Office of Management and Budget

Improving the Accuracy and Integrity of Federal Payments

January 31, 2008

Table of Contents

I. EXECUTIVE SUMMARY

In this fourth year of reporting under the Improper Payment Information Act (IPIA) of 2002, the Federal government has once again made measurable improvements in identifying and reducing improper payments.

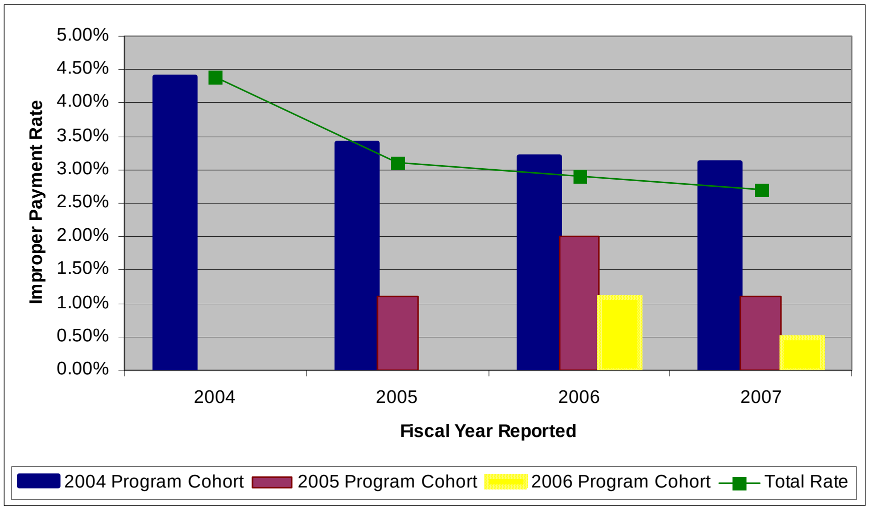
- *Federal agencies have identified $1.9 trillion in program outlays to be measured for improper payments and subjected an additional $330 billion in contract payments to recovery audits. As a result, 80 percent of all Federal outlays are being actively measured and/or reviewed for improper payments. This amount represents nearly all sources of risk for significant payment errors.*

- *Federal agencies continue to achieve significant error reductions. The programs first reporting in FY 2004 had a 4.4 percent error rate (or $45.1 billion in improper payments). In FY 2007, the error rate for those programs declined to 3.1 percent (or a $7.9 billion reduction in improper payments). Similarly, programs that first reported in FY 2005 and FY 2006 have cut improper payments in half, a $2.3 billion reduction.*

- *The President has proposed discretionary funding ("above the cap") for activities with a proven track record of reducing error and generating program savings. Despite anticipated savings of nearly $4 billion over 10 years; Congress has enacted only part of these proposals, and did so only in 2006.*

In FY 2007, the overall Federal improper payment rate was 3.5 percent and total improper payments equaled $55 billion. The increase in overall improper payments was driven largely by 14 additional programs measuring and reporting errors for the first time, including the Fee-for-Service component of Medicaid.[1] The results from the past three years of reporting have shown, however, that once agencies have measured and reported program errors, they are able to implement corrective actions to reduce those errors in subsequent years. Exhibit EX-1, Improper Payment Rate Reductions by Year First Measured, illustrates the progress in reducing errors.[2]

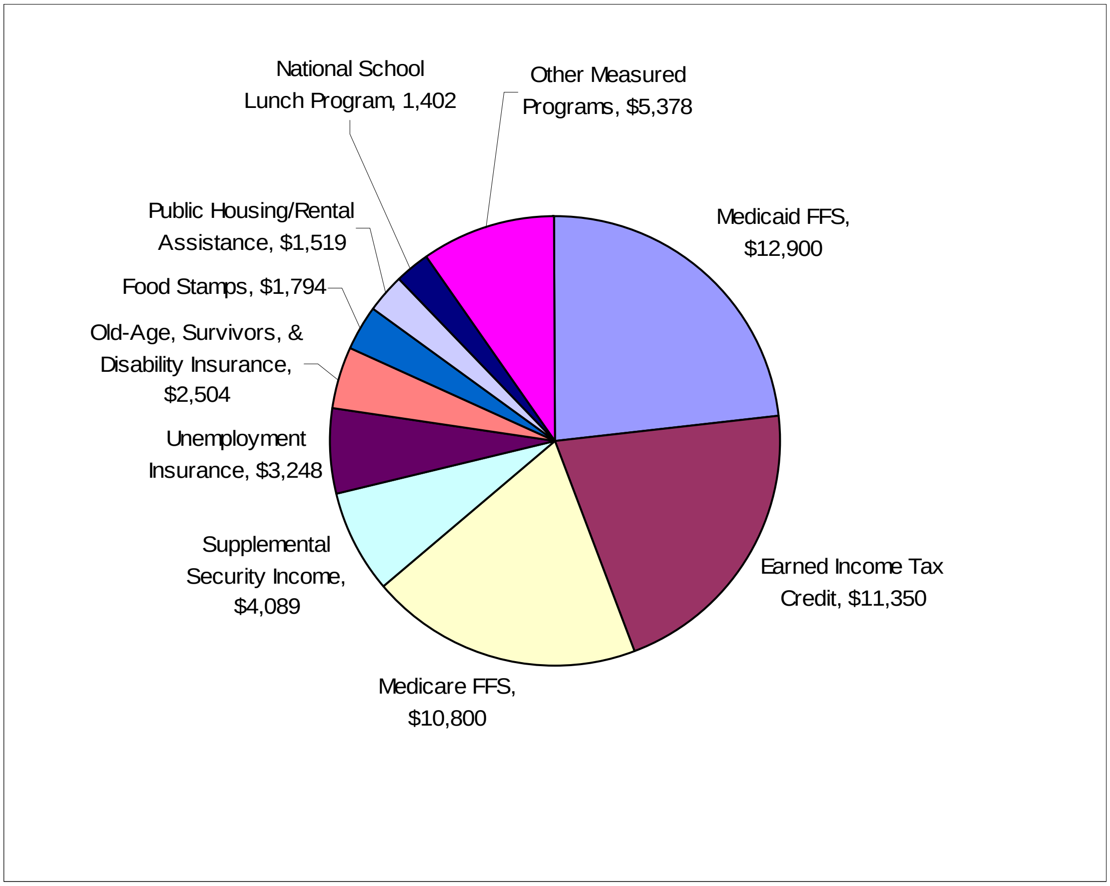
Exhibit EX-1 – Improper Payment Rate Reductions by Year First Measured



[1] The Medicaid Fee-for-Service error measurement was for the six-month period ending March 31, 2006.
[2] The error rate for FY 2004, previously reported as 3.9 percent, has been updated to reflect more current information.

The majority of errors reduced since FY 2004 was due to agencies ensuring the availability of supporting documentation necessary to verify benefit accuracy. This type of improvement provides greater confidence in the accuracy of Federal payments. A significant portion of the remaining payment errors were caused by challenges when verifying recipient eligibility information in means-tested programs.[3] Unlike most documentation errors which typically do not represent incorrect payment outlays, eligibility errors result in beneficiaries receiving an incorrect amount of funds. In FY 2007, nine programs, most of which are means-tested, accounted for more than 90 percent of reported improper payments. The Fee-for-Service component of Medicaid and the National School Lunch Program, both newly measured in FY 2007, are included in these nine. Exhibit EX-2, FY 2007 Improper Payments by Major Program, breaks out improper payments in each of these nine programs.

Exhibit EX-2 – FY 2007 Improper Payments by Major Program ($ in millions)



The following items highlight error reduction progress reported during FY 2007:

- The Medicare Fee-for-Service program reduced its error rate from 4.4 percent to 3.9 percent. This was the third consecutive year of error rate reductions. In Fiscal Year 2004, this program reported a 10.1 percent error rate.
- The error rate for the Marketing Assistance Loan Program fell from 20.2 percent to 7.3 percent, a reduction of more than $1 billion in improper payments. Four additional Farm Service Agency programs reduced errors, thereby reducing overall errors by nearly $724 million or 90 percent.

[3] Means-test programs provide cash and non-cash benefits to families or individuals whose income falls below defined levels and who meet certain other eligibility criteria established for each program.

- The Old Age, Survivors and Disability Insurance program reduced its error rate from 0.6 percent to 0.5 percent, an almost $800 million reduction in improper payments.
- The Unemployment Insurance program reduced its error rate from 10.9 percent to 10.3 percent, a $128 million reduction in improper payments.
- The Head Start program reduced its error rate from 3.1 to 1.3 percent, a $122 million reduction in improper payments.
- The Foster Care program reduced its error rate from 7.7 percent to 3.3 percent, an $82 million reduction in improper payments.

In addition, Departments and agencies completed their fourth year of reporting under the Recovery Auditing Act. In FY 2007, agencies identified approximately $115 million in improper contract payments and recovered over $85 million. Since FY 2004, agencies have recovered more than $850 million in improper contract payments.

Continued reductions in improper payments are anticipated in most major programs in FY 2008, with the government-wide rate expected to decline to 3.4 percent. There are several factors that will help ensure successful outcomes going forward. Federal agencies must:

- Focus on high-risk programs and prioritize corrective actions on those errors that have the greatest return on investment in terms or error reduction and program savings.

- Work with the Congress to enact the President's budget, including proposed legislative reforms to eliminate errors. This report identifies longstanding legislative proposals that would generate $18 billion in error reduction and savings over 10 years, but are yet to be enacted.

- Address ongoing challenges in eligibility verification by expanding access to third party data sources, and evaluating opportunities to standardize definitions for eligibility criteria among different programs serving similar populations.

The improper payment results achieved over the last fours years demonstrate the importance of transparency and accountability in improving management results. Beginning in 2004, the President and Congress charged Federal agencies with reporting error measurements on all high-risk activities and initiating corrective actions. In each year since, Federal agencies have expanded the programs and activities reporting error measurements and have reduced a significant amount of improper payments. The Office of Management and Budget, working closely with the Chief Financial Officers Council and the President's Council on Integrity and Efficiency, is committed to continuing these trends in future years. The elimination of improper payments is fundamental to the effective stewardship of taxpayer dollars and therefore must remain a top management priority in FY 2008 and beyond.

II. INTRODUCTION

The Federal government continues to achieve measurable results in meeting the President's goal to eliminate improper payments and fulfill the requirements of the Improper Payments Information Act (IPIA) of 2002 (Pub.L. No. 107-300). Improper payments occur when Federal funds go to the wrong recipient, the recipient receives the incorrect amount of funds, documentation is not available to support a payment, or the recipient uses the funds in an improper manner. The Administration has also made the elimination of improper payments a major focus of the President's Management Agenda (PMA) by creating the Eliminating Improper Payments program initiative.

By dedicating a separate PMA initiative to improper payments that closely mirrors the IPIA, the Administration is ensuring that agency managers are held accountable for meeting the goals of the IPIA and are dedicating the necessary attention and resources to meeting its requirements. The results from the past four years of reporting have demonstrated that once an agency has measured and reported program errors, it is able to implement corrective actions to reduce errors in subsequent years. Specifically, the IPIA and PMA focus Federal agencies on the following three activities:

1. Identifying programs and activities which may be susceptible to significant improper payments;
2. Estimating the annual amount of improper payments in risk susceptible programs and activities; and
3. Identifying the root causes of improper payments and performing corrective actions to reduce errors.

Beginning in 2000, Federal agencies reported efforts to reduce improper payments through the Office of Management and Budget's (OMB) Circular A-11, Section 57. This reporting requirement focused on 40 to 45 of the largest Federal programs, accounting for approximately half of all Federal outlays. With the passage and signing of the IPIA in 2002, as implemented through OMB guidance, the President and Congress have created a permanent framework for assessing every Federal program and dollar for risk of improper payments, annually measuring the accuracy of payments, and initiating program improvements to ensure that payment errors and improprieties are reduced and ultimately eliminated.

Under longstanding financial management requirements, Federal agencies apply controls and safeguards to ensure the accuracy and integrity of all payments. The IPIA and OMB's implementing guidance, *Requirements for Effective Measurement and Remediation of Improper Payments* (OMB Circular A-123, Appendix C), require an additional level of scrutiny for those payments that are of significant risk of improper payments. Specifically, the IPIA and Appendix C require that agencies:

- Perform Risk Assessments. Agencies are required to review all programs and activities and identify those that are risk susceptible to significant improper payments. A program or activity with significant improper payments is one where improper payments exceed both $10 million and 2.5 percent of program payments on an annual basis. Notably, all programs listed in Section 57 of OMB Circular A-11 are automatically deemed to be risk susceptible to significant improper payments.

- Obtain Statistical Estimates. Agencies are required to develop a statistically valid estimate of improper payments for all programs and activities identified as susceptible to significant improper payments in the risk assessment. The goal is for statistical estimates based on a sample size sufficient to yield an estimate with a 90 percent confidence interval, plus or minus 2.5 percent.

- Prepare Corrective Action Plans. For all programs where the statistical estimate exceeds $10 million in annual improper payments, agencies are required to develop a remediation plan for eliminating improper payments. The remediation plan must contain annual targets for reducing improper payment levels.

- Report Estimates and Progress. Agencies are required to report the results of IPIA activities on an annual basis in their Performance and Accountability Report (PAR) or Agency Financial Report (AFR).

The remainder of this report describes the progress agencies made during fiscal year (FY) 2007. Focus is placed where efforts stand with respect to identifying high-risk programs, developing statistically valid improper payment estimates, and eliminating improper payments. The report concludes with a discussion of the outlook for improper payments beyond FY 2007, including a series of reforms proposed in the FY 2009 President's Budget that are needed to ensure greater program integrity and payment accuracy.

Note: Agency-specific reporting of improper payments for FY 2007 is provided in agency PARs or AFRs that are available on agency websites. This Report aggregates the results of the agency-specific reports, highlighting accomplishments and remaining challenges.

