



June 2016

IMPROPER PAYMENTS

CFO Act Agencies Need to Improve Efforts to Address Compliance Issues

GAO Highlights

Highlights of [GAO-16-554](#), a report to congressional committees

Why GAO Did This Study

IPERA calls for executive branch agencies' IGs to annually determine whether their agencies complied with six criteria related to the estimation of improper payments, including conducting risk assessments, publishing corrective action plans, and meeting annual reduction targets. In the last 2 fiscal years, total estimated improper payments reported by federal agencies have increased considerably. Specifically, improper payment estimates across the government for fiscal year 2015 totaled \$136.7 billion, over \$30 billion higher than the estimated total for fiscal year 2013.

GAO was asked to review compliance under IPERA as reported by IGs for fiscal year 2014. This report examines to what extent the 24 CFO Act agency IGs (1) reported that agencies complied with the IPERA criteria for fiscal years 2011 through 2014, and what criteria and programs were responsible for agency noncompliance; (2) reported programs to be noncompliant for 3 consecutive years as of fiscal year 2014, and whether agencies submitted the required information to Congress; and (3) adhered to statutory requirements and OMB guidance for reporting on fiscal year 2014 IPERA compliance reviews.

What GAO Recommends

GAO recommends that four agencies submit proposals as required to Congress in response to 3 years of noncompliance with IPERA criteria. The Departments of Defense and Transportation concurred with GAO's recommendations and the Department of Agriculture and the Small Business Administration stated that they had no comments on the draft report.

View [GAO-16-554](#). For more information, contact Beryl Davis at (202) 512-2623 or davisbh@gao.gov

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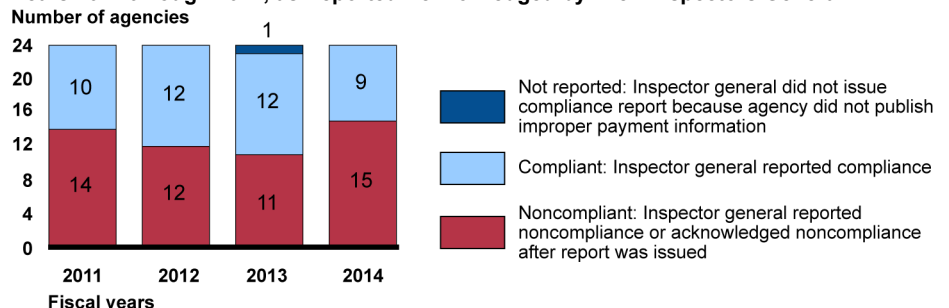
IMPROPER PAYMENTS

CFO Act Agencies Need to Improve Efforts to Address Compliance Issues

What GAO Found

For fiscal year 2014, 15 of the 24 Chief Financial Officers Act (CFO Act) agency inspectors general (IG) determined that their agencies did not comply with criteria in the Improper Payments Elimination and Recovery Act of 2010 (IPERA). This is the largest number of CFO Act agencies reported as noncompliant under IPERA since the requirement for IGs to report on their agencies' compliance was implemented in fiscal year 2011, and represents an increase of 4 agencies from fiscal year 2013. In fiscal year 2014, IGs reported 38 programs accounting for \$100.6 billion in estimated improper payments as responsible for instances of noncompliance. Agency noncompliance for fiscal year 2014 was largely due to agencies failing to meet improper payment reduction targets or to report improper payment error rates at less than 10 percent for all programs. If the 5 agencies with programs exceeding 10 percent error rates had reported error rates under the threshold set in IPERA, the government-wide improper payment estimate would have been \$23.1 billion, or 18.6 percent, lower.

The Number of Chief Financial Officers Act Agencies Compliant under IPERA from Fiscal Years 2011 through 2014, as Reported/Acknowledged by Their Inspectors General



Source: GAO analysis of Inspector General Improper Payment Elimination and Recovery Act of 2010 (IPERA) compliance reports from fiscal years 2011 through 2014. | GAO-16-554

In addition, 18 programs at 9 agencies were reported as noncompliant with IPERA criteria by their agencies' IGs for at least 3 consecutive years as of fiscal year 2014. Agencies with programs reported as noncompliant for 3 consecutive years are required to submit proposals to Congress to reauthorize the programs or change the statutes that established them. However, GAO found that only 3 agencies submitted such information to Congress. When agencies do not report to Congress as required, Congress is limited in its ability to monitor the implementation of IPERA and ensure that its intent is being fulfilled.

Certain IGs also did not fully adhere to Office of Management and Budget (OMB) guidance or statutory requirements for IPERA reporting for fiscal year 2014 by either failing to (1) clearly state the agency's compliance status overall and with each of the six criteria, (2) report on programs designated high priority by OMB as necessary, or (3) report compliance determinations for disaster relief programs. In the past year, OMB has made efforts to clarify its guidance to IGs. To determine if IGs made changes in response to OMB's efforts and deficiencies identified in GAO's preliminary findings shared with them, GAO reviewed select fiscal year 2015 IPERA reports issued by IGs in May 2016. GAO concluded that the IGs corrected the issues identified during this review in their fiscal year 2015 IPERA reports, and no recommendations to IGs are warranted.

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Abbreviations

AFR	agency financial report
CFO Act	Chief Financial Officers Act of 1990
DHS	Department of Homeland Security
DOD	Department of Defense
DOI	Department of the Interior
DOL	Department of Labor
DOT	Department of Transportation
EITC	Earned Income Tax Credit program
FNS	Food and Nutrition Service
GSA	General Services Administration
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
IG	inspector general
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act of 2002
NSF	National Science Foundation
OMB	Office of Management and Budget
PAR	performance and accountability report
SBA	Small Business Administration
SSA	Social Security Administration
SSI	Social Security Income program
State	Department of State
TANF	Temporary Assistance for Needy Families program
Treasury	Department of the Treasury
USDA	U.S. Department of Agriculture
VA	Department of Veterans Affairs

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June 30, 2016

The Honorable Ron Johnson
Chairman
The Honorable Thomas R. Carper
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Jason Chaffetz
Chairman
The Honorable Elijah E. Cummings
Ranking Member
Committee on Oversight and Government Reform
House of Representatives

Improper payments—payments that should not have been made or were made in incorrect amounts—have presented a continuing challenge to the fiscal position of the federal government and have been estimated to total over \$1 trillion government-wide since 2003.¹ In the last 2 fiscal years, total estimated improper payments at federal agencies have increased considerably. Specifically, improper payment estimates across the federal

¹An improper payment is defined as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except such payments where authorized by law), and any payment that does not account for credit for applicable discounts. Office of Management and Budget (OMB) guidance also instructs agencies to report as improper payments any payments for which insufficient or no documentation was found. It is important to note that improper payment totals are estimated and may or may not represent a loss to the government.

government for fiscal year 2015 totaled \$136.7 billion, over \$30 billion higher than the estimated total for fiscal year 2013.²

For several years, GAO has reported that the federal government is unable to determine the full extent to which improper payments occur and reasonably ensure that actions are taken to reduce them. Given the significant increase in estimated improper payments in recent years, additional efforts are needed to help ensure that federal agencies and inspectors general (IG) monitor individual programs' improper payment rates. Annual reports prepared by the IGs assessing agencies' compliance under the Improper Payments Elimination and Recovery Act of 2010 (IPERA),³ which are the focus of this review, play a pivotal role in this effort.

