



Highlights of [GAO-08-77](#), a report to the Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

Agencies are required to report improper payment information under the Improper Payments Information Act of 2002 (IPIA) and recovery auditing information under section 831 of the National Defense Authorization Act for Fiscal Year 2002, commonly known as the Recovery Auditing Act. Since the first year of implementation, fiscal year 2004, limited improper payments reporting by the United States Agency for International Development (USAID) and the National Aeronautics and Space Administration (NASA) and concerns raised by NASA's auditors about its risk assessment process prompted scrutiny from this subcommittee during several oversight hearings. Because the subcommittee noted that USAID's and NASA's performance and accountability report (PAR) reporting on improper payments and recovery auditing was minimal, GAO was asked to review both agencies' IPIA risk assessment methodologies, recovery auditing procedures, and actions under way to improve their IPIA and recovery audit reporting.

What GAO Recommends

GAO is making a total of 10 recommendations to help improve USAID's and NASA's efforts to implement IPIA and the Recovery Auditing Act. USAID did not specifically respond to the recommendations, but provided a technical comment, which GAO addressed. NASA concurred with the recommendations.

To view the full product, including the scope and methodology, click on [GAO-08-77](#). For more information, contact McCoy Williams at (202) 512-9095 or williamsm1@gao.gov.

IMPROPER PAYMENTS

Weaknesses in USAID's and NASA's Implementation of the Improper Payments Information Act and Recovery Auditing

What GAO Found

For the first 3 years of IPIA implementation, fiscal years 2004 through 2006, USAID and NASA performed various procedures to conduct their risk assessments. Many of these procedures are positive steps to address the requirements of IPIA. At the same time, GAO identified numerous deficiencies in the procedures that warrant further improvement. For example, neither USAID nor NASA had developed a systematic process to (1) identify risks that exist in their payment activities or (2) evaluate the results of their payment stream reviews, such as weighting and scoring the effectiveness of existing internal control over payments made and results from external audits. Furthermore, risk assessment documentation maintained by USAID and NASA was lacking or insufficient to support their conclusions that no programs or activities were susceptible to significant improper payments. A lack of detailed written guidance for both agencies may have contributed to the deficiencies identified. Due to inadequacies in their risk assessment process, USAID and NASA cannot be certain that they had no programs or activities susceptible to significant improper payments, and ultimately, had effectively implemented IPIA.

Although USAID and NASA have reported on steps taken to recoup improper contract payments, GAO found several weaknesses in their recovery auditing procedures for fiscal years 2004 through 2006. In particular, USAID and NASA did not report recovery auditing information for each fiscal year, documentation was lacking or not adequately supported, and neither agency adhered to all of the reporting requirements outlined in OMB's implementing guidance. Other weaknesses noted were agency-specific. For example, USAID recovery auditing procedures were comprised of reviews of certain OIG and external audit reports over USAID grant and contract programs. However, the methodology used for conducting those audits may not have constituted a recovery auditing program as defined by OMB guidance, and thus may be insufficient for this purpose. NASA, on the other hand, used IPIA contract payment review results to report amounts recovered for fiscal year 2005. However, the payment reviews were limited in scope and did not provide an adequate representation of the extent of contract overpayments. Due to a lack of, or insufficient, documentation, along with identified weaknesses, the validity and accuracy of the reported recovery amounts are questionable.

While USAID and NASA have experienced significant challenges in their first 3 years of IPIA implementation, both agencies have taken steps to strengthen their risk assessment process and, ultimately, IPIA reporting. For example, USAID has developed an agencywide payment database that will be used to research and data mine for potential improper payments. NASA hired two different contractors to develop a methodology for conducting a risk assessment and testing of payment transactions. Actions are also under way to improve recovery auditing efforts. However, improvements are still needed to address some of the weaknesses identified related to conducting risk assessments and performing recovery auditing procedures.