III. FY 2007 RESULTS

- *Federal agencies have identified $1.9 trillion in program outlays to be measured for improper payments and subjected an additional $330 billion in contract payments to recovery audits. As a result, 80 percent of all Federal outlays are being actively measured and/or reviewed for improper payments. These program outlays undergo an additional level of scrutiny in addition to existing payment safeguards.*

- *The amount of Federal program outlays measured for improper payments has increased from $1.1 trillion to $1.6 trillion covering 85 percent of all risk susceptible dollars. In FY 2007, 14 new programs with outlays over $128 billion were measured for error and in FY 2008, virtually all high-risk programs will be measured for improper payments.*

- *Federal agencies continue to achieve significant error reductions. The programs first reporting in FY 2004 had a 4.4 percent error rate (or $45.1 billion in improper payments). In FY 2007, the error rate for those programs declined to 3.1 percent (or a $7.9 billion reduction in improper payments). Similarly, programs that first reported in FY 2005 and FY 2006 have cut improper payments in half, a $2.3 billion reduction.*

As required by the IPIA, the Recovery Auditing Act (Section 831 of the Defense Authorization Act for Fiscal Year 2002 (Pub.L. No. 107-107)), and OMB guidance, agencies are building on activities completed since FY 2004 by identifying all high-risk programs and activities, reporting error measurements for them, implementing corrective actions to reduce errors, and recovering incorrect contract payments.

Progress in Identifying Risk Susceptible Programs

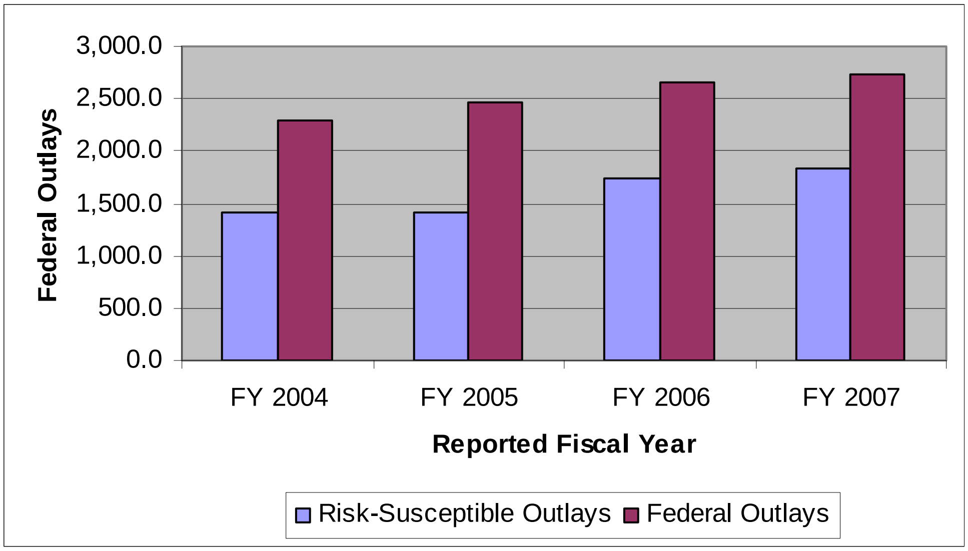
- *Under the current legislative and regulatory framework, Federal agencies have demonstrated their commitment to identifying all possible sources of program errors and have expanded the universe of high risk programs that are measured and/or audited each year.*

- *Since FY 2004, the amount of Federal program outlays identified as being susceptible to significant improper payments increased from 60 percent to almost 70 percent. In FY 2007, agencies classified seventeen additional programs as being at risk for significant improper payments.*

Having high-quality risk assessments is critical to meeting the objectives of identifying improper payments and is essential for performing corrective actions to eliminate payment errors (Appendix 1). Since agencies first began reporting, the Congress and the Government Accountability Office (GAO) have expressed concerns as to whether Federal agencies were identifying all significant sources of program error. However, as illustrated in Exhibit 1, Total Federal and Risk Susceptible Outlays Beginning in FY 2004, Federal agencies have continued to evaluate and identify programs with significant errors. Specifically, in FY 2004 Federal agencies assessed $1.4 trillion of Federal outlays as high-risk and in FY 2007 outlays assessed as high-risk increased to $1.9 trillion.[4]

[4] The remaining $878 billion in Federal outlays is comprised of $238 billion in net interest on the public debt, $438 billion in contracts awarded, $155 billion in non-DOD civilian compensation, and approximately $47 billion in miscellaneous low risk and/or small outlay programs.

Exhibit 1 – Total Federal and Risk Susceptible Outlays Beginning in FY 2004 ($ in billions)



OMB continues to work with agencies to ensure that they measure for error if significant improper payments exist, regardless of the rate.[5] In FY 2007, 22 programs reported improper payments over $10 million yet had error rates below 2.5 percent and eight of those same programs reported errors greater than 100 million (Appendix 2). When the $330 billion in contract payments reviewed by agencies are combined with the $1.9 trillion high risk outlays, 80 percent of all Federal outlays are being actively measured and/or reviewed for improper payments.

Included in the FY 2007 risk susceptible total are 17 additional programs with outlays totaling almost $50 billion as being risk-susceptible. The Department of Homeland Security (DHS) alone identified 12 of these programs, with outlays of approximately $27 billion, as being risk susceptible. These DHS grant programs were identified by the agency in response to a FY 2007 recommendation by the GAO that DHS risk assess its grant programs for significant error.[6] These results show agency commitment to identifying and reporting all potential sources of error as well as the importance of continually evaluating the strength of risk assessment practices.

Progress in Estimating the Annual Amount of Improper Payments in Risk Susceptible Programs

By FY 2008, agencies will be reporting an error measurement for over 90 percent of high risk Federal outlays.

In FY 2007, Federal agencies measured improper payments for programs that account for approximately 85 percent of risk susceptible dollars (Appendix 2). Of the $1.9 trillion in risk susceptible outlays, agencies are reporting error rates on $1.6 trillion of those program outlays.

The overall FY 2007 Federal improper payment rate increased from 2.9 percent to 3.5 percent and total improper payments increased from $40.5 billion to $55 billion. Almost $16 billion of the total improper payments were driven by 14 additional programs measuring and reporting errors for the first time. The error rate for these newly reporting programs was 12.4 percent. Of the $16 billion, almost $13 billion were reported by the Fee-for-Service component of Medicaid.[7] Further, 80 percent of the Medicaid

[5] Part 1, Section E of Appendix C to Circular A-123 clarifies OMB's authority to require agencies to track programs under the IPIA with low error rates (i.e., less than 2.5 percent), but significant improper payment amounts.
[6] GAO-07-913, Department Of Homeland Security: Challenges In Implementing The Improper Payments Information Act and Recovering Improper Payments.
[7] The Medicaid Fee-for-Service error measurement was for the six-month period ending March 31, 2006.

Fee-for-Service error was attributable to providers not submitting adequate documentation, a problem similar to what the Medicare program experienced in its early years of reporting. Exhibit 2, Improper Payments in Programs Newly Measured in FY 2007, shows the improper payment for the 14 programs. Note that five programs reported error rates greater than 12 percent (with two of these programs reporting improper payments over $1 billion) and three programs reported virtually no errors.

Exhibit 2 – Improper Payments in Programs Newly Measured in FY 2007 ($ in millions)

Program Name	FY 2007 Outlays	Improper Payments	Error Rate
School Breakfast program	$2,086	$520	24.9%
Medicaid FFS	$70,117	$12,900	18.4%
FCC High Cost grants	$3,748	$620	16.5%
National School Lunch Program	$8,602	$1,402	16.3%
FCC Schools & Libraries grants	$1,630	$210	12.9%
FCC Low Income gants	$796	$76	9.5%
Non-VA Fee Program	$1,578	$93	5.9%
State Dept. Business Class Travel	$16	$0.7	4.1%
FTA Capital Investment Grants	$2,663	$29	1.1%
DHS Custodial Drawdowns	$7,119	$9	0.1%
FTA Formula Grants	$6,281	$4	0.1%
FAA Airport Improvement Program	$3,874	$0	0.0%
SBA 7(a) Guaranty Approvals	$13,517	$0	0.0%
SBA CDC Guarantees	$6,282	$0	0.0%
Total	$128,309	$15,863	12.4%

Incomplete or missing file documentation in four of these programs (i.e., Medicaid Fee-for-Service and three Federal Communication Commission programs) were the cause of more than 70 percent of the FY 2007 cohort errors. That is, all of the supporting documentation necessary to verify the accuracy of the claim or payment request was either not provided or not in the file. As has been the case in other programs, the errors in these programs should decrease significantly after implementing correcting actions to resolve the documentation errors. Section IV of this Report, FY 2007 Analysis, includes a more detailed discussion of the causes of program error.

The Federal government is also narrowing the reporting gap. In FY 2008, agencies will report error measurements for additional high-risk programs with outlays totaling nearly $300 billion (Appendix 3). The majority of these unmeasured dollars are in State-administered programs that receive Federal funding, including the non-Fee-for-Service components of Medicaid, the State Children's Health Insurance Program, and the Child Care and Development Fund. The delay in reporting an error measurement in these remaining programs is because many State-administered programs are subject to complex regulatory guidelines that need to be followed before conducting error measurements. During this critical process, agencies obtain feedback from Federal funding recipients on viable alternatives for measuring error. This is why a national and statistically valid error measurement can take months and even years to complete. In the interim years, several programs (e.g., the Child Care and Development Fund) conducted error measurement pilots whose results were reported in their respective agency PARs or AFRs.

Progress in Correcting the Errors in Programs Previously Measured

Agencies reduced improper payments in the programs originally measured in FY 2004 from 4.4 percent to 3.1 percent. The improper payment rate in all programs that were measured in FY 2006 declined from 2.9 percent to 2.7 percent.

During FY 2007, the Federal government continued to make significant progress in meeting the President's goal to eliminate improper payments. Some of the Federal government's most significant progress has been in reducing improper payments previously measured and reported. As noted earlier in this Report, once agencies have measured and reported program errors, they have a proven track record to implement corrective actions that reduce errors in subsequent years.

Exhibit 3, Federal Improper Payments by Fiscal Year, summarizes all government-wide improper payment rates for all four years of IPIA reporting, showing both the cumulative results as well as tracking results for each annual cohort of reported programs.

Exhibit 3 – Federal Improper Payments by Fiscal Year ($ in millions)

	FY 2004		FY 2005		FY 2006		FY 2007	
	Error $	**Rate**	**Error $**	**Rate**	**Error $**	**Rate**	**Error $**	**Rate**
FY 2004	45,077.3	4.4%	37,168.3	3.4%	36,244.4	3.2%	37,187.2	3.1%
FY 2005			1,303.3	1.0%	2,914.3	2.0%	1,512.9	1.1%
FY 2006					1,429.1	1.4%	420.4	0.5%
FY 2007							15,863.4	12.4%
Total	**45,077.3**	**4.4%**	**38,471.6**	**3.1%**	**40,587.8**	**2.9%**	**54,983.9**	**3.5%**

Listed below are program-specific improvements in reducing improper payments by their first year (or cohort) of reporting.

<u>FY 2004 Cohort Results</u>

- The Medicare Fee-for-Service program reduced its error rate from 4.4 percent to 3.9 percent, while providing services to an additional 2.7 million beneficiaries.
- The Unemployment Insurance program reduced its error rate from 10.9 percent to 10.3 percent, a $128 million reduction in improper payments.
- The Old Age, Survivors and Disability Insurance program reduced its error rate from 0.6 percent to 0.5 percent, an almost $800 million reduction in improper payments.
- The Head Start program reduced its error rate from 3.1 to 1.3 percent, a $122 million reduction in improper payments.

<u>FY 2005 Cohort Results</u>

- The Marketing Assistance Loan Program reduced its error rate from 20.2 percent to 7.3 percent, a reduction of more than $1 billion in improper payments.
- The Foster Care program reduced its error rate from 7.7 percent to 3.3 percent, an $82 million reduction in improper payments.

<u>FY 2006 Cohort Results</u>

- Four Farm Service Agency programs reduced improper payments by more than $724 million, a 90 percent decrease.

Identifying and Recovering Improper Payments to Vendors Under the Recovery Auditing Act

- *Over the past four years, agencies have recovered $850 million in improper contract payments, reflecting a cumulative recovery rate of more than 50 percent.*
- *In FY 2007, the Department of Veterans Affairs (VA) and the Department of Defense (DoD) accounted for more than half of the contract dollars identified for recovery and the dollars actually recovered.*

FY 2007 marked the fourth year of reporting under the Recovery Auditing Act (Appendix 4). Of note, 18 agencies reported on their recovery audit efforts in their PARs or AFRs.[8] Reporting under the Recovery Auditing Act differs from the IPIA in that the Recovery Auditing Act does not require Federal agencies to report an error measurement. Rather, it focuses on a review of all contract payments. This distinction is significant because while the goal of both statutes is to reduce improper payments, the Recovery Auditing Act places additional emphasis on *recovering* payment errors. While Federal agencies can measure and recover contract payment errors identified through statistical sampling, agencies would still need to conduct additional reviews, like a recovery audit, to recoup the errors in the full payment universe.

Significant recovery auditing accomplishments for FY 2007 include the following:

- Five agencies (i.e., VA, DoD, the Department of Energy, the General Services Administration, and the Department of State) account for over 80 percent of the dollars identified for recovery and actually recovered.
- Approximately $330 billion in contract payments were reviewed for correctness.
- Of that amount, $116 million in potentially improper payments were identified.
- Of the identified payments, $86 million was recovered.

In addition, the four-year cumulative figures are as follows:

- Agencies have reviewed approximately $1.2 trillion in contract payments.
- Of this amount, $1.7 billion has been identified as potentially improper.
- $850 million of this amount has been recovered, reflecting a cumulative recovery rate of 50 percent.
- DoD accounted for over 50 percent of the cumulative dollars identified for recovery and over 70 percent of the dollars actually recovered.