We previously reported on agency compliance under IPERA for fiscal year 2013.⁴ We were asked to provide an update on the analysis contained in that report to include fiscal year 2014 data, as well as assess the extent to which IGs have complied with newly issued guidance in Office of Management and Budget (OMB) Circular No. A-123, Appendix C. This report discusses (1) the number of agencies, among those listed

²Twenty-two agencies reported improper payment estimates for fiscal years 2014 and 2015, including 19 agencies covered by this review as well as the Federal Communications Commission, Corporation for National and Community Service, and Railroad Retirement Board. The estimates for fiscal years 2014 and 2015 exclude the Department of Defense's Defense Finance and Accounting Service (DFAS) Commercial Pay program. Although OMB included this program in its government-wide improper payment estimate for both years, because of continuing GAO concerns from a 2013 report regarding the reliability of its improper payment estimate, the DFAS Commercial Pay estimate was excluded from GAO's calculations. See GAO, *DOD Financial Management: Significant Improvements Needed in Efforts to Address Improper Payment Requirements*, [GAO-13-227](#) (Washington, D.C.: May 13, 2013).

³Pub. L. No. 111-204, 124 Stat. 2224 (July 22, 2010).

⁴GAO, *Improper Payments: Inspector General Reporting of Agency Compliance under the Improper Payments Elimination and Recovery Act*, [GAO-15-87R](#) (Washington, D.C.: Dec. 9, 2014).

in the Chief Financial Officers Act of 1990, as amended (CFO Act),⁵ that complied with the criteria listed in IPERA, as reported by their IGs, for fiscal years 2011 through 2014, and what criteria and programs the IGs concluded were primarily responsible for instances of agency noncompliance; (2) the number of programs at the 24 CFO Act agencies that were determined noncompliant under IPERA by their IGs for 3 or more consecutive years as of fiscal year 2014, and the extent to which the responsible agencies submitted the required information to Congress; and (3) the extent to which CFO Act agency IGs adhered to certain IPERA requirements and the related OMB guidance in their fiscal year 2014 improper payment compliance reviews, including reporting on certain disaster relief appropriations and OMB-designated high-priority programs.

To determine the number of CFO Act agencies (hereafter referred to as agencies) compliant or noncompliant with the criteria in IPERA, as reported by their IGs for fiscal years 2011 through 2014,⁶ we reviewed reports prepared annually by the CFO Act agency IGs (hereafter referred to as IGs) and summarized their findings and conclusions. We also determined the programs responsible for noncompliance over this period by analyzing and summarizing the determinations made in the IG reports. Additionally, we reviewed the improper payments reporting contained in the agencies' fiscal year 2014 agency financial reports (AFR) and performance and accountability reports (PAR) and corroborated our findings with OMB and the IGs.⁷

⁵The CFO Act, Pub. L. No. 101-576 (Nov. 15, 1990), established chief financial officers to oversee financial management activities at 23 major executive departments and agencies. The list now includes 24 entities, which are often referred to collectively as CFO Act agencies, and is codified, as amended, in section 901 of Title 31, U.S.C. The CFO Act agencies accounted for over 99 percent of the government-wide improper payment estimate in fiscal year 2014.

⁶At the start of our review, fiscal year 2014 was the most current reporting year for which IGs issued IPERA compliance reports. Fiscal year 2015 IPERA compliance reports were due in May 2016.

⁷An AFR is a report on an agency's end of fiscal year financial position that includes, but is not limited to, financial statements, notes on the financial statements, and a report of the independent auditors. A PAR is an AFR combined with an annual performance report, which includes information on an agency's efforts to achieve goals during the past fiscal year.

To determine the number of programs deemed noncompliant by their agencies' IGs as of fiscal year 2014 for consecutive years, we summarized IG determinations made in annual compliance reports prepared by the IGs dating back to fiscal year 2011 and also corroborated our findings with OMB and the IGs. To determine if agencies overseeing these noncompliant programs have submitted the required information to Congress, we interviewed and reviewed supporting documentation from the offices of chief financial officer at relevant agencies.

To assess the extent to which IGs have adhered to OMB guidance for fiscal year 2014 reporting, we reviewed the compliance reports prepared annually by the IGs and compared the structure and content to that required by OMB Circular No. A-123, Appendix C.⁸ We also reviewed the agencies' improper payments reporting contained in the AFRs and PARs for fiscal year 2014 to help ensure that certain IPERA criteria were met and that the IG determination for compliance for each criterion agreed to our observations. In each fiscal year 2014 agency AFR or PAR, we were able to assess whether the following criteria in Section 3 of IPERA were met for each program determined to be at risk for significant improper payments: (1) published corrective action plans, (2) published and met annual reduction targets, and (3) reported a gross improper payment estimate of less than 10 percent. We determined that the conclusions in the IGs' reports were sufficiently reliable for our reporting purposes.

We conducted this performance audit from September 2015 to June 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Appendix I provides additional information on our scope and methodology.

⁸Office of Management and Budget, *Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments*, OMB Memorandum No. M-15-02 (Washington, D.C.: October 2014).

Background

In November 2002, Congress passed and the President signed the Improper Payments Information Act of 2002 (IPIA),⁹ which was later amended by IPERA and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA).¹⁰ IPIA, as amended, requires federal executive branch agencies to (1) review all programs and activities and identify those that may be susceptible to significant improper payments, (2) estimate the annual amount of improper payments for susceptible programs and activities, (3) implement actions to reduce improper payments and set reduction targets, and (4) report on the results of addressing the foregoing requirements.¹¹

Section 3 of IPERA also calls for executive agencies' IGs to annually determine and report on whether their respective agencies complied with the following six criteria:

- publish a report in the form and content required by OMB—typically an AFR or a PAR—for the most recent fiscal year, and post that report on the agency website;
- conduct a program-specific risk assessment for each program or activity that conforms with IPIA as amended;
- publish improper payment estimates for all programs and activities deemed susceptible to significant improper payments under the agency's risk assessment;
- publish corrective action plans for those programs and activities assessed to be at risk for significant improper payments;
- publish and meet annual reduction targets for all programs and activities assessed to be at risk for significant improper payments; and

⁹Pub. L. No. 107-300, 116 Stat. 2350 (Nov. 26, 2002), *codified as amended at* 31 U.S.C. § 3321 Note.

¹⁰Pub. L. No. 112-248, 126 Stat. 2390 (Jan. 10, 2013).

¹¹For fiscal year 2014 and beyond, "significant improper payments" are defined as gross annual improper payments in the program that may have exceeded either (1) both 1.5 percent of program outlays and \$10 million or (2) \$100 million (regardless of the improper payment error rate).

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- report a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was published.

OMB plays a key role in overseeing the implementation of improper payments legislation. OMB is directed by statute to provide guidance to federal agencies on estimating, reporting, reducing, and recovering improper payments, and has also issued guidance to agencies on improving improper payment estimates as required by IPERA.

In October 2014, OMB issued new guidance on improper payments that changed certain requirements for fiscal year 2014 reporting, such as extending the reporting period for IG IPERA reports and also eliminating an additional criterion for IGs to assess whether agencies have reported on efforts to recapture improper payments. Per this guidance, an agency's IG is required to submit a report on its assessment of the agency's compliance with the criteria listed in IPERA, as applicable, to the head of the agency, the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, the Comptroller General, and the OMB Controller within 180 days of the publication of the agency's annual PAR or AFR.¹²

IPERA states that if an IG reports that an agency is not in compliance with any of the IPERA criteria for 1 fiscal year, the agency head must submit a plan to appropriate congressional committees and OMB describing the actions that the agency will take to come into compliance. If an agency is found noncompliant with respect to the same program for 2 consecutive years, IPERA directs OMB to review the program and determine if additional funding would help bring the program into compliance and, if so, directs the agency to use any available reprogramming or transfer authority, or request further reprogramming or transfer authority from Congress, to aid in the program's remediation efforts. For programs determined to be noncompliant for more than 3 consecutive years, the agency is required by IPERA to submit to Congress within 30 days of the IG's report either (1) a reauthorization proposal for the program or (2) proposed statutory changes necessary to

¹²Office of Management and Budget, *Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments*.

bring the program or activity into compliance.¹³ In addition, OMB's guidance stipulates that OMB may require agencies that are noncompliant to complete additional requirements. For example, OMB could require that the agency re-evaluate or re-prioritize its corrective actions, intensify and expand existing corrective action plans, or implement or pilot new tools and methods to prevent improper payments.

