaining cases from the original population. LM's February 27, 2008 report reflects a remaining balance of 35,568 accounts. Two months remain to complete this project based on the LM's proposed completion date that was briefed to DFAS Leadership and Congressional members, who, in turn, briefed the press that all the original cases would be paid by April.

November 15, 2008 reflected a balance of 46,750 cases to be adjudicated. Based on your report, you've completed 11,122, an average of 3,178 cases per month. Based on that production rate, the project will take eleven months to complete—not two. This projection makes no provision for the current cases which your plan purports to complete by May.

Lockheed Martin has presented numerous plans since November 15, 2008, but the fact remains that the actual production is far below plan, with no evidence that there is any possibility of completion on time. The most recent plan unfortunately is no different from previous projections. DFAS, seeing the ongoing challenges, is seeking ways to facilitate the success of the VA Retro project and minimize risk of failure.

In order to mitigate further risk and to complete this project as planned, the following action has been directed and resources are to be provided, by the Director of DFAS to promulgate the mission of DFAS:

DFAS will provide direct support, assigning government employees to perform work to assist in VA Retro Processing. Providing additional resources is clearly in the interest of both parties to bring this project to a successful and timely close.

In order for this to succeed, LM may be called on to provide needed training in VA Retro processes, and the use of, and access to, LM tools and equipment by government personnel in order to conduct this support.

This augmentation is temporary and will only be in place to get through the backlog of records.

Comment [D1]: Contract performance cannot be deemed to be Unsatisfactory. They have applied the resources identified. Desk audits have shown resources applied and working as promised.

Comment [D2]: The quantity has been unsatisfactory, but the payment calculations and processes used have been accepted and have a 97% accuracy, to the point that the contractor's processes are being accepted for payment. Further, the fact that the original plans were predicated on having all data from the VA by 31 December, and to date we are still missing some files would provide some basis to say that the Government failed to live up to its responsibility.

Deleted:

Deleted: Congressionally

Deleted: congressionally mandated requirement to pay all of these disabled veterans by April 2008

Deleted:

Deleted: In the past 3.5 months LM has completed, by

Deleted: their

Deleted: your own report 11,122 cases, an average of 3,178 cases per month.

Deleted: e

Deleted: experienced todate

Deleted: Based on actual production, not plan, there remains at the curre... [1]

Deleted: .

Deleted: perports

Deleted: The

Deleted: has lost faith in Lockheed Martin's ability to deliver on it's ... [2]

Deleted:

Deleted: In order to mitigate further risk and to complete this project at ... [3]

Comment [3]:

Deleted: for

Comment [D4]: How many and what experience? Where is TRD as well.

Comment [D5]: What does this mean?

Deleted: DFAS will augment LM employees with government empl... [4]

Deleted: I

Deleted: will

Deleted: to



SMITH, DOUGLAS CIV DFAS

From: SMITH, DOUGLAS CIV DFAS
Sent: Monday, January 28, 2008 12:09 PM
To: STEARNS, MARTHA SES DFAS; BOUTELLE, CHET SES DFAS; BERNHARDT, KARL H CIV DFAS
Cc: BENISEK, GENE CIV DFAS; HOGE, RITA CIV DFAS
Subject: VARetro COL Processors

Attachments: Week Ending 1-26-08 Team Stats.xls; Ranking of Retired Pay Experience - Current Employees 2(a).xls



Week Ending 1-26-08 Team Stats..
Ranking of Retired Pay Experi...

Martha/Chet/Karl,

Enclosed is the first week's CGA production statistics.

The new personnel identified in the attached "ranking" (in green) have been trained in CRDP processing only and are making progress. We will have to pull them in the future to teach CRSC processing, likely a two week training effort. They currently require significant oversight, but are getting better.

As a group, the government reviewed and confirmed for release over 2300 cases last week. Our production should improve as we continue to focus our experienced personnel on production solely.

Based on expectations of increased production by LM, and importantly an expectation of more DFAS payments in excess of \$2500 (100% review required), I do not believe we have sufficient personnel to accommodate the anticipated larger volume.

The attachment "ranking" reflects personnel with retired pay experience. We have identified personnel (in red) we believe would be able to come up to speed quickly, once trained. Experience suggests we would require 3.5-4 weeks to train these folks to review and approve for payment CRSC and CRDP payments. With one exception all are GS-06 or below.