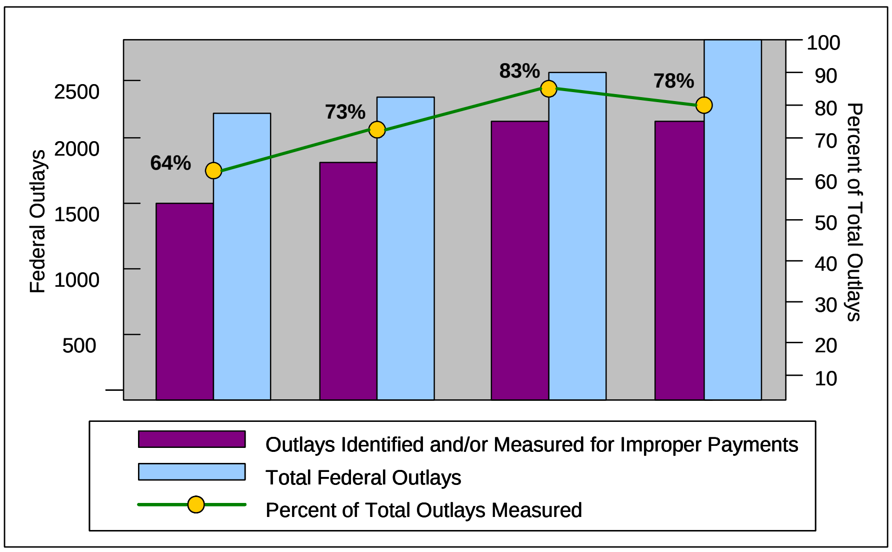
[8] Four CFO Act agencies (i.e., the Nuclear Regulatory Commission, the National Science Foundation, the Office of Personnel Management, and the Small Business Administration) are not subject to the Recovery Audit Act as they do not award annual contracts that exceed $500 million.

IV. FY 2007 ANALYSIS

Four years into implementing the IPIA, agencies generally have the tools in place to ensure that all high risk activities are identified and measured. However, Federal agencies do not currently have all the tools needed to eliminate the approximate $55 billion in improper payments reported in FY 2007.

Full transparency of annual improper payments allows the public to understand the extent of payment errors and assess the government's efforts to eliminate them. Transparency also allows agencies, Congress, and the President to build support for initiatives to reduce program errors, including suitable legislative changes. Because of the IPIA and the PMA's Eliminating Improper Payments initiative, significant amounts of improper beneficiary and contract payments that were previously undetected are now being measured with efforts underway to reduce them. Exhibit 4, Federal Outlays Reviewed under the IPIA and Recovery Auditing Act since FY 2004, illustrates the Federal government's progress.

Exhibit 4 – Federal Outlays Reviewed under the IPIA and Recovery Auditing Act since FY 2004 ($ in billions)



Programs with the Largest Amount and Rate of Improper Payments

Nine programs account for the majority of measured improper payment dollars with each reporting annual improper payments over $1 billion.

Of all programs with error measurements, nine programs account for approximately 90 percent of FY 2007 reported improper payments, including two programs newly measured in FY 2007, the Fee-for-Service component of Medicaid and the National School Lunch Program. Since last reporting in FY 2006, the Marketing Loan Assistance Program at the U.S. Department of Agriculture (USDA) reduced improper payments from $1.6 billion to just over $450 million and is no longer included in this group. Exhibit 5, FY 2007 Percent of Total Improper Payments by Major Program, details the portion of improper payments each of these nine programs contribute to total errors reported.

Exhibit 5 – FY 2004 - 2007 Percent of Total Improper Payments by Major Program ($ in millions)[9]

	FY 2004		FY 2006		FY 2007	
Program Name	**Improper Payments**	**Percent of Total**	**Improper Payments**	**Percent of Total**	**Improper Payments**	**Percent of Total**
Medicaid Fee-for-Service					$12,900	23.5%
Earned Income Tax Credit	$9,653	21.4%	$10,700	26.4%	$11,350	20.6%
Medicare Fee-for-Service	$21,705	48.2%	$10,800	26.6%	$10,800	19.6%
Supplemental Security Income	$2,639	5.9%	$3,028	7.5%	$4,089	7.4%
Unemployment Insurance	$3,861	8.6%	$3,376	8.1%	$3,248	5.9%
Old Age, Survivors, & Disability Insurance	$1,707	3.8%	$3,280	8.1%	$2,504	4.6%
Food Stamps	$1,613	3.6%	$1,645	4.1%	$1,794	3.3%
Public Housing/Rental Assistance	$1,707	3.8%	$1,464	3.6%	$1,519	2.8%
National School Lunch Program					$1,402	2.5%
Subtotal	$42,885	95.1%	$34,293	84.5%	$49,606	90.2%
Other Measured Programs	$2,192	4.9%	$6,295	15.5%	$5,378	9.8%
Total	$45,077	100.0%	$40,588	100.0%	$54,984	100.0%

Notably, eight of the nine programs are means-tested[10] and five of the eight means-tested programs are State-administered (including local or third-party administration). These two observations highlight some of the challenges in reducing payment error. When looking at all FY 2007 measured programs, the error rate for the Federally-administered programs was almost 2.5 percent. Alternatively, the error rate for the State-administered programs was over 7.75 percent. The difference between the two rates also existed in FY 2006 when they were approximately 2.6 percent and 4.75 percent, respectively.[11]

The difference in the error rates between Federally-administered programs and State-administered programs does not mean that the State programs are managed poorly. Rather, it highlights the differences in how such programs operate. For example, a Federally-administered program typically requires all beneficiaries to follow the same rules to be eligible and participate (e.g., Old Age, Survivors and Disability Insurance, Medicare). Alternatively, in State-administered programs (e.g., Unemployment Insurance) States must not only follow a set of Federally-defined eligibility rules, but can also establish their own eligibility rules (i.e., 50 states may all have varying eligibility rules for the same program). This flexibility exists to allow for each State to tailor a program to its State-specific circumstances (e.g., demographics). Because Federally-administered programs have a standard set of eligibility requirements, it is easier to govern the program as well as prevent and reduce errors. Conversely, the variability among State programs makes it more difficult to both measure and remediate payment errors. The following section of this report includes a discussion of the causes of program error and the challenges in reducing errors in State-administered as well as in means-tested programs.

[9] The Marketing Assistance Loan Program, which reported errors of $1.6 billion in FY 2006, no longer has errors greater than $1 billion. The FY 2006 and 2007 errors for this program are now included in "Other Measured Programs."

[10] Means-test programs provide cash and non-cash benefits to families or individuals whose income falls below defined levels and who meet certain other eligibility criteria established for each program.

[11] The increase in the error rate for State-administered programs was driven by several State-administered programs with high error rates that were measured for the first time in FY 2007 including the Fee-for-Service component of Medicaid, the School Meals Programs, and three programs at the Federal Communications Commission.

The Causes of Improper Payments

- *The majority of errors reduced since FY 2004 were due to agencies ensuring the availability of any supporting documentation necessary to verify the accuracy of a benefit. Most documentation errors did not result in an improper outlay of dollars. Reducing these types of errors provides greater confidence in the accuracy of Federal payments.*

- *Large outlay, means-tested, programs often measure and report the highest improper payments dollars and rates due to the difficulty in verifying information reported by recipients. These programs provide cash and non-cash benefits and are restricted to families or individuals whose income falls below defined levels and who meet certain other eligibility criteria established for each program.*

While there are many root causes of error in Federal programs, error causes can be grouped into three broad categories as follows:

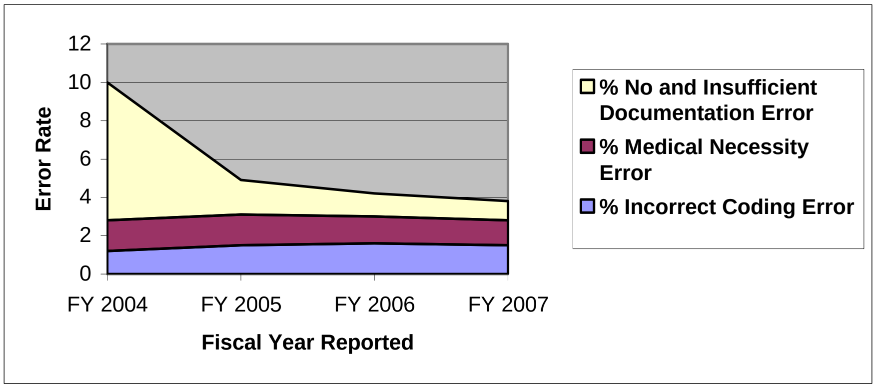
- Administrative and Documentation – errors due to (i) not having all of the supporting documentation necessary to verify the accuracy of the claim or (ii) inputting, classifying, or processing applications or payments incorrectly at the Federal level. Errors from this category account for approximately 20 percent of all improper payments (approximately $11 billion).

- Verification and Local Administration – errors due to (i) not verifying recipient including earnings, income, assets, or work status or (ii) inputting, classifying, or processing applications or payments incorrectly by a State agency or third party (e.g., local program administrator) who is not the beneficiary. Errors from this category account for approximately 27 percent of all improper payments (or approximately $15 billion).

- Authentication and Medical Necessity – errors due to (i) being unable to authenticate criteria such as living arrangement or qualifying child through third party sources or (ii) incorrectly assessing the necessity of a procedure (e.g., medical judgment). Errors from this category account for approximately 53 percent of all improper payments (or approximately $29 billion.)

In reviewing the error reduction trends since FY 2004, several patterns emerge related to the causes of improper payments. Specifically, *documentation errors* are the easiest to resolve. This was the case in the Medicare Fee-for-Service program, the Marketing Assistance Loan Program, and other Farm Service Agency programs. However, once documentation errors are reduced, the remaining causes of program error (e.g., verification or authentication) prove to be more difficult to remediate. Generally, each improper payment eliminated is harder to reduce than the last. Exhibit 6, Medicare Fee-for-Service Error Reduction Since 2004, illustrates this example.

Exhibit 6 – Medicare Fee-for-Service Error Reduction Since 2004



Verification errors are becoming easier to remediate as Federal and State governments obtain access to databases that capture recipient information (e.g., earnings, income, assets, or work status). With almost 30 percent of all errors caused due to not properly verifying eligibility, this is likely one of the government's greatest opportunity for improvement. Two examples highlight the importance of these tools:

- Improper payments in the Public Housing/Rental Assistance dropped significantly once the Department of Housing and Urban Development launched the Enterprise Income Verification System to verify applicant income in FY 2001. In FY 2007, for the first time since FY 2001, errors in the program increased due to delays in further implementing the Enterprise Income Verification System. A reduction in the workforce responsible for on-site monitoring has also increased program errors. Still, overall errors in this program remain well below the levels reported in FY 2001, with the reduction in annual payment error dropping from 17.1 percent in 2001 to 5.4 percent in 2006.

- In FY 2004, before VA implemented a fugitive felon match in its Compensation and Indemnity program, the error rate was 1.15 percent. In 2005, the error rate increased to 1.16 percent (from identifying additional ineligible recipients) but has since fallen to 0.78 percent (or $304 million in reported errors).

As is the case with Public Housing/Rental Assistance, resource constraints often cause increases in errors. Since FY 2001, the improper payment rate in the Supplemental Security Income program has increased from 7.3 percent to 10.1 percent. The increase is largely due to Congress failing to enact requested funding for program integrity efforts that assess a recipient's continuing level of disability on an ongoing basis. Section V of this Report, Proposed Reforms, includes a series of proposals included in the President's FY 2009 Budget to improve program integrity and reduce error in Federal programs.

Authentication errors are the most difficult to remediate because no third party data sources exists to verify the information. For example, in the Earned Income Tax Credit program, if the tax filer is claiming a dependent child, that child must have lived with the filer for more than six months of the tax year. This condition of eligibility cannot be verified through a third party data base; it can only truly be confirmed by checking school records, performing a home visit, or conducting other in person inspections. An additional eligibility challenge exists because similar eligibility criteria are frequently defined differently under different programs. In the Supplemental Security Income program, a household is defined as those who live together whereas in the Food Stamps program a household is defined as those who eat together. Evaluating opportunities to standardize or simplify definitions in programs with overlapping beneficiaries could improve program access and integrity.

V. PROPOSED REFORMS

> - *Each year since 2002, the President has proposed discretionary funding ("above the cap") for activities with a proven track record of reducing error and generating program savings. Despite anticipated savings of nearly $4 billion over 10 years, Congress has enacted only part of these proposals, and did so only in 2006.*
> - *When combined with the President's other proposed legislative reforms for improving payment accuracy, the anticipated savings total approximately $18 billion over ten years.*
> - *For every year these proposals are not enacted, the Federal Government (and the taxpayer) loses approximately $1.8 billion in unrealized error reduction and savings.*

As noted throughout this Report, Federal agencies are pursuing numerous and varied administrative actions to facilitate the identification and elimination of improper payments. However, such administrative actions must be complemented by targeted programmatic reforms if efforts to eliminate improper payments and realize program savings are to be fully successful. As a result, OMB has worked with Federal agencies to enumerate the legislative changes that are necessary to facilitate better measurement, detection, and elimination of improper payments.

Several reforms re-proposed in the FY 2009 President's Budget are critical to the Federal government's efforts to eliminate improper payments despite not providing scorable savings. Most notably, the Budget proposes adjustments for spending above a base level of funding within discretionary levels (or "cap adjustments") that provide resources for administrative program integrity and tax compliance efforts in Medicare, Medicaid, Internal Revenue Service enforcement activities, Unemployment Insurance, Supplemental Security Income, and Old Age, Survivors and Disability Insurance. Such funds should not be subject to discretionary spending caps, as they generate program efficiencies that result in large, positive returns on investment for taxpayers as high as 10:1. For the FY 2009 President's Budget, nearly $4 billion could be saved over ten years if the Congress enacts the President's request of $968 million.