OMB is required to annually identify a list of high-priority federal programs in need of greater oversight and review. In general, OMB has implemented this requirement by designating high-priority programs based on a threshold of \$750 million in estimated improper payments for a given year. OMB guidance directs IGs at executive branch agencies with high-priority programs, as part of their annual compliance reviews, to (1) evaluate the agency's assessment of risk level and quality of the improper payment methodology for estimation; (2) determine the extent of oversight needed; and (3) provide the agency with recommendations, as necessary, for improving its methodology, internal controls, or level of program access and participation.

In addition to the laws and guidance noted above, the Disaster Relief Appropriations Act, 2013 requires that all programs receiving funds appropriated by that act be deemed susceptible to significant improper payments, which consequently requires the agencies responsible for these programs to estimate improper payments, implement corrective actions, and report on their results for these programs.¹⁴

¹³While IPERA states that these procedures are required of agencies with more than 3 consecutive years of noncompliance findings by their IGs, OMB's guidance instructs agencies with 3 or more years of consecutive noncompliance to take these steps, thereby including those agencies with exactly 3 years of consecutive reported noncompliance.

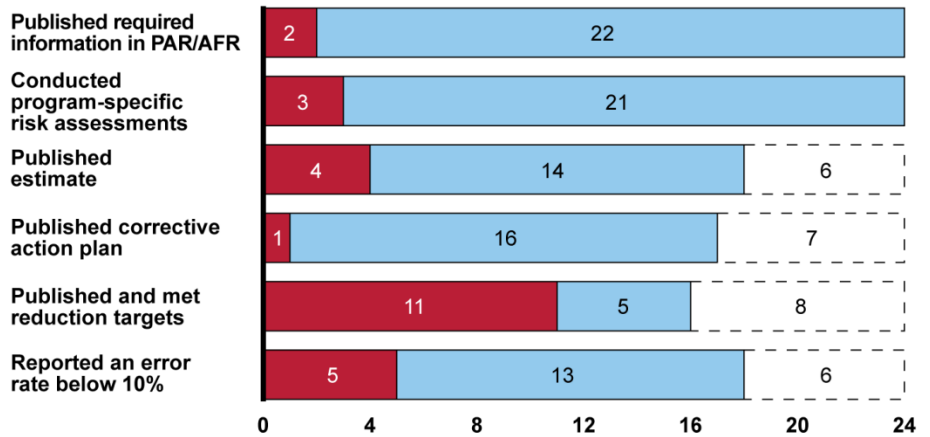
¹⁴Pub. L. No. 113-2, div. A, § 904(b), 127 Stat. 4, 17 (Jan. 29, 2013).

IGs Reported a Decrease in Compliance with IPERA Criteria Caused Primarily by Agencies' Failure to Meet Improper Payment Reduction Targets

For fiscal year 2014, 15 of the 24 CFO Act agency IGs reported their agencies as noncompliant with one or more of the IPERA Section 3 criteria. This is the largest number of agencies deemed noncompliant under IPERA since IGs began reporting on their agencies' compliance with these criteria in fiscal year 2011. Further, this represents an increase of 4 agencies reported to be noncompliant compared to fiscal year 2013.

A total of 38 programs accounting for a reported \$100.6 billion in estimated improper payments were responsible for identified instances of noncompliance in fiscal year 2014. Figure 1 summarizes agencies' reported compliance by IPERA criterion for fiscal year 2014.

Figure 1: Fiscal Year 2014 CFO Act Agencies' Overall IPERA Compliance by IPERA Criterion, as Reported by Their IGs



■ Noncompliant: IG reported noncompliance
■ Compliant: IG reported compliance
 Not applicable: Inspector General reported that agency programs did not meet the risk-susceptible threshold in IPERA and therefore were not required to comply with this criterion

AFR: Agency financial report CFO Act: Chief Financial Officers Act of 1990
 IG: Inspector general IPERA: Improper Payments Elimination and Recovery Act of 2010
 PAR: Performance and accountability report

Source: GAO analysis of Inspector General IPERA compliance reports from fiscal year 2014 | GAO-16-554

Based on our review of IG IPERA reports for fiscal year 2014, we found that the causes for noncompliance most commonly reported were related to the IPERA provisions regarding publishing and meeting planned improper payment reduction targets and reporting improper payment error

rates below 10 percent. Specifically, 12 of the 24 CFO Act agencies did not meet one or both of these criteria. These results are similar to those reported by the IGs in fiscal year 2013. The reports also showed that most agencies complied with other IPERA criteria, such as publishing required information in a PAR or AFR and publishing corrective action plans for relevant programs. Table 1 displays each agency's compliance status for each IPERA criterion, as reported by its IG, for fiscal year 2014.

Table 1: Fiscal Year 2014 CFO Act Agencies' IPERA Compliance as Reported by Their IGs

CFO Act agencies	Overall compliance	Published required information in PAR/AFR	Conducted program-specific risk assessment	Published estimate(s)	Published corrective action plan(s)	Published and met reduction target(s)	Reported error rate(s) below 10 percent
Department of Agriculture	N	Y	Y	N	Y	N	N
Department of Commerce	Y	Y	Y	Y	N/A	N/A	N/A
Department of Defense	N	Y	Y	Y	Y	N	Y
Department of Education	N	Y	Y	Y	Y	N	Y
Department of Energy	Y	Y	Y	N/A	N/A	N/A	N/A
Department of Health and Human Services	N	Y	N	N	N	N	N
Department of Homeland Security	N	Y	Y	Y	Y	N	Y
Department of Housing and Urban Development	N	N	N	Y	Y	Y	Y
Department of the Interior	N	Y	Y	N	Y	N/A	N/A
Department of Justice	Y	Y	Y	Y	N/A	N/A	Y
Department of Labor	N	Y	Y	Y	Y	N	N
Department of State	Y	Y	Y	N/A	N/A	N/A	N/A
Department of Transportation	N	Y	Y	Y	Y	N	Y
Department of the Treasury	N	Y	Y	Y	Y	Y	N
Department of Veterans Affairs	N	Y	Y	N	Y	N	Y
Environmental Protection Agency	Y	Y	Y	Y	Y	Y	Y
General Services Administration	N	Y	Y	Y	Y	N	Y
National Aeronautics and Space Administration	Y	Y	Y	N/A	N/A	N/A	N/A
National Science Foundation	N	N	N	N/A	N/A	N/A	N/A
Nuclear Regulatory Commission	Y	Y	Y	N/A	N/A	N/A	Y
Office of Personnel Management	Y	Y	Y	Y	Y	Y	Y
Small Business Administration	N	Y	Y	Y	Y	N	N
Social Security Administration	N	Y	Y	Y	Y	N	Y

CFO Act agencies	Overall compliance	Published required information in PAR/AFR	Conducted program-specific risk assessment	Published estimate(s)	Published corrective action plan(s)	Published and met reduction target(s)	Reported error rate(s) below 10 percent
U.S. Agency for International Development	Y	Y	Y	N/A	Y	Y	Y
Total noncompliant CFO Act agencies	15	2	3	4	1	11	5

Legend:

Y: IG reported compliance

N: IG reported noncompliance

N/A: Not applicable; IG reported that the agency was not required to comply with this criterion because it did not meet the risk-susceptible threshold

AFR: agency financial report

CFO Act: Chief Financial Officers Act of 1990

IG: inspector general

IPERA: Improper Payments Elimination and Recovery Act of 2010

PAR: performance and accountability report

Source: GAO analysis of CFO Act agencies' fiscal year 2014 IG IPERA reports. | GAO-16-554

Eleven Agencies Did Not Meet or Publish Improper Payment Reduction Targets for 29 Programs

The most common reason for reported noncompliance under IPERA in fiscal year 2014, as in fiscal year 2013, was the failure to publish and meet annual improper payment reduction targets. Eleven agencies did not meet this criterion in fiscal year 2014. Specifically, 10 agencies published reduction targets but failed to meet them, and 1 agency—the Department of Labor (DOL)—failed to comply because it did not publish an improper payment reduction target rate for its Unemployment Insurance benefit program. DOL IG reported that the agency did not publish an annual reduction target for this program because DOL was awaiting additional guidance and consultation regarding estimation methodology with OMB. Other IGs reported that factors affecting compliance with this criterion included challenges in maintaining adequate and complete supporting documentation and conducting adequate reviews. For example, IGs at the U.S. Department of Agriculture (USDA), the Department of Health and Human Services (HHS), and the General Services Administration (GSA) reported that administrative errors, documentation errors, or both prevented the agencies from meeting their reduction targets.