Although we have identified 7, a class of 10 is desired. The challenges of DFAS-CL F standing up additional work in Civ pay and Mil pay are understood. If all of these identified by us are unavailable, we would request a total of 10 personnel who are quick learners and can come up to speed quickly.

The sooner we can obtain a class of ten and begin training, the sooner we can increase our productivity.

Your support is appreciated.

Doug





VA Retro Project Payroll Summary Statement

Payroll Number: 185 (CRDP) Under \$2500

Number of Accounts: 274 accounts

Dollar Value of Payroll: See Attached

Date: 3/5/08

Attachment: Individual Payment listing that includes the following: Attached

- Name
- SSN
- Dollar amount (\$)
- Payroll Type

Approval Statements:

LM Senior Management I certify this payroll has passed the LM Quality Assurance review and meets or exceeds 97% accuracy. _____ LMGS Program Executive
DFAS Assurance Officer I certify the appropriate checklists, Standard Operating Procedures (SOPs), processes and procedures supporting this payroll have been and continue to be reviewed. _____ DFAS VA Retro Assurance Officer
Certifying Officer I certify this payroll based upon the LM Quality and DFAS Assurance Officer's review. _____ DFAS VA Retro Certifying Officer





CGA Review Guidelines

VA Retro

The following should be completed for Input Phase Team Blue:

Input Phase Supervisors: Kenneth Gerlock, Susan Cernanec, Aisha Campbell
Team Blue: Lynn Kovello

- Verify Checklist is present and being used
- Is the proper starting date being used?
- Is Purple Heart of SMC involved?
- Is the proper disability percentage being used?
- Was there any switch from CRSC or CRDP, or vice versa?
- Have all prior payments been accounted for?

Procedure: CGA will send 2 technicians daily to review process and complete above checklist. Each technician will sit with 2 experienced and 2 less experienced technicians.

Team Blue Procedure: CGA will send 1 technician daily to review the Team Blue process and complete above checklist. 1 technician will sit with a different Team Blue reviewer on a daily basis.

Special conditions case type:

- Reservists
- Garnishments
- Former Spouse
- Method A Comp
- Casualty

LMIT Technician _____
Print Name

CGA Reviewer _____
Signature

Date _____

Case Type _____



MEMBER NAME: _____ SSN: _____ DATE SUBMITTED: _____

TECHNICIAN #1 NAME: _____ TECHNICIAN #2 NAME: _____

A. INITIAL RESEARCH (EACH LINE MUST BE INITIALED)

- 1. Verify case is one of original 133K
- 2. Verify the case has not received prior VA Retro payment, neither DFAS nor VA.
- 4. Verify no improved pension.
- 5. Verify all reason codes on the Target.
- 6. Check the Target to determine if the case has an incarceration, felony, apportionment, recoup or PFOP and make the necessary adjustments.
- 7. Verify no current NAVA needed. (Not Applicable to Casualty)
- 8. Verify that the current CRDP IND code is correct (not applicable to Casualty)
- 9. Verify that all returned payments in RCB have been reissued.
- 10. Verify Pay Status Code of PA, PR, NQ, SH, TA or TR
- 11. Verify that all debts have been paid in full.
- 12. Verify all negative nets have been reconciled.
- 13. Check RAPID.

B. SPECIAL PROCESSING (EACH LINE MUST BE INITIALED)

	Yes	No	(Yes if it applies to the case, no if it does not)
1.	<input type="checkbox"/>	<input type="checkbox"/>	CRSC -- Award letter in RAPID. (Section D)
2.	<input type="checkbox"/>	<input type="checkbox"/>	Reservist -- fan code 7 or 8; (Section E)
3.	<input type="checkbox"/>	<input type="checkbox"/>	Method A -- Current or Original Election. (Section F)
4.	<input type="checkbox"/>	<input type="checkbox"/>	Debts (Section G)
5.	<input type="checkbox"/>	<input type="checkbox"/>	Active Garnishment (Section H)
6.	<input type="checkbox"/>	<input type="checkbox"/>	Credits (Section I)
7.	<input type="checkbox"/> *	<input type="checkbox"/>	Former spouse (Section J) * complete Initial Research under Section J before processing member's portion.
8.	<input type="checkbox"/>	<input type="checkbox"/>	Casualty (Section K)