Additional proposed reforms that are necessary to ensure greater program integrity and payment accuracy are summarized below and can save $14 billion over ten years with no additional funding required:

- *Unemployment Insurance Overpayment Recoveries* – provides tools and resources as financial incentives to States to more aggressively pursue benefit overpayments, impose penalties for fraud, charge employers when their actions lead to overpayments, and collect delinquent overpayments through garnishment of tax refunds. The reform proposal further improves the accuracy of hiring data in the National Directory of New Hires to include the actual start work date. <u>If enacted, the proposal is projected to save $3.6 billion over ten years.</u>

- *Earned Income Tax Credit (and Child Tax Credit)* – clarifies the uniform definition of child, simplifies the Earned Income Tax Credit eligibility rules, and reduces the computational complexity of the refundable child tax credit. <u>If enacted, the proposal would save $264 million in the first year and $6.4 billion over ten years.</u>

- *Old Age, Survivors and Disability Insurance* – provides the Social Security Administration with the tools to conduct improved enforcement of the Windfall Elimination Provision and the Government Pension Offset. In addition, it proposes to substitute a standard offset amount for the more complicated formulae currently in use for calculating the Worker's Compensation offset for Disability Insurance. <u>If enacted, these two proposals would save $4 million in the first year and $3.6 billion over ten years.</u>

- *Payment Transaction Integrity Act* - revises an existing exception to the Right to Financial Privacy Act to allow the Federal government to trace and recover federal payments sent electronically to the wrong account. This will prevent improper payments from being accessed by incorrect recipients and/or in incorrect amounts. <u>If enacted, savings are projected at $53 million in the first year, and $718 million over ten years.</u>

The FY 2009 President's Budget includes a new legislative proposal for reducing improper payments when providing Federal assistance in an emergency. This proposal expands Federal agency access to government-owned or managed systems to confirm the eligibility of recipients applying for disaster assistance. This provision will facilitate the President's directive, under Executive Order 13411, that Federal agencies expedite the delivery of disaster benefits while maintaining effective payment controls.

In addition, consistent with Section 484(q) of the Higher Education Act and Section 6103(c) of the Internal Revenue Code, the Department of Education and the Internal Revenue Service continue work on implementing a process to verify students' (and their parents') income, tax and certain household information appearing on their income tax return that they provided as part of their application for Federal student aid. This process is part of ongoing efforts to ensure students receive the correct amount of Federal student aid, and is a key component of the Administration's efforts to reduce erroneous payments. <u>This proposal will significantly reduce improper payments in the Pell Grant program which are estimated at $400 million annually.</u>

Last year, this Report highlighted legislation (Pub.L. No. 109-432) which required the Secretary of the Department of Health and Human Services to expand the Medicare Recovery Audit Contractor demonstration to all States. This demonstration recoups Medicare Trust Fund dollars that were improperly paid to hospitals, physicians, and other health care providers over the past several years. Through September 30, 2007, the three state Medicare Recovery Audit Contractor demonstration program has collected $432 million in payments determined to be improper. By FY 2010, it is anticipated that the program will be expanded to all 50 states. The Administration strongly supports this type of forward thinking, as it encourages innovative ideas for eliminating and recovering improper payments.

VI. FUTURE OUTLOOK AND CONCLUSION

> - *The Federal government needs to consider every opportunity to reduce program error, including evaluating potential opportunities to standardize definitions for eligibility criteria and expanding access to databases to verify beneficiary eligibility.*
> - *Agencies must prepare rigorous return on investment estimates to ensure the enactment of program integrity dollars to reduce program error.*

Over the past four years, the Federal government has made significant progress toward meeting the President's goal to eliminate improper payments. Federal agencies have established a strong foundation for identifying risk susceptible programs, reporting error measurements on all risk susceptible programs, and eliminating payment errors. Tracking the Federal government's progress since FY 2004 shows that the key indicators for each of these areas are trending in the right direction: agencies are identifying more risk susceptible programs; error measuring those programs; and correcting the errors.

In FY 2008 and beyond, the Federal government expects to build on these accomplishments by continuing to meet performance targets to close the reporting gap and eliminate additional improper payments. OMB believes that Federal agencies can achieve the greatest return on investment for the taxpayer by ensuring that improper payments are eliminated in the highest-risk programs. Still, these programs must overcome significant hurdles to address the root causes their errors.

Identifying Risk Susceptible Programs

> *Federal agencies must continue to ensure that risk assessments identify and remain focused on only those programs with the highest risk of error.*

Having good risk assessments is critical to meeting the objectives of identifying and eliminating improper payments. Under current OMB guidance (i.e., Appendix C to OMB Circular A-123), a program or activity with significant improper payments is one where improper payments exceed both $10 million and 2.5 percent of program payments on an annual basis. This guidance, developed using a risk-based approach, requires agencies to focus efforts on those programs that are the most susceptible to significant improper payments. With this risk-based approach, more than 80 percent of all FY 2007 Federal outlays were subject to a review for error either under the IPIA or the Recovery Auditing Act. With more government programs annually competing for fewer administrative and programmatic dollars, we need to continue to address more deep-rooted problems that have a higher dollar return on investment before expanding assessment and measurement efforts to areas of lower risk.

Estimating the Amount of Improper Payments in Risk Susceptible Programs

> *It is vital for the Federal government to exercise adequate due diligence to ensure that measurement strategies are cost-effective, minimize burden to all stakeholders (e.g., beneficiaries, States), and cause little or no program disruption.*

In FY 2007, Federal agencies reported an improper payment measurement on more than 85 percent of all risk susceptible dollars. The majority of unmeasured dollars are in State-administered programs. The ability of Federal agencies to measure improper payments in State-administered programs is subject to regulatory guidelines that need to be followed before finalizing a measurement approach. These regulatory requirements require a public vetting process. Although this process extends the time horizon for completing error measurements, it provides an important opportunity to obtain feedback from Federal funding recipients on viable alternatives for measuring error. For example:

- For Medicaid (reported in FY 2007), two full Notice of Public Rule-Making processes were necessary to ensure full inclusion of all State and Federal concerns. This took approximately two years to complete.

- For the School Meals programs (reported in FY 2007), USDA was required under the Paperwork Reduction Act to obtain authorization for both the data collection and the survey documents that were used to obtain this error measurement. This process also took more than two years.

- For the Child Care and Development Fund (to report in FY 2008), the full Notice of Public Rule-Making process and the Information Collection Request package took almost one-year to complete after issuing a rule for public comment, incorporating comments, and issuing the final rule.

As highlighted in Appendix 3 of this Report, virtually all programs deemed risk susceptible will report an error measurement in FY 2008, including the Managed Care and Eligibility Components of Medicaid, State Children's Health Insurance Program, and 11 programs recently deemed high-risk by the Department of Homeland Security.

While the IPIA requires that agencies measure high-risk programs, there is no guarantee that funding will be available to perform the error measurements. The current fiscal landscape has shown that even when agencies are focused on the programs with the highest risk of error, dollars to fund error measurements are often limited, raising questions as to the sustainability of the current statutory and regulatory framework. To that end, OMB is also exploring longer-term approaches to help achieve successful results in the IPIA.

Specifically, we are evaluating how the Single Audit Act can be expanded beyond Federal program compliance to also assess the risk of improper payments and the extent to which improper payments are systemic throughout the program. If the Single Audit can be leveraged in this manner, Federal agencies could have an important tool for obtaining cost-effective IPIA error measurements. Regardless, through the specific actions that agencies are required to take under the PMA, OMB will continue to hold Federal agencies accountable for meeting the necessary planned actions and milestones that will yield error measurements in all remaining risk susceptible programs.

Identifying the Root Causes of Improper Payments and Correcting the Errors

A critical part of agency compliance with the IPIA is establishing corrective action plans and future year projections for improved performance in reducing improper payments (Appendix 5). These projections reflect the reduction in improper payments that each agency believes it can achieve, accounting for process and internal control improvements, resource constraints, and other relevant factors. With several large and complex programs yet to report improper payment measurements (e.g., Medicaid Managed Care and Eligibility), total improper payment dollars are also likely to continue to increase in the short term.

The results from the past three years of reporting have shown, however, that once agencies have measured and reported program errors, they are able to implement corrective actions to reduce those errors in subsequent years. OMB has established an aggressive long-term goal of reducing the improper payment rate from the FY 2004 baseline measurement of 4.4[12] percent to 2.7 percent by FY 2010. Federal agencies have made good progress toward this target, having reduced errors to 3.1 percent for those programs originally reported on in FY 2004. Exhibit 7, Estimated Improper Payment Reduction Targets Through FY 2010, identifies the out-year improper payment rates based on agencies that reported projections in their FY 2007 PARs or AFRs:

[12] The error rate for FY 2004, previously reported as 3.9 percent, has been updated to reflect more current information.

Exhibit 7 – Estimated Improper Payment Reduction Targets for Through 2010 ($ in millions)

	FY 2008		FY 2009		FY 2010	
	Error $	**Rate**	**Error $**	**Rate**	**Error $**	**Rate**
FY 2004	37,325.3	2.9%	37,818.5	2.8%	38,484.6	2.7%
FY 2005	1,452.8	1.1%	1,048.1	0.8%	822.8	0.6%
FY 2006	477.3	0.5%	366.5	0.4%	281.3	0.3%
FY 2007	16,257.5	12.5%	17,250.6	12.7%	18,210.2	12.8%
Total	**55,513.0**	**3.4%**	**56,483.6**	**3.3%**	**57,798.8**	**3.2%**

It is crucial to realize that these reductions will not occur without the program integrity funding requested again the President's FY 2009 Budget. To achieve our improvement targets, Federal agencies must focus on high-risk areas and prioritize efforts that have the greatest return on investment in terms of error reduction and program savings. Before expanding efforts into the remaining lower risk areas, we must ensure that agencies are implementing effective and sustainable improvement plans in the larger dollar and higher risk programs, where the impact on the taxpayer is the greatest.

Looking ahead, there are several factors that will affect agency efforts to implement effective and sustainable approaches to improper payments.

- First, agencies must *prepare rigorous return on investment analyses for program integrity activities*, similar to those currently developed by the Social Security Administration. Without such analyses, Federal agencies lack a fundamental tool for determining how to best allocate resources to ensure error reduction targets are met.

- Second, we must leverage these analyses to w*ork with the Congress to enact the President's budget, including proposed legislative reforms to eliminate errors*. This report identifies longstanding legislative proposals that yield $18 billion in error reduction and savings over 10 years, but are yet to be enacted.

- Third, we must *implement cross-cutting solutions for verifying eligibility of Federal fund recipients.* This report concludes that one of the primary causes of payment error across government is our inability to verify eligibility though third party data sources or other mechanisms. To address this, we must eliminate legislative and regulatory barriers to data access, evaluate opportunities to standardize definitions for eligibility criteria to create more opportunities for third party data matches, and initiate safeguards that balance expanded access with data privacy and security concerns.

- Finally, we must continue to *ensure that the remediation of improper payments remains a top management priority for Federal agencies.* To this end, we will continue to utilize the PMA scorecard, which has proven to be an effective accountability tool for driving agency leaders to implement effective approaches for reporting and eliminating improper payments.

Appendix 1: FY 2007 Risk Susceptible Program Outlays as Reported in FY 2007 PARs and AFRs

Appendix 1: FY 2007 Risk Susceptible Program Outlays as Reported in FY 2007 PARs and AFRs ($ in millions)

1st Year of High-Risk	Program Name		FY 2007 (est.) Outlays ($)	Percent (%) of Agency Total
Department of Agriculture				
2004	Federal Crop Insurance		$2,364.0	2.7%
2004	Food Stamps		$29,942.0	33.7%
2005	Farm Security & Rural Investment		$227.0	0.3%
2005	Loan Deficiency Payments		$4,071.0	4.6%
2004	Marketing Assistance Loan		$6,306.0	7.1%
2005	Milk Income Loss		$351.0	0.4%
2004	Rental Assistance		$855.0	1.0%
2005	Wildland Fire Suppression		$1,412.0	1.6%
2004	Child and Adult Care Food - FDC Homes-Tiering Component		$738.0	0.8%
2006	Conservation Reserve		$1,851.0	2.1%
2006	Direct & Counter-Cyclical Payments		$9,550.0	10.8%
2006	Farm Service Disaster		$368.0	0.4%
2006	Non-insured Assistance		$64.0	0.1%
2004	Special Nutrition Program for Women, Infants, and Children (WIC) Vendor Error Component		$3,598.0	4.1%
2004	School Breakfast		$2,086.0	2.3%
2004	School Lunch		$8,602.0	9.7%
		Risk Total	*$72,385.0*	*81.5%*
		Other Outlays	*$16,386.0*	*18.5%*
		Outlay Total	*$88,771.0*	*100.0%*
Department of Defense--Military				
2004	Military Health Benefits		$7,800.0	1.4%
2004	Military Retirement Benefits		$37,116.4	6.8%
2005	Military Pay		$72,889.1	13.3%
2006	Civilian Pay		$29,159.3	5.3%
2006	Travel Pay		$5,779.6	1.1%
		Risk Total	*$152,744.4*	*27.8%*
		Other Outlays	*$396,170.6*	*72.2%*
		Outlay Total	*$548,915.0*	*100.0%*
Department of Education				
2004	Pell Grants		$12,725.0	16.4%
2005	Federal Family Education Loan (FFEL)		$11,718.0	15.1%
2004	Title I - Grants to States		$12,520.0	16.2%
		Risk Total	*$36,963.0*	*47.7%*
		Other Outlays	*$40,494.0*	*52.3%*
		Outlay Total	*$77,457.0*	*100.0%*

Appendix 1: FY 2007 Risk Susceptible Program Outlays as Reported in FY 2007 PARs and AFRs ($ in millions)

1st Year of High-Risk	Program Name		FY 2007 (est.) Outlays ($)	Percent (%) of Agency Total
Department of Health and Human Services				
2004	HeadStart		$6,771.0	1.0%
2004	Medicare Fee-for-Service (FFS)		$276,200.0	41.0%
2004	Foster Care-Title IV-E		$1,565.0	0.2%
2004	Medicaid Fee-for-Service		$70,117.0	10.4%
2004	Child Care and Development Fund (CCDF)		$4,852.0	0.7%
2004	Medicaid - Managed Care & Eligibility		$120,000.0	17.8%
2004	State Children's Health Insurance Program (SCHIP)		$6,294.0	0.9%
2004	Temporary Assistance for Needy Families (TANF)		$17,318.0	2.6%
2006	Medicare Advantage (Part C)		$75,128.0	11.2%
2006	Medicare Prescription Drug Benefit (Part D)		$49,256.0	7.3%
		Risk Total	*$627,501.0*	*93.2%*
		Other Outlays	*$45,431.0*	*6.8%*
		Outlay Total	*$672,932.0*	*100.0%*
Department of Homeland Security				
2006	Disaster Relief Fund Vendor Payments		$1,782.0	3.5%
2006	Individuals & Households Program		$932.0	1.8%
2007	CBP Custodial Refund & Drawback		$7,119.0	14.1%
2007	Assistance to Firefighters		$499.0	1.0%
2007	Aviation Security - Payroll		$2,883.0	5.7%
2007	Detention and Removal Operations		$1,243.0	2.5%
2007	Federal Protective Service		$801.0	1.6%
2007	Homeland Security Grant Program		$826.0	1.6%
2007	ICE Investigations		$1,132.0	2.2%
2007	Infrastructure Protection Program		$120.0	0.2%
2007	National Flood Insurance Program		$1,456.0	2.9%
2007	Public Assistance Programs		$5,098.0	10.1%
2007	USCG Contract Payments		$1,853.0	3.7%
2007	USCG Military Payroll		$3,519.0	7.0%
		Risk Total	*$29,263.0*	*58.0%*
		Other Outlays	*$21,167.0*	*42.0%*
		Outlay Total	*$50,430.0*	*100.0%*
Department of Housing and Urban Development				
2004	Public Housing / Rental Assistance		$27,505.0	64.2%
		Risk Total	*$27,505.0*	*64.2%*
		Other Outlays	*$15,331.0*	*35.8%*
		Outlay Total	*$42,836.0*	*100.0%*