USDA, HHS, the Department of Defense (DOD), and the Department of Transportation (DOT) IGs reported that factors such as mistakes in completing vouchers, inadequate reviews before payment, lack of grantee awareness of documentation requirements, and difficulty complying with new requirements in legislation contributed to these agencies not meeting their reduction targets. HHS reported that new legislative requirements for

its Medicare Fee-for-Service and Medicaid programs contributed to the programs' noncompliance. The USDA IG also reported that a flawed sampling method for USDA's Federal Crop Insurance Corporation Program Fund resulted in its failure to meet its reduction target because one program component reported a 27 percent error rate. Anomalies in samples for the Department of Veterans Affairs (VA) Veterans Health Administration's Civilian Health and Medical Program were considered by the agency to be the cause for noncompliance in meeting reduction targets because such sampling issues disproportionately skewed improper payment error rates upwards.

IG reports also indicated that an agency's failure to meet reduction targets may not necessarily suggest that the agency was not adequately monitoring its programs' improper payments. For example, the VA, Small Business Administration (SBA), and USDA IGs reported increases in improper payment error rates because of factors such as improved sampling and emphasis on training, which enhanced their agencies' ability to detect improper payments. Six of the 11 agencies whose IGs reported noncompliance with the criterion to publish or meet reduction targets have no reported noncompliance with the other IPERA criteria.

Five Agencies Reported Improper Payment Error Rates Exceeding 10 Percent for 10 Programs

The second most common reason for noncompliance under IPERA, as reported by IGs for fiscal year 2014, was agencies' inability to report improper payment error rates for all programs below 10 percent—a threshold which five CFO Act agencies did not meet for at least one of their programs or activities. Of the 119 programs at CFO Act agencies reporting \$124.5 billion of estimated improper payments for fiscal year 2014,¹⁵ a total of 10 programs reported improper payment error rates of greater than 10 percent. Had these programs decreased their reported error rates to 10 percent, the government-wide improper payment estimate would have been \$23.1 billion, or 18.6 percent, lower. This potential reduction is largely accounted for by 2 programs—the Department of the Treasury's (Treasury) Earned Income Tax Credit (EITC) and HHS's Medicare Fee-for-Service. If EITC and Fee-for-Service reported error rates at the 10 percent threshold, the fiscal year 2014

¹⁵CFO Act agencies accounted for 99.85 percent of reported government-wide estimated improper payments in fiscal year 2014, which totaled \$124.7 billion over 124 programs.

government-wide improper payment estimate would be lowered by \$11.18 billion and \$9.74 billion, respectively.

Agencies' IGs reported that factors affecting compliance with this criterion included challenges in complying with documentation requirements and administrative and documentation errors. For example, USDA and HHS IGs reported that administrative and documentation errors in processing payments prevented these agencies from reporting improper payment error rates below the 10 percent threshold. USDA IG also reported that additional payment testing criteria increased the error rate, and HHS IG reported that the provider community experienced issues in complying with certain documentation requirements for some services. Table 2 summarizes agency programs that reported error rates above the 10 percent threshold for fiscal year 2014.

Table 2: Fiscal Year 2014 Improper Payment Error Rates over 10 Percent, as Reported by Agencies

Dollars in thousands

Agency	Program	Outlays (dollars)	Improper payment estimate (dollars)	Error rate (percentage)
Department of the Treasury	Earned Income Tax Credit	65,200,000	17,700,000	27.15
Department of Agriculture	School Breakfast Program	3,605,000	923,000	25.61
	Farm Security and Rural Investment Act Programs	2,200,000	508,000	23.08
	Loan Deficiency Payments	200	38	18.80
	National School Lunch Program	11,463,000	1,748,000	15.25
Department of Health and Human Services	Disaster Relief – Administration for Children and Families Social Services Block Grant	67,032	9,037	13.50
	Medicare Fee-for-Service (Parts A and B)	360,173,000	45,754,000	12.70
	Disaster Relief – Substance Abuse and Mental Health Services Administration	415	53	12.70
Small Business Administration	Disaster Assistance Loan Disbursements	585,600	70,200	12.00
Department of Labor	Unemployment Insurance	48,412,000	5,604,000	11.57

Source: Fiscal year 2014 agency financial reports and performance and accountability reports. | GAO-16-554

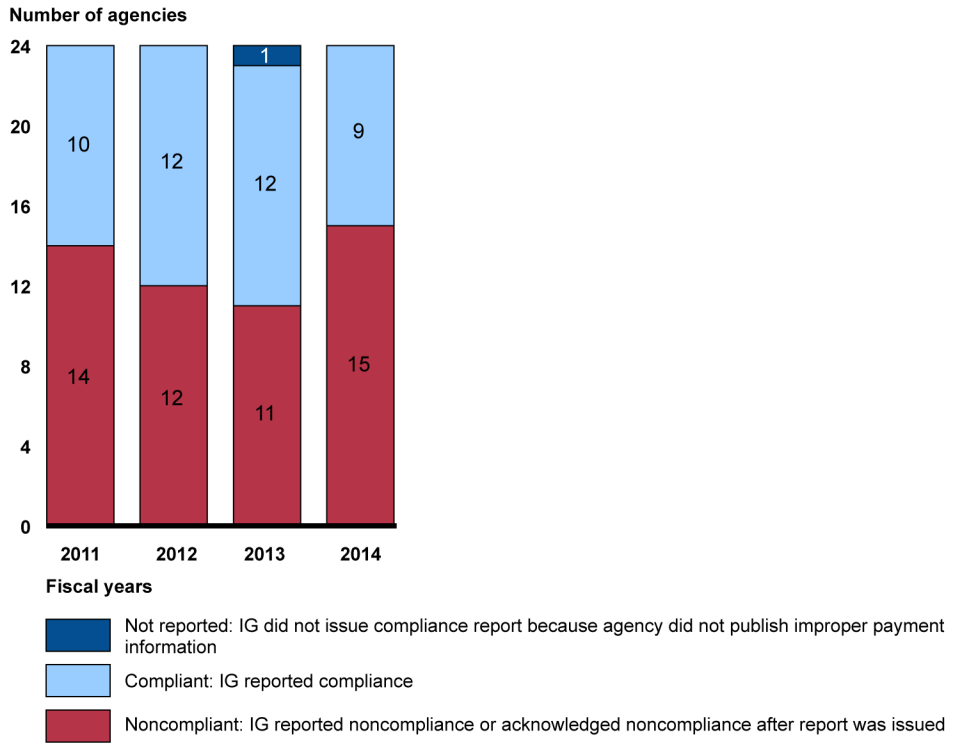
Although the 10 percent threshold was not achieved by 10 programs, some programs in this category still reported improvements in fiscal year 2014. For example, the SBA IG reported that even with the agency's Disaster Assistance Loans program's error rate exceeding the 10 percent threshold, the agency reduced the program's error rate from 18.4 percent in fiscal year 2013 to 12.0 percent in fiscal year 2014. Reported factors

that helped improve SBA's error rate included multilayer payment reviews and improved staff training.