C. ALL CASES (LINES 1-10 MUST BE INITIALED)

- 1. Check all comp lines for Former Spouse payments.
- 2. Determine disability rating and IU code for each month
- 3. Verify that the Target Total and Net are correct for each month.
- 4. Verify Pay Status Code for each month.
- 5. Verify gross pay for each month.
- 6. Verify VA Waiver for each month.
- 7. Verify CRDP/CRSC payments for each month
- 8. Verify the case does not have IU 2 and 100% or a 0 IU code in the database.
- 9. REVIEW THE VA SCREEN AND TARGET TO CONFIRM THAT ALL PRORATIONS HAVE BEEN PROPERLY COMPUTED AND ENTERED INTO DATABASE CORRECTLY.

★	QUALITY FOCUS
---	---------------



D. CRSC

1. ___ Compare Award Letter and VETSNET to find effective date of CRSC and SMC.
2. ___ Verify 2003 eligibility (60% or 10% with PH, reservist must have 7200 points).
3. ___ Check SCCD and SCCD history for valid debts.
4. ___ Check SCCG for active, unsatisfied garnishments.

QUALITY FOCUS

5.  Verify SCCR:
 - a. Are all combat related disabilities flagged "Y"
 - b. Are all Bilaterals and Purple Heart disabilities flagged "Y"
 - c. Are the effective dates and percentages correct.
 - d. If SMC applies, is it the correct code with the correct SMC effective date?
 - e. Ensure that the account has been maintenance within the past seven days.
 - f. If you must maintenance the account, set the Retro Indicator to "Y" before pressing F3, F12.
6. ___ Check Open Season election for CRDP. If the member has no open season election and the percentage is 50% or more, the entire year must be computed for CRDP as well as for CRSC. Compare the two total amounts for the year, then compute the case showing the program that is more beneficial for that year.
7. ___ Check any mid month combat related percentage prorations.
8. ___ Verify all CRDP, SCSD or CRSC payments.
9. ___ Verify A/A has been processed correctly (if applicable).
10. ___ Research all credits before you apply them.
11. ___ Ensure information is input correctly into worksheet.
12. ___ Confirm that VA Retro worksheet has been properly completed.
13. ___ Ensure that disability percentages match the CRSC worksheet.
14. ___ Verify totals match on the VA Retro workbook and the database.

E. RESERVIST

1. ___ Note retirement date. (If retired prior to January 2004 do not include lines 2-5.)
2. ___ Prorate the first month of retirement: Gross Pay, VA Waiver, Target Total and Net.
3. ___ Determine the CRDP award for the retirement month.
4. ___ Determine if adjustment is needed on database for first retirement month. Verify amount due shown on database is caused by CRDP award amount for first month of retirement.
Amount of adjustment needed \$ _____
5. ___ Adjustment completed.

F. METHOD A

1. ___ Complete a Method A worksheet.
2. ___ Determine Base Pay amount.
3. ___ Determine the Service Percent Multiplier.



4. ___ Enter correct 1st year Cola.
5. ___ Confirm Disability Comp and Service Comp matches CURR GP and CRDP SVC GP on ENTIT screen.
6. ___ Input yearly service comp amounts onto VA Retro workbook.

G. DEBTS

1. ___ Verify that all purged debts with balances have been paid/waived and documentation of this is available.
2. ___ Verify that the Gross Pay and VA Waiver have been adjusted as necessary for related debts.

H. GARNISHMENTS

1. ___ Check all pages of the HUNT_GARNISH screen and SCCG (for CRSC) to determine all active Garnishments on the account.
2. ___ Determine which of the active garnishments current monthly payments are not being satisfied.
3. ___ Calculate the new disposable income for each unsatisfied garnishment in chronological order.
4. ___ Calculate the additional amount needed to satisfy each garnishment.
5. ___ Enter the CRDP, CRSC and 3rd Party override fields as necessary on the database.
6. ___ Enter the amount due to the member from DFAS in the override fields on the database.
7. ___ Create an RAVC to each "Payee" listed on the HUNT GARNISH screen for any additional amounts owed in order to satisfy the current garnishments.

I. CREDITS

1. ___ Check the effective dates on all credits to see if they should be used.
2. ___ Verify the reason that each credit is included.
3. ___ If there are overlapping credits, then verify that there is proper documentation in Rapid to prove how the amount of each was calculated and that the credits were issued for the correct amount.
4. ___ Select the "Skip" option for all overlapping credits on the database.
5. ___ Adjust the VA Waiver and the CRDP Paid (if necessary) on the database using the documentation for each overlapping credit from Rapid.