Appendix 1: FY 2007 Risk Susceptible Program Outlays as Reported in FY 2007 PARs and AFRs
($ in millions)

1st Year of High-Risk	Program Name		FY 2007 (est.) Outlays ($)	Percent (%) of Agency Total
Department of Labor				
2004	Federal Employees Compensation Act (FECA)		$2,654.0	5.6%
2004	Unemployment Insurance (UI)		$31,530.0	66.5%
2004	Workforce Investment Act (WIA)		$3,606.0	7.6%
		Risk Total	*$37,790.0*	*79.6%*
		Other Outlays	*$9,658.0*	*20.4%*
		Outlay Total	*$47,448.0*	*100.0%*
Department of State				
2006	International Information Program		$23.7	0.1%
2007	Business Class Travel		$16.0	0.0%
		Risk Total	*$39.7*	*0.1%*
		Other Outlays	*$32,474.3*	*99.9%*
		Outlay Total	*$32,514.0*	*100.0%*
Department of the Treasury				
2004	Earned Income Tax Credit (EITC)		$44,500.0	72.0%
		Risk Total	*$44,500.0*	*72.0%*
		Other Outlays	*$17,263.0*	*28.0%*
		Outlay Total	*$61,763.0*	*100.0%*
Department of Transportation				
2004	FHWA Highway Planning/Construction		$33,347.0	52.3%
2004	FAA Airport Improvement Program		$3,874.0	6.1%
2004	FTA Capital Investment Grants Program		$2,663.0	4.2%
2004	FTA Formula Grants Program		$6,281.0	9.8%
		Risk Total	*$46,165.0*	*72.4%*
		Other Outlays	*$17,610.0*	*27.6%*
		Outlay Total	*$63,775.0*	*100.0%*
Department of Veterans Affairs				
2004	Compensation/Dependency & Indemnity		$30,915.0	33.1%
2004	Education		$2,754.0	3.0%
2004	Pension		$3,525.0	3.8%
2005	Loan Guaranty		$876.0	0.9%
2005	Vocational Rehabilitation/Employment		$573.0	0.6%
2007	Fee Program		$1,578.0	1.7%
		Risk Total	*$40,221.0*	*43.1%*
		Other Outlays	*$53,088.0*	*56.9%*
		Outlay Total	*$93,309.0*	*100.0%*

Appendix 1: FY 2007 Risk Susceptible Program Outlays as Reported in FY 2007 PARs and AFRs
($ in millions)

1st Year of High-Risk	Program Name		FY 2007 (est.) Outlays ($)	Percent (%) of Agency Total
Environmental Protection Agency				
2004	Clean & Drinking Water State Revolving Fund (SRF)		$2,300.0	28.6%
		Risk Total	*$2,300.0*	*28.6%*
		Other Outlays	*$5,738.0*	*71.4%*
		Outlay Total	*$8,038.0*	*100.0%*
Federal Communications Commission				
2005	Universal Service Fund - High Cost		$3,748.0	51.9%
2007	Universal Service Fund - Low Income		$796.0	11.0%
2005	Universal Service Fund - Schools and		$1,630.0	22.6%
		Risk Total	*$6,174.0*	*85.5%*
		Other Outlays	*$1,048.0*	*14.5%*
		Outlay Total	*$7,222.0*	*100.0%*
International Assistance Programs				
2005	USAID Cash Transfers		$1,418.0	12.1%
2005	USAID Grants, Contracts and Cooperative Agreements		$7,841.0	67.1%
		Risk Total	*$9,259.0*	*79.2%*
		Other Outlays	*$2,430.0*	*20.8%*
		Outlay Total	*$11,689.0*	*100.0%*
Office of Personnel Management				
2004	Federal Employee Health Benefit Program		$33,477.4	29.0%
2004	Federal Employee Life Insurance Program		$2,395.3	2.1%
2004	Federal Employee Retirement Programs		$60,420.1	52.3%
		Risk Total	*$96,292.8*	*83.4%*
		Other Outlays[1]	*$19,199.2*	*16.6%*
		Outlay Total[1]	*$115,492.0*	*100.0%*
Railroad Retirement Board				
2004	Railroad Unemployment Insurance Program		$105.6	1.1%
2004	Retirement and Survivors Benefits		$9,457.4	98.7%
		Risk Total	*$9,563.0*	*99.8%*
		Other Outlays	*$23.0*	*0.2%*
		Outlay Total	*$9,586.0*	*100.0%*

Appendix 1: FY 2007 Risk Susceptible Program Outlays as Reported in FY 2007 PARs and AFRs
($ in millions)

1st Year of High-Risk	Program Name	FY 2007 (est.) Outlays ($)	Percent (%) of Agency Total
Small Business Administration			
2004	(504) Certified Development Company Debentures (CDC)	$6,282.0	25.7%
2004	Disaster Assistance Loans	$819.7	3.3%
2004	Small Business Investment Centers (SBIC)	$2,525.0	10.3%
2004	7(a) Business Loans	$610.2	2.5%
2007	7(a) Guaranty Approvals	$13,517.0	55.2%
2007	CDC Loans Guarantied	$6,282.0	25.7%
	Risk Total	*$30,035.9*	*122.7%*
	Other Outlays[1]	*($5,552.9)*	*-22.7%*
	Outlay Total[1]	*$24,483.0*	*100.0%*
Social Security Administration			
2004	Old Age, Survivors & Disability Insurance (OASDI)	$545,000.0	87.2%
2004	Supplemental Security Income (SSI)	$40,328.0	6.5%
	Risk Total	*$585,328.0*	*93.6%*
	Other Outlays	*$39,693.0*	*6.4%*
	Outlay Total	*$625,021.0*	*100.0%*
	Risk Total[2]	**$1,854,029.8**	67.9%
	Risk Total with Measurement[2]	**$1,561,751.8**	
	Other Outlay Total (including net interest on the public debt)[2]	**$877,485.2**	32.1%
	TOTAL FEDERAL OUTLAYS[3]	**$2,731,515.0**	100.0%

Appendix 1: FY 2007 Risk Susceptible Program Outlays as Reported in FY 2007 PARs and AFRs ($ in millions)

Notes:
[1]The outlay amounts shown for agencies with credit programs reflect disbursements and/or loan approvals.
[2]Figure includes additional funds representing loan approvals that are not included in the overall Federal outlay figure for FY 2007, such as the ones referenced in Note 1 (above).
[3]The source for the total outlay figure is the Combined Statement of Receipts, Outlays, and Balances, 2007 Combined Statement. The web site is www.fms.treas.gov/annualreport/index.html

Appendix 2: Improper Payments Reported Between FY 2004 and FY 2007 in PARs and AFRs by Program

Appendix 2: Improper Payments Reported Between FY 2004 and FY 2007 in PARs and AFRs by Program ($ in millions)

		FY 2004 Reported			FY 2005 Reported			FY 2006 Reported			FY 2007 Reported		
1st Rate	**Program Name**	**Outlays**	**Dollars**	**Rate**	**Outlays**	**Dollars**	**Rate**	**Outlays**	**Dollars**	**Rate**	**Outlays**	**Dollars**	**Rate**
Department of Agriculture													
2004	Federal Crop Insurance	$2,500.0	$125.0	5.0%	$3,170.0	$28.0	0.9%	$3,206.0	$62.0	1.9%	$2,364.0	$63.0	2.7%
2004	Food Stamps	$24,298.0	$1,613.0	6.6%	$24,128.0	$1,432.0	5.9%	$28,160.0	$1,645.0	5.8%	$29,942.0	$1,794.0	6.0%
2005	Farm Security & Rural Investment				$1,027.0	$16.0	1.6%	$1,375.0	$3.0	0.2%	$227.0	$1.0	0.4%
2005	Loan Deficiency Payments				$453.0	$5.0	1.1%	$4,790.0	$443.0	9.2%	$4,071.0	$18.0	0.4%
2005	Marketing Assistance Loan				$6,400.0	$45.0	0.7%	$7,950.0	$1,611.0	20.3%	$6,306.0	$458.0	7.3%
2005	Milk Income Loss				$245.0	$0.0	0.0%				$351.0	$8.0	2.3%
2005	Rental Assistance				$846.0	$27.0	3.2%	$569.0	$22.0	3.9%	$855.0	$26.0	3.0%
2005	Wildland Fire Suppression				$1,980.0	$73.0	3.7%	$285.0	$7.0	2.5%	$1,412.0	$13.0	0.9%
2006	Child and Adult Care Food - FDC Homes-Tiering Component							$864.0	$16.0	1.9%	$738.0	$12.0	1.6%
2006	Conservation Reserve							$1,815.0	$64.0	3.5%	$1,851.0	$9.0	0.5%
2006	Direct & Counter-Cyclical Payments							$8,546.0	$424.0	5.0%	$9,550.0	$37.0	0.4%
2006	Farm Service Disaster							$2,365.0	$291.0	12.3%	$368.0	$25.0	6.8%
2006	Non-insured Assistance							$109.0	$25.0	22.9%	$64.0	$8.0	12.5%
2006	Special Nutrition Program for Women, Infants, and Children (WIC) Vendor Error Component							$3,525.0	$21.0	0.6%	$3,598.0	$25.0	0.7%
2007	School Breakfast										$2,086.0	$520.0	24.9%
2007	School Lunch										$8,602.0	$1,402.0	16.3%
	Subtotal of Measured Programs	*$26,798.0*	*$1,738.0*	*6.5%*	*$38,249.0*	*$1,626.0*	*4.3%*	*$63,559.0*	*$4,634.0*	*7.3%*	*$72,385.0*	*$4,419.0*	*6.1%*
Department of Defense--Military													
2004	Military Health Benefits	$4,600.0	$100.0	2.2%	$7,500.0	$150.0	2.0%	$8,651.1	$83.5	1.0%	$7,800.0	$156.0	2.0%
2004	Military Retirement Benefits	$35,800.0	$34.0	0.1%	$35,700.0	$49.0	0.1%	$35,897.1	$49.4	0.1%	$37,116.4	$48.7	0.1%
2005	Military Pay				$69,100.0	$432.0	0.6%	$72,437.4	$65.9	0.1%	$72,889.1	$370.0	0.5%
2006	Civilian Pay							$33,163.4	$16.7	0.1%	$29,159.3	$74.6	0.3%
2006	Travel Pay							$5,212.2	$29.4	0.6%	$5,779.6	$43.6	0.8%
	Subtotal of Measured Programs	*$40,400.0*	*$134.0*	*0.3%*	*$112,300.0*	*$631.0*	*0.6%*	*$155,361.2*	*$244.9*	*0.2%*	*$152,744.4*	*$692.9*	*0.5%*

Appendix 2: Improper Payments Reported Between FY 2004 and FY 2007 in PARs and AFRs by Program ($ in millions)

		FY 2004 Reported			FY 2005 Reported			FY 2006 Reported			FY 2007 Reported		
1st Rate	**Program Name**	**Outlays**	**Dollars**	**Rate**	**Outlays**	**Dollars**	**Rate**	**Outlays**	**Dollars**	**Rate**	**Outlays**	**Dollars**	**Rate**
Department of Education													
2004	Pell Grants[1]	$12,680.0	$621.0	4.9%	$12,749.0	$444.0	3.5%	$12,117.0	$422.0	3.5%	$12,725.0	$446.0	3.5%
2005	Federal Family Education Loan (FFEL)[1]				$8,626.0	$190.0	2.2%	$18,245.0	$401.0	2.2%	$11,718.0	$258.0	2.2%
2005	Title I - Grants to States[2]				$12,740.0	$139.0	1.1%	$12,597.0	$25.0	0.2%	$12,520.0	$64.8	0.5%
	Subtotal of Measured Programs	*$12,680.0*	*$621.0*	*4.9%*	*$34,115.0*	*$773.0*	*2.3%*	*$42,959.0*	*$848.0*	*2.0%*	*$36,963.0*	*$768.8*	*2.1%*
Department of Health and Human Services													
2004	HeadStart	$6,555.0	$255.0	3.9%	$6,865.0	$110.0	1.6%	$6,786.0	$210.0	3.1%	$6,771.0	$88.0	1.3%
2004	Medicare Fee-for-Service (FFS)	$213,500.0	$21,705.0	10.2%	$234,100.0	$12,100.0	5.2%	$246,800.0	$10,800.0	4.4%	$276,200.0	$10,800.0	3.9%
2005	Foster Care-Title IV-E				$1,816.0	$155.0	8.5%	$1,750.0	$134.0	7.7%	$1,565.0	$51.6	3.3%
2007	Medicaid Fee-for-Service										$70,117.0	$12,900.0	18.4%
	Subtotal of Measured Programs	*$220,055.0*	*$21,960.0*	*10.0%*	*$242,781.0*	*$12,365.0*	*5.1%*	*$255,336.0*	*$11,144.0*	*4.4%*	*$354,653.0*	*$23,839.6*	*6.7%*
Department of Homeland Security													
2006	Disaster Relief Fund Vendor Payments							$6,747.0	$159.0	2.4%	$1,782.0	$42.0	2.4%
2006	Individuals & Households Program							$3,902.0	$334.0	8.6%	$932.0	$88.0	9.4%
2007	CBP Custodial Refund & Drawback										$7,119.0	$9.0	0.1%
	Subtotal of Measured Programs							*$10,649.0*	*$493.0*	*4.6%*	*$9,833.0*	*$139.0*	*1.4%*
Department of Housing and Urban Development													
2004	Community Development Block Grant	$4,924.0	$5.0	0.1%	$4,870.0	$8.0	0.2%	$4,832.0	$4.0	0.1%			
2004	Public Housing / Rental Assistance	$24,581.0	$1,707.0	6.9%	$26,069.0	$1,467.0	5.6%	$27,242.0	$1,464.0	5.4%	$27,505.0	$1,519.0	5.5%
2004	Single Family Housing[3]	$382.0	$26.0	6.8%									
	Subtotal of Measured Programs	*$29,887.0*	*$1,738.0*	*5.8%*	*$30,939.0*	*$1,475.0*	*4.8%*	*$32,074.0*	*$1,468.0*	*4.6%*	*$27,505.0*	*$1,519.0*	*5.5%*
Department of Labor													
2004	Federal Employees Compensation Act (FECA)	$2,544.0	$6.0	0.2%	$2,519.0	$3.0	0.1%	$2,555.0	$1.0	0.0%	$2,654.0	$2.6	0.1%
2004	Unemployment Insurance (UI)	$37,335.0	$3,861.0	10.3%	$32,248.0	$3,267.0	10.1%	$30,976.0	$3,376.0	10.9%	$31,530.0	$3,248.0	10.3%
2005	Workforce Investment Act (WIA)				$3,743.0	$8.0	0.2%	$3,763.0	$6.0	0.2%	$3,606.0	$2.9	0.1%
	Subtotal of Measured Programs	*$39,879.0*	*$3,867.0*	*9.7%*	*$38,510.0*	*$3,278.0*	*8.5%*	*$37,294.0*	*$3,383.0*	*9.1%*	*$37,790.0*	*$3,253.5*	*8.6%*