From Fiscal Year 2011 to Fiscal Year 2014, IGs Reported Some Improvements but Ultimately Reported a Decline in the Total Number of Agencies Compliant with IPERA Criteria

According to the fiscal year 2014 IG IPERA reports, overall agency compliance with IPERA criteria has reached its lowest point since IGs began annual reporting. Specifically, in fiscal year 2011—the first year of reporting—14 agencies did not comply with at least one of the IPERA criteria. While the number of agencies reported noncompliant actually improved in fiscal years 2012 and 2013, decreasing to 12 and 11 agencies, respectively, IGs reported an increase in agency noncompliance to 15 agencies in fiscal year 2014. Consequently, IGs reported the greatest number of noncompliant agencies in fiscal year 2014. Figure 2 summarizes the number of CFO Act agencies noncompliant under IPERA each year since fiscal year 2011, as reported by their IGs, and table 3 details individual agencies' compliance with IPERA criteria, as reported by their IGs, for fiscal years 2011 through 2014.

Figure 2: The Number of CFO Act Agencies Compliant under IPERA from Fiscal Years 2011 through 2014, as Reported/Acknowledged by Their IGs



CFO Act: Chief Financial Officers Act of 1990 IG: Inspector general

Source: GAO analysis of IG Improper Payment Elimination and Recovery Act of 2010 (IPERA) compliance reports from fiscal years 2011 through 2014. | GAO-16-554

Table 3: CFO Act Agencies' Overall IPERA Compliance for Fiscal Years 2011 through 2014, as Reported/Acknowledged by Their Inspectors General

Agency	Fiscal year			
	2011	2012	2013	2014
Department of Agriculture	N	N	N	N
Department of Commerce	Y	Y	Y	Y
Department of Defense	Y	N	N	N
Department of Education	Y	Y	Y	N
Department of Energy	N	Y	Y	Y
Department of Health and Human Services	N	N	N	N
Department of Homeland Security	N	N	N	N

Agency	Fiscal year			
	2011	2012	2013	2014
Department of Housing and Urban Development	Y	Y	N	N
Department of the Interior	N	Y	Y	N
Department of Justice	Y	Y	Y	Y
Department of Labor	N	N	N	N
Department of State	N	Y	Y	Y
Department of Transportation	N	N	N	N
Department of the Treasury	N	N	N	N
Department of Veterans Affairs	N	N	N	N
Environmental Protection Agency	Y	N	Y	Y
General Services Administration	Y	Y	Y	N
National Aeronautics and Space Administration	N	Y	Y	Y
National Science Foundation (NSF)	Y	N	NR ^a	N
Nuclear Regulatory Commission	Y	Y	Y	Y
Office of Personnel Management	N	Y	Y	Y
Small Business Administration	N	N	N	N
Social Security Administration (SSA)	N	N ^b	N	N
U.S. Agency for International Development	Y	Y	Y	Y
Total noncompliant agencies	14	12	11	15

Legend:

Y: Agency complied

N: Agency was noncompliant

NR: Inspector general did not report on IPERA compliance

CFO Act: Chief Financial Officers Act of 1990

IG: inspector general

IPERA: Improper Payments Elimination and Recovery Act of 2010

Source: GAO analysis of CFO Act agencies' IG IPERA reports for fiscal years 2011-2014. | GAO-16-554

^aThe NSF IG did not issue an IPERA compliance report for fiscal year 2013 because NSF did not publish improper payment data in its fiscal year 2013 agency financial report.

^bThe SSA IG reported in fiscal year 2012 that the agency was compliant with IPERA criteria, but we noted its Supplemental Security Income program failed to meet its reported reduction target for that year and in fiscal year 2011. The SSA IG concurred with this finding, but does not plan to reissue its fiscal year 2012 IPERA compliance report to state a conclusion of noncompliance or its fiscal year 2011 report to state that the agency missed its reduction target. SSA was already reported noncompliant in fiscal year 2011 based on other criteria.

IG reports showed areas where agency compliance has remained a challenge throughout the years. For example, noncompliance with the criteria to publish and meet annual reduction targets has been at the same level over the 4 years since IPERA was implemented; 11 agencies

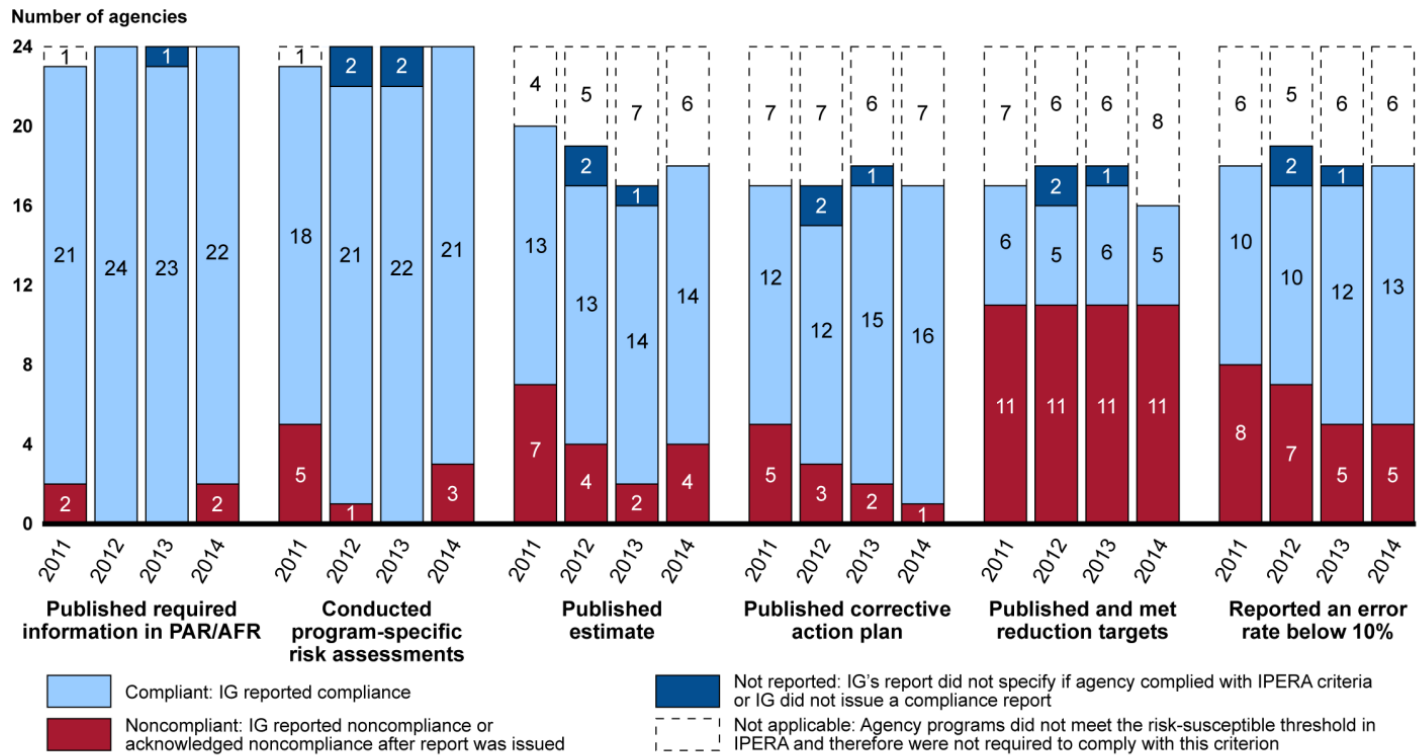
did not comply with this criterion in each year. Some programs, such as USDA's School Breakfast and Special Supplemental Nutrition Program for Women, Infants, and Children programs, have not met their reduction targets for each of the last 4 years. Treasury's EITC program has also reported error rates among the highest in the government, ranging from 22.7 to 27.2 percent since fiscal year 2011. The number of agencies that have been noncompliant with the 10 percent criterion has been 5 or more for each fiscal year.