J. FORMER SPOUSE

INITIAL RESEARCH

- | |
|---|
| <ol style="list-style-type: none"> 1. ___ Check for any active or purged garnishments that occurred during the VA Retro time period. 2. ___ Check the number of former spouses. 3. ___ Check for any alimony or child support. Check STATUS, PURGE DATES and HIST screens. 4. ___ Determine if the case is old law or new law. 5. ___ Verify there is no current debt on the HERS CP screen. 6. ___ Check to see if the former spouse is the beneficiary for SBP. If yes, verify that the FMR SPS IND is a "Y" and that the SBP election date is not prior to the divorce date. |
|---|



7. ___ Check for Disability Disposable Pay.
8. ___ Verify the start date **if it occurs after 1/1/2004**.
9. ___ Check for any prior debts and determine if they are to be included.



- | | | |
|---|---|---------------|
| ★ | 10. ___ Look for any credits to the former spouse and determine if they are to be included. | QUALITY FOCUS |
|---|---|---------------|

11. ___ Check all HERS_HIST screens.
12. ___ Check RCB for any returned payments under the former spouse's SSN.
13. ___ Check for NQ to PA Pay Status Code.
14. ___ Manually identify **all** months with over/under withholdings/payments on the VA Retro worksheet that occur after the former spouse's start date. Verify the AUTO worksheet correctly identifies them.
15. ___ Make certain the "FS TOTAL" amounts on the former spouse worksheet match the actual former spouse payments on the HERS_PAY screen.
16. ___ Completely fill out all months of the former spouse portion of the database. (enter 0's for all months prior to FS start date)
17. ___ Verify worksheet matches database totals.

K. CASUALTY

1. ___ Determine loss date.
2. ___ Verify that the CRDP Taxable Amount on the database is correct if the member is Method B and died prior to 10/1/2005.
2. ___ Check to see if the member died prior to entitlement period? (1/1/04 or 6/1/03)
Enter "DCSP" as a database comment. Do not work the case.
3. ___ Zero out everything starting with the loss month on both the database and worksheet, leaving the "Entitl" column blank on the database.





GAO

Accountability • Integrity • Reliability

United States General Accounting Office
Washington, DC 20548

August 28, 2003

Ms. Martha Stearns
Deputy Director
Commercial Pay Services
Defense Finance and Accounting Service
P.O. Box 182317
Columbus, Ohio 43218-2317

Subject: *Payment Processing: Statistical Sampling Plan for Voucher Prepayment Examination*

Dear Ms. Stearns:

This report responds to a request made by your office that we approve the use of a statistical sampling plan for voucher prepayment examination of contract payments. While Title VII,¹ "Fiscal Guidance," of the *GAO Policy and Procedures Manual for Guidance of Federal Agencies* requires prepayment examination of vouchers prior to their certification and payment, it permits the use of statistical sampling for vouchers up to \$2,500. You requested a waiver of the \$2,500 ceiling for statistical sampling and approval of an alternative voucher prepayment examination plan that would, among other things, use statistical sampling for certain vouchers up to a maximum of \$500,000 for contract payments.

In order to respond to your request, we reviewed your letter and the information provided in the attachments. We also contacted your staff to discuss your request in more detail. We analyzed the sections of the law pertaining to this request and reviewed the legislative history of 31 U.S.C. § 3521(b), upon which Title VII is based. Section 3521(b) of Title 31 provides for statistical sampling procedures. We did not test the Defense Finance and Accounting Service (DFAS) contract payment system; therefore, our response only addresses your request conceptually.

¹Title VII of GAO's *Policy and Procedures Manual for Guidance of Federal Agencies*. The manual is the official medium through which the Comptroller General promulgates (1) accounting principles, standards, and related requirements and material for the guidance of federal agencies in the development of their accounting systems and internal auditing programs, (2) uniform procedures for use by federal agencies, and (3) regulations governing GAO's relationships with other federal agencies and with private concerns doing business with the government. 31 U.S.C. § 3521(b) states that heads of agencies may prescribe statistical sampling procedures to audit vouchers when they decide that economies will result. The term audit as used in 31 U.S.C. § 3521 (b) refers to the examination of disbursement vouchers prior to their certification for payment.

