

the Army and Navy had procedures for verifying, on a test basis, the accuracy of information reported to the Internal Review Service and that, therefore, special reviews of prior years were considered unnecessary. We were advised, however, that special reviews would be made of information reported for 1963 to ensure the accuracy of the information as well as the effectiveness of the review procedures.

More recently, we reviewed tax information reporting by the Navy; and on February 18, 1966, we reported to the Secretary of Defense that we had found that incorrect tax data were being reported and that the Navy review generally would not identify these discrepancies. In April 1966 the Navy concurred in general in our findings and informed us of remedial measures being taken.

We recommended that, to provide an auditable record until the improved military pay system becomes effective, the Army Forms W-2 be prepared in sufficient number to provide a copy for retention and use in the individuals' Military Pay Records.

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REVIEW OF CERTAIN ACTIVE DUTY RETIREMENT BENEFITS FOR ARMY
AND AIR FORCE RESERVE OFFICERS, DEPARTMENT OF DEFENSE

Many retired Army and Air Force Reserve officers are receiving active duty retirement pay based on a grade higher than the highest grade attained on active duty. This benefit is not available to either Reserve officers of the Navy and Marine Corps or Regular officers of all four military services, and it is doubtful that the Congress intended this special benefit.

The significance of this matter is demonstrated by the substantially higher retirement pay accruing to the Reserve officers who retired from active duty in fiscal years 1964 and 1965 in a grade higher than that in which they had served. These officers will, over the years remaining in their life expectancy, receive about \$100 million more in retired pay than they would if retirement had been limited to their highest active duty grade. Further, it appears that, unless the present retirement legislation is changed, there will be many among the 136,000 Army and Air Force Reserve officers on active duty at June 30, 1965, and among those later entering on active duty, who will retire with similarly increased benefits.

The described situation has developed as a result of the language of the Army and Air Force Vitalization and Retirement Equalization Act of 1948 (62 Stat. 1081) and the policy of the Army and Air Force which permitted many Reserve officers on active duty to be promoted to a permanent Reserve grade higher than the temporary grade held by them on active duty.

The act does not specifically require active duty service in the retired grade, whereas the legislative history, although inconclusive, indicates that the Congress expected Army and Air Force Reserve officers to have served satisfactorily in the grade on which active duty retired pay is to be based. Also, the policy of promoting Reserve officers on active duty to a higher rank on the Reserve officers' register, a policy initiated by the Secretary of War in 1946, was not intended as a basis for determining retirement pay. Instead, its