Another criterion with which agency noncompliance increased in fiscal year 2014 was the requirement to publish estimates for all programs deemed susceptible to significant improper payments. Specifically, 4 agencies' IGs determined that their agencies did not comply with this requirement—Department of the Interior (DOI), VA, USDA, and HHS. The first three IGs determined that certain programs did not have complete, accurate, or reliable improper payment estimates for at least one program, while HHS was unable to publish an estimate for its Temporary Assistance for Needy Families program (TANF) for the fourth year in a row, reportedly because of statutory limitations that prevent HHS from requiring states that administer the program to participate in improper payment measurement.¹⁶

While the increase in agency noncompliance with some criteria contributed to the increasing number of noncompliant agencies reported, there were also improvements in compliance with other criteria. For example, in fiscal year 2011, five IGs reported that their agencies did not publish corrective action plans; in fiscal year 2014, only one IG—HHS—reported that its agency did not publish necessary corrective action plans. IGs also noted further improvements in the criteria for agencies to conduct risk assessments for all programs susceptible to significant improper payments. In fiscal year 2011, five IGs reported that their agencies did not fulfill the requirement to conduct program-specific risk assessments; in fiscal year 2014, only three IGs reported that their agencies were noncompliant. Figure 3 shows cumulative CFO Act agency compliance by IPERA criterion for fiscal years 2011 through 2014.

¹⁶See 42 U.S.C. § 617, which provides that no federal employee or officer may regulate the conduct of states under the part of the Social Security Act containing the TANF laws except to the extent expressly provided in that part.

Figure 3: CFO Act Agencies' IPERA Compliance by IPERA Criterion for Fiscal Years 2011 through 2014, as Reported/Acknowledged by Their IGs



AFR: Agency financial report CFO Act: Chief Financial Officers Act of 1990 IG: Inspector general
 IPERA: Improper Payments Elimination and Recovery Act of 2010 PAR: Performance and accountability report

Source: GAO analysis of Inspector General IPERA compliance reports from fiscal years 2011 through 2014. | GAO-16-554

Eighteen Programs Were Noncompliant with IPERA Criteria for 3 Consecutive Years or More, as of Fiscal Year 2014, and Some Agencies Did Not Submit Information Required to Address Consecutive Noncompliance

IGs at nine CFO Act agencies determined that 18 programs were noncompliant with IPERA criteria for at least 3 consecutive years as of fiscal year 2014. When a program is reported as noncompliant by its IG for 3 or more consecutive years, the responsible agency is required to submit proposals to Congress within 30 days to reauthorize the program or change the statute that established it. However, we found that only three of the nine agencies submitted the required information to Congress in response to 3 or more years of consecutive noncompliance in fiscal year 2014.

Eighteen Programs at Nine Agencies Were Noncompliant with IPERA Criteria for 3 Consecutive Years or More, as of Fiscal Year 2014

As of fiscal year 2014, IGs reported that there were a total of 38 programs determined to be noncompliant: 17 programs were noncompliant for 1 year, 3 programs noncompliant for 2 consecutive years, and 18 programs were noncompliant for 3 consecutive years or more. Table 4 lists the CFO Act agency programs determined by their agencies' IGs to be noncompliant with IPERA criteria for 3 or more consecutive years, as of fiscal year 2014.

Table 4: CFO Act Agency Programs Noncompliant with IPERA Criteria for 3 Consecutive Years or More, as Reported by Their IGs, as of Fiscal Year 2014

Agency	Program	Consecutive years noncompliant as of fiscal year 2014
Department of Agriculture	School Breakfast Program	4
	National School Lunch Program	4
	Special Supplemental Nutrition Program for Women, Infants, and Children	4
	Child and Adult Care Food Program	4
	Direct & Counter-Cyclical Payments	4
Department of Defense (DOD)	DOD Travel Pay	3

Agency	Program	Consecutive years noncompliant as of fiscal year 2014
Department of Health and Human Services	Temporary Assistance for Needy Families	4
	Medicare Fee-for-Service	3
Department of Homeland Security	Public Assistance	4
	Transportation Security Grants Program	4
	Homeland Security Grants Program	3
	Disaster Relief Programs – Vendor Payments	3
Department of Labor	Unemployment Insurance	4
Department of Transportation	Federal Transit Administration Formula Grants	3
Department of the Treasury	Earned Income Tax Credit	4
Small Business Administration	7(a) Loan Guaranty Approvals	3
	Disaster Assistance Loan Disbursements	4
Social Security Administration	Supplemental Security Income	4

Legend:

CFO Act: Chief Financial Officers Act of 1990

IG: inspector general

IPERA: Improper Payments Elimination and Recovery Act of 2010

Source: GAO analysis of CFO Act agencies' IG IPERA reports for fiscal years 2011 through 2014. | GAO-16-554

Three Agencies Submitted Information Required to Address Consecutive Years' Noncompliance under IPERA in Fiscal Year 2014, but Others Did Not

As previously discussed, IPERA requires agencies that have been deemed noncompliant with IPERA criteria for consecutive years to take certain actions. If a program is found to be noncompliant by an agency's IG for more than 3 consecutive years with respect to the same program or programs, the agency must submit to Congress within 30 days of such determination a reauthorization proposal for each noncompliant program or any proposed statutory changes it deems necessary to bring the program into compliance. OMB guidance instructs agencies with "three or more" years of reported noncompliance to submit this information, thereby including those with exactly 3 years of reported consecutive noncompliance. Additionally, OMB guidance states that agencies should share these proposals or plans with their respective IGs.

Three Agencies Submitted Proposals to Congress to Reauthorize or Change the Statutes of Consistently Noncompliant Programs

Overall, we found that some agencies complied with these requirements with varying degrees of detail, while others did not submit the required information to Congress. These are detailed below.

Three agencies fulfilled the requirement in IPERA and the related OMB guidance by submitting proposals for reauthorization or statutory change to Congress, although they did not always submit them within the required time frames. For example, when the Treasury IG reported in its fiscal year 2013 report that the Internal Revenue Service's EITC program had been noncompliant with IPERA criteria each year since 2011 because it reported error rates exceeding 10 percent, the agency submitted proposals to Congress in response. However, this action was not taken until August 2014, surpassing the 30-day period for submission that began in April 2014 when the Treasury IG issued its compliance determination in its report. Although the agency fulfilled the requirement in IPERA to submit legislative proposals to Congress, the Treasury IG further recommended that the agency submit a more comprehensive plan to Congress, including corrective actions to be implemented to correct noncompliance in the EITC program. This plan was submitted to Congress in June 2015.

DOL's Unemployment Insurance program had first reached 3 consecutive years of noncompliance in fiscal year 2013 and was again found to be noncompliant in fiscal year 2014. After 3 consecutive years of noncompliance for the program as of fiscal year 2013, DOL officials stated that they began preparing a legislative package; however, this package was never transmitted to Congress. When the agency's Unemployment Insurance program was deemed noncompliant for 4 consecutive years as of fiscal year 2014, DOL produced legislative proposals and sent a letter to Congress, although its submissions also surpassed the 30-day deadline following the IG's report. Specifically, DOL submitted a letter to Congress regarding Unemployment Insurance improper payments on September 30, 2015, and submitted legislative proposals to OMB in November 2015, which were later included in the President's Budget for fiscal year 2017 that was transmitted to Congress.