At this time, we cannot approve your request for a waiver or your proposed alternative sampling plan. Your submission, requesting exception to the \$2,500 maximum for statistical sampling in voucher prepayment examination, does not justify your projected savings of approximately \$4.2 million per year. Further, it is unclear how the proposed plan will adequately protect the government's interest. In addition, absent GAO approval, DFAS certifying officers risk personal liability for improper payments should they rely upon the voucher prepayment examination process under the proposed alternative sampling plan.

Background

As described in your letter and the information accompanying it and as explained by your staff during subsequent discussions, DFAS is evaluating its existing contract payment procedures with the intent of achieving cost-effective compliance with Title VII. We support such initiatives to create a government that works better and costs less. At the same time, agencies have the responsibility to protect the government's interest.

The fiscal guidance in Title VII contains general accounting processing procedures that are required by law. The requirements are designed to complement agencies' existing federal accounting, internal control, and systems standards. All basic vouchers, voucher schedules, and invoices or bills used as vouchers must be certified for correctness and legality by an authorized certifying officer. A certifying officer is accountable for and required to personally reimburse the government for any illegal, improper, or incorrect payment made by a disbursing officer because of his or her certification.² In addition, a disbursing official is accountable for ensuring that a voucher is in proper form, certified and approved, and computed correctly based on the facts certified.³ In appropriate circumstances, the Comptroller General may relieve a disbursing or certifying official from liability.⁴

Electronic techniques and systems are being used to generate, process, transmit, and store financial information in today's federal financial environment, requiring accountable officials to rely on the systems, controls, and personnel that process the transactions. However, the accountable officials must have reason to believe that the key processes and controls on which they rely are working.⁵ Further, even though all or some portion of the payment process may be automated, the certifying officer's basic accountability and legal liability for the propriety of the payment remains unaltered.

As a viable alternative to the traditional practice of performing 100 percent prepayment examination of vouchers, section 7.4E of Title VII authorizes agencies to establish statistical sampling programs for the examination of vouchers in support of their certification and payment, provided the vouchers do not exceed \$2,500. Within this

²31 U.S.C. § 3528 (a)(4).

³31 U.S.C. § 3325 (a)(2).

⁴31 U.S.C. § 3528 (b).

⁵The most significant factors on which confidence in the system and controls should be based are (1) a well-defined organization structure and flow of work, with appropriate separation of responsibilities and clearly written policies and procedures governing the examination, approval, and certification of disbursement vouchers, (2) effective application of available technology and concepts to achieve efficient and effective voucher processing, and (3) review of the voucher processing procedures and controls in sufficient scope, depth, and frequency to provide reasonable assurance that key processing procedures and controls are working and reliable.

maximum, agencies are required to establish their own dollar limitations based on cost-benefit analyses of their voucher examining operations.⁶ Any disbursing or certifying officer relying in good faith on the statistical sampling procedure adopted by the agency to disburse funds or certify a voucher for payment will not be liable for losses to the government resulting from payment or certification of a voucher not audited specifically because of the use of an authorized sampling procedure, provided that the agency has diligently carried out collection actions prescribed by the Comptroller General.⁷ Exceptions to the \$2,500 maximum for vouchers that may be statistically sampled may be authorized by the Comptroller General, on a case-by-case basis, when it is clear that they are warranted economically and that the procedures and controls will adequately protect the government's interest.

Prepayment Examination Process at DFAS

DFAS's voucher prepayment examination process is designed to ensure, among other requirements, that (1) payment is permitted by law, (2) appropriation amounts are available at the time and are being used for the intended purpose, (3) goods and services have been received and conform to the requirements of the order or agreement, (4) required administrative approvals have been obtained, and (5) quantities, prices, and calculations are accurate.

According to the information submitted with your request, the DFAS Columbus Contract Pay organization entitles⁸ about 78,000 vouchers monthly at an average total monthly voucher value of \$7.2 billion. Contractor invoices are processed and paid through a contract administration and payment system—Mechanization of Contract Administrative Services (MOCAS). Approximately 35,000 of the 78,000 monthly invoices are entitled through an automated payment of invoices (API) process. In the API process, the MOCAS system edit checks provide for the entitlement and automatic payment of these invoices. The remaining 43,000 payment vouchers are manually entitled by approximately 120 voucher examiners and supervisors. Vouchers are manually entitled if, for example, the contract governing the voucher payment has been modified, the contract has special payment instructions, or it fails the edits in the API process.

