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Highlights

Highlights of GAO-06-581T, a testimony before the Subcommittee on Government Management, Finance, and Accountability, Committee on Government Reform, House of Representatives

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FINANCIAL MANAGEMENT

Challenges Continue in Meeting Requirements of the Improper Payments Information Act

Why GAO Did This Study

Improper payments are a long-standing, widespread, and significant problem in the federal government. The Congress enacted the Improper Payments Information Act of 2002 (IPIA) to address this issue. Fiscal year 2005 marked the second year that agencies were required to report improper payment information under IPIA. One result of IPIA has been increased visibility over improper payments by requiring executive branch agencies to identify programs and activities susceptible to significant improper payments, estimate the amount of their improper payments, and report on the amounts of improper payments and their actions to reduce them in their annual performance and accountability reports (PAR).

Because of continued interest in addressing the governmentwide improper payments issue, GAO was asked to report on the progress made by agencies in complying with requirements of IPIA and the status of efforts to identify, reduce, and eliminate improper payments. As part of the review, GAO looked at (1) the extent to which agencies have performed risk assessments, (2) the annual amount of improper payments estimated, and (3) the amount of improper payments recouped through recovery audits.

www.gao.gov/cgi-bin/getrpt?GAO-06-581T.

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.

What GAO Found

The federal government continues to make progress in identifying programs susceptible to the risk of improper payments in addressing the new IPIA requirements. At the same time, significant challenges remain to effectively achieve the goals of IPIA. The 33 fiscal year 2005 PARs GAO reviewed show that some agencies still have not instituted systematic methods of reviewing all programs and activities, have not identified all programs susceptible to significant improper payments, or have not annually estimated improper payments for their susceptible programs as required by the act.

The full magnitude of the problem remains unknown because some agencies have not yet prepared estimates of improper payments for all of their programs. Of the 33 agencies reviewed, 18 reported over $38 billion of improper payments in 57 programs. This represented almost a $7 billion, or 16 percent, decrease in the amount of improper payments reported by 17 agencies in fiscal year 2004. However, as shown in the table below, the total improper payments estimate does not include 7 major agency programs with outlays totaling about $228 billion.

Major Programs That Have Not Reported Improper Payments Estimates

Dollars in billions

Agency	Program	Fiscal year 2005 outlays	Target fiscal year for estimating
Department of Agriculture	School Programs	$8.2	2007
Department of Health and Human Services	State Children's Insurance Program	5.1	2008
Department of Agriculture	Women, Infants, and Children	4.8	2008
Department of Health and Human Services	Medicaid	181.7	2008
Department of Health and Human Services	Child Care and Development Fund	4.9	Did not report
Department of Health and Human Services	Temporary Assistance for Needy Families	17.4	Did not report
Department of Housing and Urban Development	Community Development Block Grant	5.4	Did not report
Total		**$227.5**	

Sources: Office of Management and Budget and cited agencies' fiscal year 2005 PARs.

Further, agency auditors have identified major management challenges related to agencies' improper payment estimating methodologies and significant internal control weaknesses for programs susceptible to significant improper payments. In addition, two agency auditors cited noncompliance with IPIA in their annual audit reports.

For fiscal year 2005 PARs, agencies that entered into contracts with a total value exceeding $500 million annually were required to report additional information on their recovery audit efforts. Nineteen agencies reported reviewing over $300 billion in vendor payments, identifying approximately $557 million to be recovered, and actually recovering about $467 million.