HHS accounted for two programs that were noncompliant with IPERA criteria for 3 or more consecutive years as of fiscal year 2014: the Medicare Fee-for-Service program and TANF. HHS submitted letters to Congress containing legislative proposals and information on corrective actions for both programs, and also stated that it is working with OMB to develop an alternative approach for devising an improper payment estimate for TANF, which has been unable to report an estimate in any

Four Agencies Did Not Submit Proposals to Congress Because They Concluded That Reauthorization or Legislative Changes Were Not Necessary

year because of statutory limitations that prevent HHS from requiring states that administer the program to participate in improper payment measurement.

Although IPERA and OMB guidance require agencies to submit proposals for reauthorization or statutory changes after 3 consecutive years of a program's reported noncompliance with the act's criteria, four agencies did not do so because they concluded that reauthorization or legislative changes were not necessary. We were told by certain agency officials that implementing corrective actions at the agency level is the only way to bring their programs into compliance under IPERA because legislative provisions, in some cases, are not responsible for agencies failing to meet the IPERA criteria. Additionally, we were told that reauthorization of a program is not always practical or necessary for every program.

For example, USDA did not submit proposals to Congress for some of its noncompliant programs because, according to agency officials, the time frame established by statute for reauthorization did not coincide with the requirement in IPERA to submit such proposals. For fiscal year 2014, the USDA IG reported five programs at USDA as noncompliant with IPERA criteria for 4 consecutive years. The IG recommended in its fiscal year 2014 report that three of these programs administered by USDA's Food and Nutrition Service (FNS)—the Child and Adult Care Food Program, the National School Lunch Program, and the School Breakfast Program—submit proposals for legislative changes to Congress. The IG had previously made this recommendation in its fiscal year 2013 report after these programs were noncompliant for 3 consecutive years. Despite USDA's response at the time that it would issue guidance to its agencies to comply with this recommendation, no proposals were submitted to Congress. In its fiscal year 2014 response, FNS noted that its opportunities to suggest reauthorization proposals for the National School Lunch and School Breakfast programs are limited to times of reauthorization, which occur every 5 to 6 years and may not coincide with the timing of the IPERA requirement. FNS stated that it submits budget proposals each year as part of USDA's annual budget process, but some of these proposals for fiscal year 2016 related to funding aimed at reducing improper payments were not included in USDA's final budget. Further, FNS did not submit a reauthorization proposal for its Special Supplemental Nutrition Program for Women, Infants, and Children in response to 3 and 4 years of consecutive noncompliance in fiscal years 2013 and 2014, respectively, though the agency stated in its official response to the IG's fiscal year 2014 IPERA compliance report that it was involved in reauthorization discussions with USDA.

USDA's fifth program reported as noncompliant for 3 consecutive years in fiscal year 2014—the Direct and Counter-Cyclical Payments program—was repealed by the February 2014 enactment of the Agricultural Act of 2014.¹⁷ Because this program is no longer authorized to receive appropriations, the need for a reauthorization proposal no longer exists.

SBA officials stated that the agency also did not submit proposals for reauthorization or statutory changes to Congress because its noncompliant programs—7(a) Guaranty Loan Approvals and Disaster Assistance Loans—are permanently authorized and thus do not require reauthorization. Because of this, SBA officials told us, submitting reauthorization proposals to Congress would be inapplicable and unnecessary. The agency also noted that statutory changes were not proposed for these programs because they would not reduce their improper payment error rates or address the root causes for improper payments. SBA officials stated that they consider corrective actions at the agency to be the most appropriate solution to achieving IPERA compliance in future years. The SBA IG further indicated that corrective actions appeared to be effective at reducing improper payments for the Disaster Assistance Loans program, resulting in the IG changing the status of corrective actions to address its management challenge related to the Disaster Assistance Loans program in fiscal year 2015 to “implemented.”

Officials at DOT stated that the agency did not submit proposals for reauthorization or statutory changes because such actions would not help the agency achieve compliance with IPERA criteria for its Federal Transit Administration Formula Grants program, which failed to meet its improper payment reduction target for 3 consecutive years. The agency noted that in its 2014 agency financial report, it did not identify any statutory or regulatory barriers that would prevent the agency from implementing corrective actions to reduce improper payments. Submitting a proposal for reauthorization or statutory changes to the Formula Grants program would appear to contradict this assessment and was unnecessary, according to DOT.

¹⁷Pub. L. No. 113-79, §§ 1101-1102, 128 Stat. 649, 658 (Feb. 7, 2014).

DOD did not submit proposals for reauthorization or statutory changes to Congress in response to 3 consecutive years of noncompliance in its Travel Pay program as of fiscal year 2014. In its response to the IG's fiscal year 2014 IPERA compliance report, DOD officials stated that the agency's root causes of noncompliance are covered by existing internal controls and regulations that management would ensure were implemented and enforced. In December 2015, DOD issued an internal memorandum addressing the need for internal controls and training intended to reduce improper payments within the Travel Pay program, rather than submitting proposals to Congress.

Although officials at some of the agencies maintain that reauthorization or statutory change will not achieve compliance under IPERA, by not reporting to Congress as required when an agency does not comply for 3 consecutive years and informing Congress of the agency's challenges with achieving compliance under IPERA, Congress is limited in its ability to monitor the law's implementation and ensure that its intent is being fulfilled. *Standards for Internal Control in the Federal Government* also states that management should ensure an adequate means of communicating information that may have a significant impact on the agency to external stakeholders.¹⁸

Two Agencies Did Not Submit Proposals to Congress Because They Were Not Initially Reported by Their IGs as Noncompliant for 3 Consecutive Years

Two agencies—the Department of Homeland Security (DHS) and the Social Security Administration (SSA)—were not initially required to submit proposals for reauthorization or statutory changes to Congress in response to fiscal year 2014 noncompliance because their respective IGs initially did not report the agencies as noncompliant for 3 consecutive years. Because the legal requirement to report to Congress is triggered by the IG reporting noncompliance, rather than the noncompliance itself, these two agencies are not subject to the congressional reporting requirement until such time as each IG updates its determination. These instances are detailed later in this report.

¹⁸GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999). [GAO/AIMD-00-21.3.1](#) was effective through the end of fiscal year 2015 (Sept. 30, 2015). The revised version of *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014) became effective the first day of fiscal year 2016 (Oct. 1, 2015).

Certain IGs Did Not Fully Adhere to Statutory Requirements and OMB Guidance for IPERA Reporting for Fiscal Year 2014

We found that in conducting their IPERA compliance reviews for fiscal year 2014, certain IGs did not consistently adhere to the requirements contained in IPERA and other applicable laws, such as the Disaster Relief Appropriations Act, 2013 as well as the guidance provided by OMB to clarify IPERA criteria and establish reporting requirements for OMB-designated high-priority programs. Specifically, we found, for fiscal year 2014, that the IGs did not always determine compliance as required by IPERA, summarize agency compliance as directed by OMB guidance, assess their agencies' high-priority programs in accordance with OMB guidance, and report determinations of compliance for disaster relief programs that reported improper payment estimates.

Five IGs Did Not Summarize Agency Compliance as Outlined in OMB Guidance

Based on our review of IG IPERA reports, we noted that five IGs did not fully adhere to OMB's guidance for conducting their IPERA compliance reviews. As previously noted, OMB Circular A-123, Appendix C, contains guidance for IGs to use in carrying out their reviews of agencies' improper payment information as required by IPERA. Specifically, this guidance directs each agency IG's IPERA report to include a high-level summary toward the beginning of the report that (1) indicates which of the six specific criteria contained in IPERA the agency did and did not comply with and (2) clearly states the agency's compliance status overall. In accordance with IPERA, OMB's guidance states that if an agency does not meet one or more of the six IPERA criteria for any one or more of its programs, it is considered noncompliant overall under IPERA. IPERA does not support a finding of partial compliance by an IG. Table 5 lists the instances in which IGs did not adhere to OMB's implementing guidance for high-level summaries in their fiscal year 2014 reports.