The DFAS Front End Analysis (FEA) organization was established to detect contract pay voucher errors prior to disbursement. One primary function of the DFAS FEA organization is to perform independent voucher prepayment reviews. FEA staff judgmentally select vouchers at various points in the entitlement process and examine them for various attributes, such as input errors, payment according to contract, and availability of funds. According to your letter, FEA's voucher examination procedures are designed to assess MOCAS system errors or individual voucher examiner error rates by nonstatistical sampling from each day's manual entitlements.

⁶GAO's *Policy and Procedures Manual for Guidance of Federal Agencies*, Title VII, "Fiscal Procedures," ch. 7, sec. 7.4E.

⁷31 U.S.C. § 3521 (c).

⁸The entitlement process, according to DFAS, refers to the preparation of the payment package, including the matching of an invoice, receiving report, and contract. Entitlement precedes prepayment review procedures.

Of the approximately 78,000 vouchers processed each month, 55,000 are greater than \$2,500 and therefore subject to 100 percent prepayment examination in accordance with Title VII. Currently, FEA staff nonstatistically select and examine an average of 1,500 vouchers above \$2,500 per month. In a sample of manually entitled invoices from October 2000 through July 2001, FEA noted a primary error rate⁹ of 13.4 percent, with some of those errors attributable to overpayments totaling approximately \$4.8 million for the 10-month period.

DFAS's Proposed Alternative Sampling Plan for Prepayment Examination

Your alternative voucher prepayment examination plan for contract payments would shift the role of the FEA independent voucher team, made up of 6.5 full-time equivalents, from detecting input errors and detecting individual voucher examiner errors to playing a key role in the prepayment certification process for accountable officers. Specifically, FEA staff would perform a review of (1) 100 percent of all manually entitled payment vouchers equaling or exceeding \$500,000 and (2) a statistical sample of manually entitled vouchers less than \$500,000 combined with all API vouchers regardless of amount, thereby excluding API vouchers from the 100 percent voucher examination threshold. All vouchers selected as part of this sampling plan would be reviewed to ensure that they were legal, proper, and correct for payment using standardized review criteria. Any discrepancies noted would be reported, tracked, monitored, and resolved.

Your analysis noted that this more systematic examination of vouchers would ensure that FEA staff review over 53 percent of total monthly contract payment dollars, as compared to the 6.5 percent of the total dollars that are currently examined through the judgmental sampling of manually entitled vouchers only. In turn, DFAS expects that this heightened review will detect and correct more potential overpayments and result in savings to the government. The analysis prepared by a contractor for DFAS concludes that the 6.5 FEA full-time equivalents can perform 1,000 manually entitled voucher examinations per month if the maximum threshold for statistically sampled vouchers was raised from \$2,500 to \$500,000. Thus, it appears to us that the resources available are driving the proposed threshold and sample size rather than the consideration of other key factors, such as an appropriate risk level and acceptable error rate that would provide reasonable assurance that the government's interest is protected.

Our Assessment of the Proposed Alternative Sampling Plan

Your proposed alternative sampling plan, which includes waiving the \$2,500 maximum for statistical sampling of voucher prepayment examination for contract payments, does not justify the proposed savings or provide assurance that the government's interest will be adequately protected. Further, DFAS certifying officers risk personal liability for improper payments should they rely upon the prepayment examination process under the proposed alternative sampling plan.

⁹A primary error is defined in the business case analysis as "the first error on an invoice that has been reviewed." An invoice may have more than one error.

GAO's *Policy and Procedures Manual* sets out a relatively straightforward formula for agencies to use in deciding whether to adopt sampling in the certification of payment vouchers under 31 U.S.C. § 3521(b). The cost of examining all vouchers should be compared with the total costs of sampling (i.e., the cost of examining the sample plus the amount of projected losses from undetected errors in vouchers not examined).¹⁰ Where the costs of reviewing all vouchers exceed the costs of sampling plus estimated losses, sampling offers savings. Savings are achieved when the combined costs of (1) examining the sample and (2) projected losses due to undetected errors on invoices not examined are less than the cost of examining all invoices. Through analysis, the sampling plan must identify a tolerable error rate,¹¹ the number of invoices to select for examination, and the selection method.

