



Highlights of [GAO-07-92](#), a report to congressional requesters

Why GAO Did This Study

Fiscal year 2005 marked the second year that executive agencies were required to report improper payment information under the Improper Payments Information Act of 2002 (IPIA). As a steward of taxpayer dollars, the federal government is accountable for how its agencies and grantees spend billions of taxpayer dollars and is responsible for safeguarding those funds against improper payments.

GAO was asked to determine the progress agencies have made in their improper payment reporting and the total amount of improper payments recouped through recovery auditing. To accomplish this, GAO reviewed improper payment information reported by 35 agencies in their fiscal year 2005 performance and accountability or annual reports.

What GAO Recommends

GAO suggests that the Congress consider amending IPIA provisions to define specific criteria agencies should use to ensure that the full extent of improper payments is being captured. GAO also makes four recommendations to the Office of Management and Budget (OMB) to facilitate agencies' progress in ensuring accurate and complete improper payments and recovery auditing reporting. OMB generally agreed with GAO's recommendations and outlined actions planned and under way for continued progress.

www.gao.gov/cgi-bin/getrpt?GAO-07-92.

To view the full product, including the scope and methodology, click on the link above. For more information, contact McCoy Williams at (202) 512-9095 or williamsm1@gao.gov.

IMPROPER PAYMENTS

Agencies' Fiscal Year 2005 Reporting under the Improper Payments Information Act Remains Incomplete

What GAO Found

While making progress, agencies' fiscal year 2005 reporting under IPIA does not yet reflect the full scope of improper payments across executive branch agencies. Major challenges remain in meeting the goals of the act and ultimately improving the integrity of payments. GAO found that these challenges continue to hinder full reporting of improper payment information because of the following three factors:

- **Existing reporting incomplete.** Although 18 agencies collectively identified and estimated improper payments for 57 programs and activities totaling \$38 billion, some agencies still had not instituted systematic methods of reviewing all programs, resulting in their identification of none or only a few programs as susceptible to significant improper payments. In many cases, these same agencies had well-known and documented financial management weaknesses as well as fraudulent, improper, and questionable payments. Further, improper payment estimates totaling about \$389 million for 9 programs were not based on a valid statistical sampling methodology as required. Higher estimates would have been expected had the correct methods been used, given that total outlays for these 9 programs exceeded \$58.2 billion.
- **Large programs still not included.** Improper payment estimates for 10 risk-susceptible programs with outlays totaling over \$234 billion still have not been provided. Most of these programs were subject to OMB reporting requirements that preceded IPIA.
- **Threshold criteria limit reporting.** The act includes broad criteria to identify risk-susceptible programs. OMB's implementing guidance includes more specific criteria that limit the disclosure and transparency of agencies' improper payments.

With regard to agencies' recovery audit efforts, GAO found that the data reported may present an overly optimistic view of these efforts. While 21 agencies were required to report on their recovery audit efforts, GAO identified discrepancies in several agencies' information and found limited reviews over contract payments. For example, for fiscal year 2005, the National Aeronautics and Space Administration (NASA) reported that it had identified and recovered \$617,442 in contract payments, a 100 percent recovery rate. Yet, the NASA Office of Inspector General reported it had identified over \$515 million in questioned contract costs during fiscal year 2005, of which NASA management decided to pursue recovery of \$51 million. Had this amount been compared to the \$617,442 NASA actually recovered, its recovery rate would drop from the reported 100 percent to 1.2 percent. In addition, we noted that 5 of the 21 agencies did not review all of their agency components as part of their recovery audit efforts while 2 agencies reported that recovery auditing was not cost beneficial without reporting any details to support this determination.