Appendix 2: Improper Payments Reported Between FY 2004 and FY 2007 in PARs and AFRs by Program ($ in millions)

		FY 2004 Reported			FY 2005 Reported			FY 2006 Reported			FY 2007 Reported		
1st Rate	Program Name	Outlays	Dollars	Rate	Outlays	Dollars	Rate	Outlays	Dollars	Rate	Outlays	Dollars	Rate
Department of State													
2006	International Information Program							$28.0	$7.0	25.0%	$23.7	$1.0	4.4%
2006	International Narcotics & Law							$313.0	$12.0	3.8%			
2007	Business Class Travel										$16.0	$0.7	4.1%
	Subtotal of Measured Programs							*$341.0*	*$19.0*	*5.6%*	*$39.7*	*$1.7*	*4.3%*
Department of the Treasury													
2004	Earned Income Tax Credit (EITC)[4]	$39,400.0	$9,653.0	24.5%	$41,300.0	$10,500.0	25.4%	$42,100.0	$10,700.0	25.4%	$44,500.0	$11,350.0	25.5%
	Subtotal of Measured Programs	*$39,400.0*	*$9,653.0*	*24.5%*	*$41,300.0*	*$10,500.0*	*25.4%*	*$42,100.0*	*$10,700.0*	*25.4%*	*$44,500.0*	*$11,350.0*	*25.5%*
Department of Transportation													
2006	FHWA Highway Planning/Construction							$35,571.0	$30.0	0.1%	$33,347.0	$55.2	0.2%
2007	FAA Airport Improvement Program										$3,874.0	$0.0	0.0%
2007	FTA Capital Investment Grants Program										$2,663.0	$29.3	1.1%
2007	FTA Formula Grants Program										$6,281.0	$4.3	0.1%
	Subtotal of Measured Programs							*$35,571.0*	*$30.0*	*0.1%*	*$46,165.0*	*$88.8*	*0.2%*
Department of Veterans Affairs													
2004	Compensation/Dependency & Indemnity	$24,750.0	$256.0	1.0%	$26,298.0	$302.0	1.1%	$28,711.0	$306.0	1.1%	$30,915.0	$240.8	0.8%
2004	Education	$2,129.0	$52.0	2.4%	$2,316.0	$70.0	3.0%	$2,611.0	$32.0	1.2%	$2,754.0	$101.0	3.7%
2004	Insurances[3]	$1,676.0	$0.3	0.0%	$1,678.0	$0.3	0.0%						
2004	Pension	$3,219.0	$284.0	8.8%	$3,391.0	$280.0	8.3%	$3,383.0	$371.0	11.0%	$3,525.0	$303.9	8.6%
2005	Loan Guaranty				$1,249.0	$6.3	0.5%	$1,137.0	$4.0	0.4%	$876.0	$4.7	0.5%
2005	Vocational Rehabilitation/Employment				$551.0	$9.5	1.7%	$583.0	$6.0	1.0%	$573.0	$4.0	0.7%
2007	Fee Program										$1,578.0	$92.6	5.9%
	Subtotal of Measured Programs	*$31,774.0*	*$592.3*	*1.9%*	*$35,483.0*	*$668.1*	*1.9%*	*$36,425.0*	*$719.0*	*2.0%*	*$40,221.0*	*$747.0*	*1.9%*
Environmental Protection Agency													
2004	Clean & Drinking Water State Revolving Fund (SRF)[3]	$2,105.0	$10.0	0.5%	$1,928.0	$3.0	0.2%	$2,300.0	$3.5	0.2%	$2,300.0	$1.6	0.1%
	Subtotal of Measured Programs	*$2,105.0*	*$10.0*	*0.5%*	*$1,928.0*	*$3.0*	*0.2%*	*$2,300.0*	*$3.5*	*0.2%*	*$2,300.0*	*$1.6*	*0.1%*

Appendix 2: Improper Payments Reported Between FY 2004 and FY 2007 in PARs and AFRs by Program ($ in millions)

		FY 2004 Reported			FY 2005 Reported			FY 2006 Reported			FY 2007 Reported		
1st Rate	Program Name	Outlays	Dollars	Rate	Outlays	Dollars	Rate	Outlays	Dollars	Rate	Outlays	Dollars	Rate
Federal Communications Commission													
2007	Universal Service Fund - High Cost										$3,748.0	$620.0	16.5%
2007	Universal Service Fund - Low Income										$796.0	$75.5	9.5%
2007	Universal Service Fund - Schools and Libraries										$1,630.0	$210.0	12.9%
	Subtotal of Measured Programs										*$6,174.0*	*$905.5*	*14.7%*
International Assistance Programs													
2005	USAID Cash Transfers				$1,402.0	$1.0	0.1%	$851.0	$7.0	0.8%	$1,418.0	$3.0	0.2%
2005	USAID Grants, Contracts and Cooperative Agreements				$6,846.0	$15.0	0.2%	$6,846.0	$15.0	0.2%	$7,841.0	$96.0	1.2%
	Subtotal of Measured Programs				*$8,248.0*	*$16.0*	*0.2%*	*$7,697.0*	*$22.0*	*0.3%*	*$9,259.0*	*$99.0*	*1.1%*
National Science Foundation													
2004	Research and Education Grants[3]	$4,742.0	$4.0	0.1%	$4,215.0	$1.0	0.0%						
	Subtotal of Measured Programs	*$4,742.0*	*$4.0*	*0.1%*	*$4,215.0*	*$1.0*	*0.0%*						
Office of Personnel Management													
2004	Federal Employee Health Benefit Program	$27,200.0	$87.0	0.3%	$30,691.0	$197.0	0.6%	$31,700.0	$63.0	0.2%	$33,477.4	$168.7	0.5%
2004	Federal Employee Life Insurance Program	$2,119.0	$5.0	0.2%	$2,327.0	$1.0	0.0%	$1,380.0	$1.0	0.1%	$2,395.3	$0.8	0.0%
2004	Federal Employee Retirement Programs	$52,300.0	$193.0	0.4%	$55,612.0	$152.0	0.3%	$57,900.0	$254.0	0.4%	$60,420.1	$253.5	0.4%
	Subtotal of Measured Programs	*$81,619.0*	*$285.0*	*0.3%*	*$88,630.0*	*$350.0*	*0.4%*	*$90,980.0*	*$318.0*	*0.3%*	*$96,292.8*	*$423.0*	*0.4%*
Railroad Retirement Board													
2005	Railroad Unemployment Insurance				$123.3	$2.6	2.1%	$111.2	$2.6	2.3%	$105.6	$2.7	2.6%
2005	Retirement and Survivors Benefits				$9,008.0	$147.9	1.6%	$9,197.9	$151.8	1.7%	$9,457.4	$128.6	1.4%
	Subtotal of Measured Programs				*$9,131.3*	*$150.5*	*1.6%*	*$9,309.1*	*$154.4*	*1.7%*	*$9,563.0*	*$131.3*	*1.4%*

Appendix 2: Improper Payments Reported Between FY 2004 and FY 2007 in PARs and AFRs by Program ($ in millions)

		FY 2004 Reported			FY 2005 Reported			FY 2006 Reported			FY 2007 Reported		
1st Rate	Program Name	Outlays	Dollars	Rate	Outlays	Dollars	Rate	Outlays	Dollars	Rate	Outlays	Dollars	Rate
Small Business Administration													
2004	(504) Certified Development Company Debentures (CDC)	$170.0	$0.0	0.0%	$3,917.0	$0.0	0.0%	$4,274.0	$0.0	0.0%	$6,282.0	$0.0	0.0%
2004	Disaster Assistance Loans	$806.0	$0.0	0.0%	$2,231.0	$2.0	0.1%	$11,170.0	$89.0	0.8%	$819.7	$4.5	0.5%
2004	Small Business Investment Centers	$2,787.0	$129.0	4.6%	$1,568.0	$11.0	0.7%	$2,709.0	$0.0	0.0%	$2,525.0	$4.0	0.2%
2005	7(a) Business Loans				$605.0	$31.0	5.1%	$651.0	$10.0	1.5%	$610.2	$2.6	0.4%
2007	7(a) Guaranty Approvals										$13,517.0	$0.0	0.0%
2007	CDC Loans Guarantied										$6,282.0	$0.0	0.0%
	Subtotal of Measured Programs	*$3,763.0*	*$129.0*	*3.4%*	*$8,321.0*	*$44.0*	*0.5%*	*$18,804.0*	*$99.0*	*0.5%*	*$30,035.9*	*$11.1*	*0.0%*
Social Security Administration													
2004	Old Age, Survivors & Disability Insurance (OASDI)	$466,500.0	$1,707.0	0.4%	$493,300.0	$3,681.0	0.7%	$514,200.0	$3,280.0	0.6%	$545,000.0	$2,504.0	0.5%
2004	Supplemental Security Income (SSI)	$35,706.0	$2,639.0	7.4%	$37,470.0	$2,910.0	7.8%	$39,068.0	$3,028.0	7.8%	$40,328.0	$4,089.0	10.1%
	Subtotal of Measured Programs	*$502,206.0*	*$4,346.0*	*0.9%*	*$530,770.0*	*$6,591.0*	*1.2%*	*$553,268.0*	*$6,308.0*	*1.1%*	*$585,328.0*	*$6,593.0*	*1.1%*
	Total FY 2004 Programs[5]	**$1,035,308.0**	**$45,077.3**	**4.4%**	**$1,098,160.0**	**$37,168.3**	**3.4%**	**$1,148,728.2**	**$36,244.4**	**3.2%**	**$1,209,848.9**	**$37,187.2**	**3.1%**
	Total FY 2005 Programs				**$126,760.3**	**$1,303.3**	**1.0%**	**$143,138.5**	**$2,914.3**	**2.0%**	**$136,401.3**	**$1,512.9**	**1.1%**
	Subtotal FY 2004 and 2005 Programs				**$1,224,920.3**	**$38,471.6**	**3.1%**	**$1,291,866.7**	**$39,158.7**	**3.0%**	**$1,346,250.2**	**$38,700.1**	**2.9%**
	Total FY 2006 Programs							**$102,160.6**	**$1,429.1**	**1.4%**	**$87,192.6**	**$420.4**	**0.5%**
	Subtotal FY 2005 and 2006 Programs							**$245,299.1**	**$4,343.4**	**1.8%**	**$223,593.9**	**$1,933.3**	**0.9%**
	Subtotal FY 2004 - 2006 Programs							**$1,394,027.3**	**$40,587.8**	**2.9%**	**$1,433,442.8**	**$39,120.5**	**2.7%**
	Total FY 2007 Programs										**$128,309.0**	**$15,863.4**	**12.4%**
	GRAND TOTAL OF FY 2004 - 2007 PROGRAMS										**$1,561,751.8**	**$54,983.9**	**3.5%**

Appendix 2: Improper Payments Reported Between FY 2004 and FY 2007 in PARs and AFRs by Program ($ in millions)

Notes:
[1] Pell and FFEL grant dollars are based on FY 2006 actuals; reporting for these programs is reported one year in arrears. The FY 2008-2010 projections are based on FY 2007-2009 estimates.
[2]Title I dollars are from FY 2005 actuals, whereas out-year projections are based on FY 06-08 estimates.
[3]This program was reported as high risk for only one year, as improper payments dropped significantly due to successful corrective actions. For NSF and the VA, OMB approved reporting relief on former high risk programs until FY 2009. For EPA, OMB approved reporting relief until FY 2010.
[4]The National Research Project analysis based on tax year 2001 data was completed during FY 2005. Because the data is more than three years old, Treasury statisticians have "aged" the data to project current and out-year improper payment totals.
[5]The outlays and error rate for FY 2004 have been updated to reflect more current information.

PLEASE NOTE: Figures in Appendix 2 may vary slightly from previous reporting years due to rounding, as well as updates to figures based on more current information.