Your request describes approximately \$4.2 million in projected savings per year as a result of the alternative sampling plan. Based on our review of your proposed sampling plan, we question this projection. Specifically, adequate evaluation of sample results involves defensible projections to the entire population using statistically valid samples. The sample results in your plan cannot be projected to the population because it is not clear how the monthly sample sizes were determined or how the samples were picked from the monthly population. The DFAS analysis is centered on 10 monthly selected samples of manually entitled vouchers, but does not document how the sample sizes, ranging from 985 vouchers selected in July 2001 to 1,894 vouchers selected in April 2001, were determined relative to the total monthly population of manually entitled vouchers. In addition, the methodology used to record errors in the sample is unclear in the analysis. The analysis indicates that the error rate of 13.4 percent is a result of 2,019 "primary" errors noted in the 15,021 vouchers reviewed. A primary error is defined in the analysis as "the first error on a reviewed invoice." However, an invoice may have more than one error. Because total errors are not known or identified, the results cannot be viewed as representative and used to project potential losses to the remaining vouchers in the population. Hence the measured savings calculated as a result of FEA's prospective ability to detect and correct potential contract payment errors under the proposed plan are unjustified.

We have additional concerns about whether this plan adequately protects the government's interest, based on the Department of Defense's (DOD) long-standing problems with accurately accounting for and reporting on disbursements. We have previously reported¹² on long-standing problems in MOCAS contract payments. For example, recent DFAS data showed that almost \$1 of every \$4 in contract payment transactions was for adjustments to previously recorded payments—\$49 billion of adjustments out of \$198 billion in transactions. DOD had been developing a new system, the Defense Payment Procurement System (DPPS), which was designed in part to resolve DOD's long-standing disbursements problems and streamline contract payment processes. However, as we previously reported,¹³ DOD terminated DPPS in December

¹⁰GAO's *Policy and Procedures Manual for Guidance of Federal Agencies*, Title VII, app. III.

¹¹Tolerable error rate is the point at or below which savings occur.

¹²U.S. General Accounting Office, *Canceled DOD Appropriations: \$615 Million of Illegal or Otherwise Improper Adjustments*, GAO-01-697 (Washington, D.C.: July 26, 2001).

¹³U.S. General Accounting Office, *DOD Business Systems Modernization: Continued Investment in Key Accounting Systems Needs to Be Justified*, GAO-03-465 (Washington, D.C.: Mar. 28, 2003).

2002 after 7 years of development due to poor program performance and increasing life cycle costs. Consequently, DFAS will be relying on MOCAS, which was implemented in 1968, and other legacy systems to meet its requirements for the foreseeable future.¹⁴ In addition, DOD contracts processed by DFAS contain numerous fund citations and complex payment allocation terms. These factors, along with contract modifications, changes in payment allocation terms, and nonstandardized contracts and payment terms contribute to the fact that a large percentage of payment vouchers will need to be manually entitled for the foreseeable future. Based on our prior findings, this area has been very susceptible to errors.

One of the requirements imposed on the certifying officer is to ensure (or have in place a system that can offer a reasonable degree of assurance of) the “legality of a proposed payment under the appropriation or fund involved.”¹⁵ A certifying officer’s legal liability is strict and arises automatically at the time of an illegal or improper payment.¹⁶ The Comptroller General has authority to relieve a certifying officer from liability when we find that the certification was based on official records and the official did not know, and by reasonable diligence and inquiry could not have discovered, the correct information.¹⁷

The Federal Managers’ Financial Integrity Act of 1982 (FMFIA) requires agency heads to periodically evaluate their systems of internal control using the guidance issued by the Office of Management and Budget (OMB).¹⁸ Title VII also provides that FMFIA reviews should be designed, carried out, and reported in ways that show whether the voucher processing and disbursing system and controls are reliable. To the extent practicable, the needs of certifying and approving officials should be considered in advance of an FMFIA review, and the review results should be made available or communicated to them in reports tailored to their special interests. The FMFIA review is a good starting place for assessing risk in the contract pay certification and disbursing process, which, used in conjunction with an objective and scientifically developed approach encompassing the criteria¹⁹ referred to above, can provide the guidance for alternative plans that we could evaluate in the future.