Appendix 3: Outlays for Risk Susceptible Programs Not Reporting Measurements in FY 2007

Appendix 3: Outlays for Risk Susceptible Programs Not Reporting Measurements in FY 2007
($ in millions)

1st Year of High-Risk	Program Name	Rate Expected	FY 2007 (est.) Outlays ($)	Percent (%) of Agency Total
Department of Health and Human Services				
2004	Child Care and Development Fund (CCDF)	FY 2008	$4,852.0	1.8%
2004	Medicaid - Managed Care & Eligibility	FY 2008	$120,000.0	44.0%
2004	State Children's Health Insurance Program (SCHIP)	FY 2008	$6,294.0	2.3%
2004	Temporary Assistance for Needy Families (TANF)	FY 2008	$17,318.0	6.3%
2006	Medicare Advantage (Part C)	FY 2010	$75,128.0	27.5%
2006	Medicare Prescription Drug Benefit (Part D)	FY 2010	$49,256.0	18.1%
	Subtotal of Unmeasured		*$272,848.0*	
Department of Homeland Security				
2007	Assistance to Firefighters	FY 2008	$499.0	2.6%
2007	Aviation Security - Payroll	FY 2008	$2,883.0	14.8%
2007	Detention and Removal Operations	FY 2008	$1,243.0	6.4%
2007	Federal Protective Service	FY 2008	$801.0	4.1%
2007	Homeland Security Grant Program	FY 2008	$826.0	4.3%
2007	ICE Investigations	FY 2008	$1,132.0	5.8%
2007	Infrastructure Protection Program	FY 2008	$120.0	0.6%
2007	National Flood Insurance Program	FY 2008	$1,456.0	7.5%
2007	Public Assistance Programs	FY 2008	$5,098.0	26.2%
2007	USCG Contract Payments	FY 2008	$1,853.0	9.5%
2007	USCG Military Payroll	FY 2008	$3,519.0	18.1%
	Subtotal of Unmeasured		*$19,430.0*	
	Outlay Total Where Measurement not Reported		**$292,278.0**	**10.7%**
	Outlay Total Where Measurement Reported		**$1,560,324.2**	**57.1%**
	Outlay Total for All High Risk Outlays		**$1,852,602.2**	
	Other Outlays		**$878,912.8**	**32.2%**
	TOTAL FEDERAL OUTLAYS		**$2,731,515.0**	**100.0%**

Appendix 4: Agency Recovery Auditing Reporting Between FY 2004 and 2007

Appendix 4: Agency Recovery Auditing Reporting Between FY 2004 and FY 2007 ($ in millions)

Fiscal Year	Amount Subject to Review	Amount Reviewed	Amount Identified	Amount Recovered	Recovery Rate
Department of Agriculture					
2004	$3,700.0	$118.0	$0.0	$0.0	
2005	$4,965.0	$2,428.0	$0.3	$0.2	
2006	$7,549.0	$5,945.0	$0.4	$0.5	
2007	$5,266.7	$3,183.0	$0.2	$0.2	
Cumulative Sub Total	*$21,480.7*	*$11,674.0*	*$0.9*	*$0.9*	*94.5%*
Department of Commerce					
2006	$459.7	$398.3	$0.1	$0.1	
2007	$254.7	$97.0	$0.0	$0.0	
Cumulative Sub Total	*$714.4*	*$495.3*	*$0.1*	*$0.1*	*100.0%*
Department of Defense--Military					
2004	$11,200.0	$11,200.0	$20.8	$20.8	
2005	$222,800.0	$222,800.0	$473.0	$418.5	
2006	$299,400.0	$299,400.0	$340.2	$137.9	
2007	$189,300.0	$189,300.0	$24.6	$19.6	
Cumulative Sub Total	*$722,700.0*	*$722,700.0*	*$858.6*	*$596.8*	*69.5%*
Department of Education					
2004	$1,171.0	$1,171.0	$0.0	$0.0	
2005	$1,393.0	$0.0	$0.3	$0.1	
2006	$1,285.0	$1,285.0	$0.0	$0.0	
2007	$0.0	$0.0	$0.0	$0.0	
Cumulative Sub Total	*$3,849.0*	*$2,456.0*	*$0.3*	*$0.1*	*42.9%*
Department of Energy					
2004	$0.0	$11,944.0	$6.0	$6.0	
2005	$24,113.0	$11,387.0	$10.6	$9.5	
2006	$9,620.0	$9,620.0	$11.9	$10.3	
2007	$20,570.0	$9,231.0	$15.0	$10.0	
Cumulative Sub Total	*$54,303.0*	*$42,182.0*	*$43.5*	*$35.8*	*82.3%*
Department of Health and Human Services					
2004	$0.0	$0.0	$0.0	$0.0	
2005	$12,600.0	$11,100.0	$2.1	$0.0	
2006	$12,600.0	$12,600.0	$1.6	$0.0	
2007	$24,200.0	$24,200.0	$0.6	$0.0	
Cumulative Sub Total	*$49,400.0*	*$47,900.0*	*$4.3*	*$0.1*	*1.4%*

Appendix 4: Agency Recovery Auditing Reporting Between FY 2004 and FY 2007 ($ in millions)

Fiscal Year	Amount Subject to Review	Amount Reviewed	Amount Identified	Amount Recovered	Recovery Rate
Department of Homeland Security					
2005	$3,232.0	$3,232.0	$2.2	$1.2	
2006	$13,400.0	$11,125.0	$502.0	$0.0	
2007	$17,199.0	$17,199.0	$1.8	$1.2	
Cumulative Sub Total	*$33,831.0*	*$31,556.0*	*$506.0*	*$2.4*	*0.5%*
Department of Justice					
2004	$0.0	$23,406.0	$1.0	$0.8	
2005	$6,668.0	$4,607.0	$1.0	$0.8	
2006	$11,310.0	$8,002.0	$1.9	$1.7	
2007	$12,302.1	$9,841.8	$4.2	$3.8	
Cumulative Sub Total	*$30,280.1*	*$45,856.8*	*$8.1*	*$7.1*	*87.2%*
Department of State					
2005	$30,600.0	$30,600.0	$5.4	$5.2	
2006	$35,591.0	$35,591.0	$2.4	$2.3	
2007	$23,200.0	$23,200.0	$5.4	$4.9	
Cumulative Sub Total	*$89,391.0*	*$89,391.0*	*$13.2*	*$12.4*	*93.9%*
Department of the Interior					
2004	$0.0	$0.0	$0.8	$0.8	
2005	$4,700.0	$4,790.0	$0.3	$0.3	
2006	$5,743.6	$5,743.6	$0.7	$0.6	
2007	$5,549.6	$5,549.7	$0.6	$0.6	
Cumulative Sub Total	*$15,993.2*	*$16,083.3*	*$2.5*	*$2.4*	*95.9%*
Department of the Treasury					
2004	$0.0	$35.2	$0.9	$0.7	
2005	$4,941.0	$3,852.0	$0.4	$0.4	
2006	$4,622.0	$4,216.0	$2.3	$1.4	
2007	$5,165.0	$4,447.0	$0.8	$0.8	
Cumulative Sub Total	*$14,728.0*	*$12,550.2*	*$4.4*	*$3.3*	*74.3%*
Department of Transportation					
2004	$2,500.0	$1,543.0	$0.2	$0.2	
2005	$3,065.0	$2,588.0	$2.7	$2.7	
2006	$25,007.0	$1,429.0	$6.5	$0.1	
2007	$25,007.0	$1,429.0	$6.6	$1.2	
Cumulative Sub Total	*$55,579.0*	*$6,989.0*	*$15.9*	*$4.2*	*26.1%*

Appendix 4: Agency Recovery Auditing Reporting Between FY 2004 and FY 2007 ($ in millions)

Fiscal Year	Amount Subject to Review	Amount Reviewed	Amount Identified	Amount Recovered	Recovery Rate
Department of Veterans Affairs					
2004	$0.0	$10,900.0	$29.5	$27.3	
2005	$5,368.0	$5,368.0	$23.0	$13.0	
2006	$6,560.0	$5,690.0	$39.2	$30.4	
2007	$14,857.3	$14,227.2	$37.7	$27.0	
Cumulative Sub Total	*$26,785.3*	*$36,185.2*	*$129.4*	*$97.7*	*75.5%*
Environmental Protection Agency					
2004	$0.0	$0.9	$0.8	$0.8	
2005	$6,460.0	$1,460.0	$0.5	$0.5	
2006	$0.0	$1,657.0	$1.1	$1.1	
2007	$0.0	$947.0	$0.2	$0.2	
Cumulative Sub Total	*$6,460.0*	*$4,064.9*	*$2.6*	*$2.6*	*100.0%*
General Services Administration					
2004	$12,000.0	$12,000.0	$14.4	$11.1	
2005	$111.0	$111.0	$26.6	$8.3	
2006	$13,400.0	$1,070.0	$46.7	$45.9	
2007	$14,000.0	$11,000.0	$11.2	$9.4	
Cumulative Sub Total	*$39,511.0*	*$24,181.0*	*$98.9*	*$74.7*	*75.5%*
International Assistance Programs					
2005	$0.0	$0.0	$0.0	$0.0	
2006	$0.0	$0.0	$0.0	$0.0	
2007	$8,861.0	$8,861.0	$4.0	$4.0	
Cumulative Sub Total	*$8,861.0*	*$8,861.0*	*$4.0*	*$4.0*	*99.8%*
National Aeronautics and Space[1]					
2005	$12,276.0	$82.5	$0.6	$0.6	
2006	$57,439.0	$57,439.0	$0.3	$0.1	
2007	$0.0	$0.0	$0.0	$0.0	
Cumulative Sub Total	*$69,715.0*	*$57,521.5*	*$0.9*	*$0.8*	*86.4%*
Social Security Administration					
2004	$882.0	$882.0	$0.0	$0.0	
2005	$1,160.0	$61.0	$0.3	$0.1	
2006	$1,360.0	$96.0	$0.2	$0.2	
2007	$1,383.0	$54.9	$1.7	$1.7	
Cumulative Sub Total	*$4,785.0*	*$1,093.9*	*$2.2*	*$2.0*	*87.8%*

Appendix 4: Agency Recovery Auditing Reporting Between FY 2004 and FY 2007 ($ in millions)

Fiscal Year	Amount Subject to Review	Amount Reviewed	Amount Identified	Amount Recovered	Recovery Rate
Tennessee Valley Authority					
2005	$5,556.0	$38.5	$0.9	$0.4	
2006	$6,520.0	$191.0	$1.2	$1.2	
2007	$7,027.6	$7,027.6	$1.1	$1.1	
Cumulative Sub Total	*$19,103.6*	*$7,257.1*	*$3.2*	*$2.7*	*85.0%*
FY 2004 Total	**$31,453.0**	**$73,200.1**	**$74.4**	**$68.5**	
FY 2005 Total	**$350,008.0**	**$304,505.0**	**$550.4**	**$461.8**	
FY 2006 Total	**$511,866.3**	**$461,497.9**	**$958.5**	**$233.9**	
FY 2007 Total	**$374,143.0**	**$329,795.1**	**$115.9**	**$85.7**	
CUMULTATIVE	**$1,267,470.4**	**$1,168,998.3**	**$1,699.1**	**$849.9**	**50.0%**

Appendix 4: Agency Recovery Auditing Reporting Between FY 2004 and FY 2007 ($ in millions)

Notes:

[1] NASA did not exercise its option year with its original recovery auditing firm, and thus, did not begin work again for this effort until late in FY 2007. Consequently, zero dollars were reviewed for this year, but they anticipate full reporting for FY 2008.

Appendix 5: Improper Payments Projected Between FY 2008 and FY 2010 as Reported in FY 2007 PARs and AFRs by Program

Appendix 5: Improper Payments Projected Between FY 2008 and FY 2010 as Reported in FY 2007 PARs and AFRs by Program ($ in millions)

		FY 2008			FY 2009			FY 2010		
1st Rate	**Program Name**	**Outlays**	**Dollars**	**Rate**	**Outlays**	**Dollars**	**Rate**	**Outlays**	**Dollars**	**Rate**
Department of Agriculture										
2004	Federal Crop Insurance	$3,421.0	$130.0	3.8%	$3,500.0	$130.0	3.7%	$3,500.0	$126.0	3.6%
2004	Food Stamps	$30,376.0	$1,762.0	5.8%	$31,351.0	$1,787.0	5.7%	$39,691.0	$1,790.0	4.5%
2005	Farm Security & Rural Investment	$272.0	$1.0	0.4%	$388.0	$1.0	0.3%	$496.0	$1.0	0.2%
2005	Loan Deficiency Payments	$189.0	$1.0	0.5%	$149.0	$0.8	0.5%	$33.0	$0.2	0.5%
2005	Marketing Assistance Loan	$10,660.0	$746.0	7.0%	$8,749.0	$438.0	5.0%	$9,119.0	$228.0	2.5%
2005	Milk Income Loss	$200.0	$4.0	2.0%						
2005	Rental Assistance	$888.0	$27.0	3.0%	$924.0	$27.0	2.9%	$961.0	$27.0	2.8%
2005	Wildland Fire Suppression	$1,410.0	$13.0	0.9%	$1,406.0	$11.0	0.8%	$1,500.0	$9.0	0.6%
2006	Child and Adult Care Food - FDC Homes-Tiering Component	$702.0	$11.5	1.6%	$725.0	$11.5	1.6%	$788.0	$12.0	1.5%
2006	Conservation Reserve	$1,890.0	$10.0	0.5%	$1,926.0	$10.0	0.5%	$1,879.0	$9.0	0.5%
2006	Direct & Counter-Cyclical Payments	$6,899.0	$28.0	0.4%	$6,293.0	$26.0	0.4%	$6,592.0	$27.0	0.4%
2006	Farm Service Disaster	$1,496.0	$75.0	5.0%	$1,403.0	$49.0	3.5%			
2006	Non-insured Assistance	$154.0	$15.0	9.7%	$325.0	$16.0	4.9%	$325.0	$8.0	2.5%
2006	Special Nutrition Program for Women, Infants, and Children (WIC) Vendor Error	$4,158.0	$27.0	0.6%	$4,093.0	$24.0	0.6%	$3,915.0	$22.0	0.6%
2007	School Breakfast	$2,226.0	$537.0	24.1%	$2,371.0	$553.0	23.3%	$2,503.0	$565.0	22.6%
2007	School Lunch	$8,761.0	$1,387.0	15.8%	$9,115.0	$1,403.0	15.4%	$8,552.0	$1,279.0	15.0%
	Subtotal of Measured Programs	*$73,702.0*	*$4,774.5*	*6.5%*	*$72,718.0*	*$4,487.3*	*6.2%*	*$79,854.0*	*$4,103.2*	*5.1%*
Department of Defense--Military										
2004	Military Health Benefits	$8,900.0	$178.0	2.0%	$9,400.0	$188.0	2.0%	$8,900.0	$178.0	2.0%
2004	Military Retirement Benefits	$39,600.0	$51.2	0.1%	$41,300.0	$51.9	0.1%	$42,900.0	$52.3	0.1%
2005	Military Pay	$75,700.0	$349.6	0.5%	$68,400.0	$314.6	0.5%	$69,700.0	$313.4	0.4%
2006	Civilian Pay	$29,700.0	$73.8	0.2%	$30,800.0	$73.0	0.2%	$31,800.0	$72.3	0.2%
2006	Travel Pay	$6,800.0	$6.8	0.1%	$6,800.0	$6.8	0.1%	$6,800.0	$6.8	0.1%
	Subtotal of Measured Programs	*$160,700.0*	*$659.4*	*0.4%*	*$156,700.0*	*$634.3*	*0.4%*	*$160,100.0*	*$622.8*	*0.4%*
Department of Education										
2004	Pell Grants[1]	$12,240.0	$433.3	3.5%	$12,543.0	$438.9	3.5%	$12,543.0	$438.9	3.5%
2005	Federal Family Education Loan (FFEL)[1]	$5,861.0	$1.9	0.0%	$4,307.0	$1.4	0.0%	$4,307.0	$1.4	0.0%
2005	Title I - Grants to States[2]	$12,597.0	$65.2	0.5%	$12,587.0	$65.2	0.5%	$12,587.0	$65.2	0.5%
	Subtotal of Measured Programs	*$30,698.0*	*$500.4*	*1.6%*	*$29,437.0*	*$505.5*	*1.7%*	*$29,437.0*	*$505.5*	*1.7%*

Appendix 5: Improper Payments Projected Between FY 2008 and FY 2010 as Reported in FY 2007 PARs and AFRs by Program ($ in millions)

		FY 2008			FY 2009			FY 2010		
1st Rate	**Program Name**	**Outlays**	**Dollars**	**Rate**	**Outlays**	**Dollars**	**Rate**	**Outlays**	**Dollars**	**Rate**
Department of Health and Human Services										
2004	HeadStart	$6,771.0	$81.3	1.2%	$6,771.0	$74.5	1.1%	$6,771.0	$67.7	1.0%
2004	Medicare Fee-for-Service (FFS)	$312,062.0	$11,900.0	3.8%	$333,535.0	$12,300.0	3.7%	$347,700.0	$12,500.0	3.6%
2005	Foster Care-Title IV-E	$1,518.0	$49.3	3.2%	$1,469.0	$45.5	3.1%	$1,426.0	$42.8	3.0%
2007	Medicaid Fee-for-Service	$77,479.0	$14,217.0	18.3%	$82,903.0	$15,171.0	18.3%	$89,038.0	$16,249.0	18.2%
	Subtotal of Measured Programs	*$397,830.0*	*$26,247.6*	*6.6%*	*$424,678.0*	*$27,591.0*	*6.5%*	*$444,935.0*	*$28,859.5*	*6.5%*
Department of Homeland Security										
2006	Disaster Relief Fund Vendor Payments	$3,454.0	$69.0	2.0%	$6,454.0	$60.0	0.9%	$6,454.0	$51.0	0.8%
2006	Individuals & Households Program	$2,228.0	$111.0	5.0%	$2,228.0	$45.0	2.0%	$2,228.0	$33.0	1.5%
2007	CBP Custodial Refund & Drawback	$2,423.0	$5.0	0.2%	$2,423.0	$3.0	0.1%	$2,423.0	$1.5	0.1%
	Subtotal of Measured Programs	*$8,105.0*	*$185.0*	*2.3%*	*$11,105.0*	*$108.0*	*1.0%*	*$11,105.0*	*$85.5*	*0.8%*
Department of Housing and Urban Development										
2004	Public Housing / Rental Assistance	$28,663.0	$1,330.0	4.6%	$29,416.0	$810.0	2.8%	$29,584.0	$680.0	2.3%
	Subtotal of Measured Programs	*$28,663.0*	*$1,330.0*	*4.6%*	*$29,416.0*	*$810.0*	*2.8%*	*$29,584.0*	*$680.0*	*2.3%*
Department of Labor										
2004	Federal Employees Compensation Act (FECA)	$2,701.0	$6.5	0.2%	$2,863.0	$6.9	0.2%	$2,896.0	$7.0	0.2%
2004	Unemployment Insurance (UI)	$32,020.0	$3,695.0	11.5%	$34,900.0	$4,027.0	11.5%	$36,970.0	$4,119.0	11.1%
2005	Workforce Investment Act (WIA)	$3,292.0	$3.2	0.1%	$2,918.0	$3.2	0.1%	$2,898.0	$3.2	0.1%
	Subtotal of Measured Programs	*$38,013.0*	*$3,704.7*	*9.7%*	*$40,681.0*	*$4,037.1*	*9.9%*	*$42,764.0*	*$4,129.2*	*9.7%*
Department of State										
2006	International Information Program	$24.0	$0.2	0.8%	$25.0	$0.2	0.7%	$26.0	$0.2	0.7%
2007	Business Class Travel	$17.0	$0.7	3.8%	$18.0	$0.7	3.7%	$19.0	$0.7	3.5%
	Subtotal of Measured Programs	*$41.0*	*$0.8*	*2.0%*	*$43.0*	*$0.8*	*2.0%*	*$45.0*	*$0.9*	*1.9%*
Department of the Treasury										
2004	Earned Income Tax Credit (EITC)[3]	$46,200.0	$11,800.0	25.5%	$47,100.0	$12,000.0	25.5%	$48,100.0	$12,250.0	25.5%
	Subtotal of Measured Programs	*$46,200.0*	*$11,800.0*	*25.5%*	*$47,100.0*	*$12,000.0*	*25.5%*	*$48,100.0*	*$12,250.0*	*25.5%*

Appendix 5: Improper Payments Projected Between FY 2008 and FY 2010 as Reported in FY 2007 PARs and AFRs by Program ($ in millions)

		FY 2008			FY 2009			FY 2010		
1st Rate	**Program Name**	**Outlays**	**Dollars**	**Rate**	**Outlays**	**Dollars**	**Rate**	**Outlays**	**Dollars**	**Rate**
Department of Transportation										
2006	FHWA Highway Planning/Construction	$37,140.0	$50.0	0.1%	$39,300.0	$45.0	0.1%	$39,300.0	$40.0	0.1%
2007	FAA Airport Improvement Program	$3,967.0	$0.0	0.0%	$4,075.0	$0.0	0.0%	$4,075.0	$0.0	0.0%
2007	FTA Capital Investment Grants Program	$2,800.0	$2.9	0.1%	$2,800.0	$2.8	0.1%	$2,800.0	$2.7	0.1%
2007	FTA Formula Grants Program	$5,700.0	$4.3	0.1%	$5,700.0	$4.0	0.1%	$5,800.0	$3.0	0.1%
	Subtotal of Measured Programs	*$49,607.0*	*$57.2*	*0.1%*	*$51,875.0*	*$51.8*	*0.1%*	*$51,975.0*	*$45.7*	*0.1%*
Department of Veterans Affairs										
2004	Compensation/Dependency & Indemnity	$34,193.0	$345.3	1.0%	$37,430.0	$366.8	1.0%	$40,862.0	$388.2	1.0%
2004	Education	$3,007.0	$88.7	2.9%	$3,137.0	$81.6	2.6%	$3,213.0	$77.2	2.4%
2004	Pension	$3,645.0	$377.6	10.4%	$3,773.0	$311.2	8.2%	$3,912.0	$317.7	8.1%
2005	Loan Guaranty	$881.0	$5.4	0.6%	$925.0	$5.0	0.5%	$971.0	$4.6	0.5%
2005	Vocational Rehabilitation/Employment	$618.0	$5.6	0.9%	$669.0	$5.4	0.8%	$716.0	$5.3	0.7%
2007	Fee Program	$1,757.0	$103.7	5.9%	$1,917.0	$113.1	5.9%	$2,092.0	$121.3	5.8%
	Subtotal of Measured Programs	*$44,101.0*	*$926.3*	*2.1%*	*$47,851.0*	*$883.1*	*1.8%*	*$51,766.0*	*$914.3*	*1.8%*
International Assistance Programs										
2005	USAID Cash Transfers	$1,489.0	$1.0	0.1%	$1,564.0	$0.8	0.1%	$1,642.0	$0.4	0.0%
2005	USAID Grants, Contracts and Cooperative Agreements	$8,223.0	$41.0	0.5%	$8,644.0	$22.0	0.3%	$9,077.0	$11.0	0.1%
	Subtotal of Measured Programs	*$9,712.0*	*$42.0*	*0.4%*	*$10,208.0*	*$22.8*	*0.2%*	*$10,719.0*	*$11.4*	*0.1%*
Office of Personnel Management										
2004	Federal Employee Health Benefit Program	$36,900.0	$136.5	0.4%	$39,700.0	$135.0	0.3%	$42,800.0	$141.3	0.3%
2004	Federal Employee Life Insurance Program	$2,470.0	$1.7	0.1%	$2,590.0	$1.8	0.1%	$2,710.0	$1.4	0.1%
2004	Federal Employee Retirement Programs	$64,000.0	$275.2	0.4%	$67,300.0	$282.7	0.4%	$70,700.0	$289.9	0.4%
	Subtotal of Measured Programs	*$103,370.0*	*$413.4*	*0.4%*	*$109,590.0*	*$419.5*	*0.4%*	*$116,210.0*	*$432.6*	*0.4%*
Railroad Retirement Board										
2005	Railroad Unemployment Insurance Program	$111.0	$2.9	2.6%	$120.9	$3.1	2.6%	$129.2	$3.4	2.6%
2005	Retirement and Survivors Benefits	$9,803.4	$133.3	1.4%	$10,174.5	$101.7	1.0%	$10,453.3	$104.5	1.0%
	Subtotal of Measured Programs	*$9,914.4*	*$136.2*	*1.4%*	*$10,295.4*	*$104.8*	*1.0%*	*$10,582.5*	*$107.9*	*1.0%*

Appendix 5: Improper Payments Projected Between FY 2008 and FY 2010 as Reported in FY 2007 PARs and AFRs by Program ($ in millions)

		FY 2008			FY 2009			FY 2010		
1st Rate	**Program Name**	**Outlays**	**Dollars**	**Rate**	**Outlays**	**Dollars**	**Rate**	**Outlays**	**Dollars**	**Rate**
Small Business Administration										
2004	(504) Certified Development Company Debentures (CDC)	$7,500.0	$0.0	0.0%	$7,500.0	$0.0	0.0%	$7,500.0	$0.0	0.0%
2004	Disaster Assistance Loans	$800.0	$4.0	0.5%	$800.0	$4.0	0.5%	$800.0	$4.0	0.5%
2004	Small Business Investment Centers (SBIC)	$2,500.0	$4.0	0.2%	$2,000.0	$3.2	0.2%	$1,250.0	$2.0	0.2%
2005	7(a) Business Loans	$610.0	$2.4	0.4%	$610.0	$2.4	0.4%	$610.0	$2.4	0.4%
2007	7(a) Guaranty Approvals	$17,500.0	$0.0	0.0%	$17,500.0	$0.0	0.0%	$17,500.0	$0.0	0.0%
2007	CDC Loans Guarantied	$7,500.0	$0.0	0.0%	$7,500.0	$0.0	0.0%	$7,500.0	$0.0	0.0%
	Subtotal of Measured Programs	*$36,410.0*	*$10.4*	*0.0%*	*$35,910.0*	*$9.6*	*0.0%*	*$35,160.0*	*$8.4*	*0.0%*
Social Security Administration										
2004	Old Age, Survivors & Disability Insurance (OASDI)	$576,003.0	$2,304.0	0.4%	$604,479.0	$2,418.0	0.4%	$637,154.0	$2,548.0	0.4%
2004	Supplemental Security Income (SSI)	$44,033.0	$2,421.0	5.5%	$46,144.0	$2,400.0	5.2%	$48,194.0	$2,506.0	5.2%
	Subtotal of Measured Programs	*$620,036.0*	*$4,725.0*	*0.8%*	*$650,623.0*	*$4,818.0*	*0.7%*	*$685,348.0*	*$5,054.0*	*0.7%*
	Total FY 2004 Programs	**$1,298,005.0**	**$37,325.3**	**2.9%**	**$1,367,532.0**	**$37,818.5**	**2.8%**	**$1,438,650.0**	**$38,484.6**	**2.7%**
	Total FY 2005 Programs	**$134,322.4**	**$1,452.8**	**1.1%**	**$124,004.4**	**$1,048.1**	**0.8%**	**$126,625.5**	**$822.8**	**0.6%**
	Total FY 2006 Programs	**$94,645.0**	**$477.3**	**0.5%**	**$124,004.4**	**$1,048.1**	**0.8%**	**$126,625.5**	**$822.8**	**0.6%**
	Total FY 2007 Programs	**$130,130.0**	**$16,257.5**	**12.5%**	**$136,322.0**	**$17,250.6**	**12.7%**	**$142,302.0**	**$18,222.2**	**12.8%**
	Total of FYs 2004 - 2007 Programs	**$1,657,102.4**	**$55,513.0**	**3.4%**	**$1,728,230.4**	**$56,483.6**	**3.3%**	**$1,807,684.5**	**$57,810.8**	**3.2%**

Appendix 5: Improper Payments Projected Between FY 2008 and FY 2010 as Reported in FY 2007 PARs and AFRs by Program ($ in millions)

Notes:
[1] Pell and FFEL grant dollars are based on FY 2006 actuals; reporting for these programs is reported one year in arrears. The FY 2008-2010 projections are based on FY 2007-2009 estimates.
[2] Title I dollars are from FY 2005 Actuals, whereas out-year projections are based on FY 06-08 estimates.
[3] The National Research Project analysis based on tax year 2001 data was completed during FY 2005. Because the data is more than three years old, Treasury statisticians have "aged" the data to project current and out-year improper payment totals.