Conclusion

Title VII allows for a deviation from the \$2,500 limitation for using statistical sampling to certify vouchers to the extent that there are resultant savings while adequately protecting the government’s interest. Title VII does not distinguish between certification of automated or manual entitlements, but provides for statistical sampling of vouchers less than \$2,500 as a technique in large-volume, highly automated voucher processing operations. Any alternatives to 100 percent prepayment examination must be part of a total system that includes well-defined responsibilities, organizational structures, and an adequate set of internal controls. Until a sound statistical sampling plan with justifiable

¹⁴U.S. General Accounting Office, *DOD Financial Management: Integrated Approach, Accountability, Transparency, and Incentives Are Keys to Effective Reform*, GAO-02-573T (Washington, D.C.: Mar. 20, 2002).

¹⁵31 U.S.C. § 3528(a)(3).

¹⁶54 Comp. Gen. 112, 114 (1974).

¹⁷31 U.S.C. § 3528 (b)(1).

¹⁸31 U.S.C. § 3512 (d).

¹⁹The criteria include (1) defining the universe of vouchers, (2) determining the size of the sample needed, and (2) analyzing the results of the sample using the appropriate statistical procedure.

savings is presented, we cannot grant a waiver of the \$2,500 maximum for statistical sampling of contract payments or approve the alternative voucher examination plan submitted. The proposed alternative sampling plan does not justify savings or adequately protect the government's interest. In addition, good faith reliance on this particular plan would not relieve a disbursing or certifying official of liability for an improper payment or certification of a voucher not audited.

- - - - -

The contents of this report were discussed with Bill Felice of your staff. We hope our comments are helpful. If you have any questions, or would like to discuss these matters further, please contact me at (202) 512-6906 or Mary Arnold Mohiyuddin, Assistant Director, at (202) 512-3087. This report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

Sincerely yours,

A handwritten signature in cursive script that reads "McCoy Williams".

McCoy Williams
Director
Financial Management and Assurance

(190060)

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WILES, AMY CIV DFAS

From: BERNHARDT, KARL H CIV DFAS
Sent: Monday, June 30, 2008 1:18 PM
To: WILES, AMY CIV DFAS; ONDER, GARRICK CIV DFAS
Cc: BOUTELLE, CHET SES DFAS; KOENIG, JOHN CIV DFAS
Subject: FW: Cong. Kucinich Data Letter Request

Amy,
This should close out Froank Lucas submission.

Karl

-----Original Message-----

From: LUCAS, FRANK CIV DFAS
Sent: Monday, June 30, 2008 1:00 PM
To: BERNHARDT, KARL H CIV DFAS
Cc: MCDERMOTT, DAVID SES DFAS; JAKYMA, DOUGLAS CIV DFAS; WILES, AMY CIV DFAS; SMITH, DOUGLAS CIV DFAS; BENISEK, GENE CIV DFAS; BOUTELLE, CHET SES DFAS; SMITH, MARTHA J SES DFAS
Subject: RE: Cong. Kucinich Data Letter Request

Karl,

I've inserted answers to your questions below. Realize that I may have provided more than what you need or may deem appropriate to use.

Frank

-----Original Message-----

From: BERNHARDT, KARL H CIV DFAS
Sent: Monday, June 30, 2008 10:49 AM
To: LUCAS, FRANK CIV DFAS
Cc: MCDERMOTT, DAVID SES DFAS; JAKYMA, DOUGLAS CIV DFAS; WILES, AMY CIV DFAS; SMITH, DOUGLAS CIV DFAS; BENISEK, GENE CIV DFAS; BOUTELLE, CHET SES DFAS; SMITH, MARTHA J SES DFAS
Subject: RE: Cong. Kucinich Data Letter Request
Importance: High

Frank,

=====

In summary, is it correct, accurate, and complete, to conclude that your office developed the sampling plans in support of the VA-Retro project that were subsequently approved by Mr. Gaddy (or delegated authority),

Yes, the pre-pay sampling plan for VA-Retro payments.

that your office performs improper payment review of DFAS payrolls,

Yes, for military and civilian pay only.

but that you have not to this date audited any VA-Retro payrolls specifically?

True.

And since you audit payrolls for improper payments, why have you not audited any VA-Retro payments to date?

Several reasons.

1. Outside our area of expertise. We presently do not have adequately trained staff member that possess an in-depth knowledge of CRSC, CRDP and the VA Retro process to