Table 5: Instances in Which CFO Act Agencies' IGs Did Not Include High-Level Summaries in Their Fiscal Year 2014 IPERA Compliance Reports as Directed by OMB Circular No. A-123, Appendix C

Agency	Report did not state which of the six IPERA criteria the agency complied with and which it did not	Report did not state agency's overall compliance status
Department of the Interior	☑	☑
Department of State	☑	☑
Department of Transportation		☑
General Services Administration	☑	
Social Security Administration	☑	

Legend:

CFO Act: Chief Financial Officers Act of 1990

IG: inspector general

IPERA: Improper Payments Elimination and Recovery Act of 2010

OMB: Office of Management and Budget

Source: GAO analysis of fiscal year 2014 IG IPERA compliance reports. | GAO-16-554

We found that 4 of the 24 IGs did not specify in their reports which of the six IPERA criteria their agencies complied with and did not. Specifically, IGs at DOI, the Department of State (State), GSA, and SSA did not fulfill this requirement. For example, the GSA IG noted that GSA reported inaccuracies in its fiscal year 2014 AFR information and did not complete corrective actions from the previous year's review, but it was unclear if these instances resulted in determinations of compliance or noncompliance with the IPERA criteria for publishing a PAR/AFR in accordance with OMB guidance or publishing corrective actions.

We also found that IGs at 3 of the 24 CFO Act Agencies—DOI, State, and DOT—did not clearly state whether their agencies were overall compliant or noncompliant with the IPERA criteria. Specifically, DOI IG's report failed to include an explicit statement of overall agency-level compliance, while the language in the IG reports regarding agency-level compliance under IPERA at State and DOT was unclear. Although the State IG's report concluded that State "was in substantial compliance with improper payment requirements," we learned from OMB officials that the State IG determined that the agency was compliant under IPERA. The DOT IG's report statement was also inconclusive, stating that DOT's improper payment reporting "generally complies with IPERA requirements." However, this statement is misleading because the IG also reported that the agency did not comply with one of the IPERA criteria because two

DOT programs failed to meet their improper payment reduction targets for fiscal year 2014. As noted above, IPERA defines compliance as including all six of the listed criteria, and OMB guidance requires an IG to state the agency's overall compliance status in its report.

OMB guidance states that IG compliance reviews are an important component of the accountability of improper payment efforts. Additionally, *Standards for Internal Control in the Federal Government* provides that timely, relevant, and reliable communications and information are needed for an agency to achieve all of its objectives.¹⁹

Not adhering to guidance for preparing IPERA compliance reports by failing to report concrete compliance determinations reduces the comparability and consistency of such reports and therefore the reports' usefulness to the agency. Further, when an IG does not adhere to OMB guidance and statutory requirements by making (1) unclear statements on overall compliance or (2) positive statements of compliance when an agency meets the majority, but not all, of the IPERA criteria, agency officials may incorrectly conclude their agency's compliance status and therefore delay taking corrective actions. For example, as noted above, we discovered that because the DOI IG did not clearly state that its agency was noncompliant under IPERA, DOI officials were unaware of their agency's noncompliant status in fiscal year 2014 until later. Such instances could delay the implementation of corrective actions to remediate instances of noncompliance, contributing to continued noncompliance the following year.

Two IGs Did Not Initially Report Their Agencies as Noncompliant for 3 Consecutive Years though the Agencies Had Programs That Failed to Meet Reduction Targets

As noted above, two agencies—DHS and SSA—were not initially required to submit proposals for reauthorization or statutory changes to Congress in response to 3 or more consecutive years of noncompliance as of fiscal year 2014 because their respective IGs initially did not report the agencies as noncompliant for 3 consecutive years. However, in response to our audit findings that identified instances of noncompliance the IGs had not previously reported, one of the IGs subsequently determined that its agency had been noncompliant for 3 or more consecutive years. Until the IG revises its determination, the other agency

¹⁹[GAO/AIMD-00-21.3.1](#).

is not subject to the congressional reporting requirement to submit proposals for reauthorization or statutory changes.

Specifically, during our audit work we found that several DHS programs had not met their improper payment reduction targets in fiscal years 2011 through 2014. The DHS IG agreed and subsequently reissued its IPERA compliance reports for each of these fiscal years from February through April 2016 to reflect determinations of noncompliance. Upon the reissuance of the IG reports, OMB advised DHS to take the actions required under IPERA in response to 1 year of noncompliance for fiscal year 2014. OMB noted that requiring the agency to take the respective actions required for 1, 2, and 3 years of noncompliance in the same year would be challenging for the agency and unlikely to yield meaningful results.

Similarly, the SSA IG reported in fiscal years 2011 and 2012 that the agency was compliant with the six IPERA criteria,²⁰ but we noted that its Supplemental Security Income (SSI) program failed to meet its reported reduction target in both years. In its fiscal year 2013 and 2014 reports, the SSA IG reported the SSI program as noncompliant with IPERA criteria because the program did not meet its reduction targets. SSA IG officials told us that they have no plans to reissue fiscal year 2011 or 2012 IPERA compliance reports to state a conclusion of noncompliance, thus the requirement for the agency to take action based on this noncompliance was not triggered based on fiscal year 2014 results.²¹

When IGs do not make compliance determinations in accordance with the IPERA criteria, agencies are unable to take the appropriate steps required by the law when programs have been noncompliant for

²⁰The SSA IG reported agency noncompliance with the criterion to report on recovery efforts, an additional criterion that was added by OMB in their prior guidance, but that is no longer required as of fiscal year 2014 reporting.

²¹In its fiscal year 2015 IPERA compliance report, the SSA IG again reported that the SSI program did not comply with IPERA because the agency failed to meet the program's improper payment reduction target. Fiscal year 2015 marks the third year that the SSA IG reported the SSI program to be noncompliant with IPERA criteria; therefore, under OMB guidance, the requirement for SSI to submit proposals for reauthorization or statutory change has been triggered as of fiscal year 2015.

consecutive years. As a result, Congress is not informed of consistently noncompliant programs.

Two IGs Did Not Fully Adhere to OMB's Requirements for High-Priority Programs

In fiscal year 2014, OMB designated 13 programs with total estimated improper payments of \$115.3 billion as high priority. These high-priority programs account for 92.5 percent of the total government-wide improper payment estimate. IPERIA amended IPIA to direct OMB to annually identify a list of high-priority programs in need of greater levels of oversight and review. In general, OMB has implemented this requirement by designating a program as high priority when its estimated improper payments exceed \$750 million in the most recent fiscal year.²²

OMB requires agencies with high-priority programs to develop supplemental measures on an annual or more frequent basis, and to explain how they have tailored their corrective actions to better reflect the specific processes, procedures, and risks surrounding those programs. Furthermore, the agency IG is required to (1) evaluate the agency's assessment of the program risk level and the quality of the improper payment estimates and methodology, (2) determine the extent of oversight warranted, and (3) provide the agency head with recommendations. However, we found that the SSA IG did not report on its evaluation of SSA's improper payment rate for SSI and Old-Age, Survivors, and Disability Insurance, the agency's two high-priority programs. The report did, however, include recommendations to mitigate the main root cause of SSI overpayments.

We also found that the HHS IG reported its evaluation of four of five HHS high-priority programs, but it did not fulfill the requirement for the

²²Under OMB guidance effective for fiscal year 2014, high-priority programs are those programs that are susceptible to significant improper payments and have either (1) reported more than \$750 million in estimated improper payments in the most recent fiscal year; (2) have not reported estimated improper payments in the current year, but had previously reported an estimate; or (3) have not reported an overall improper payment estimate, but the aggregate of their component improper payments are above \$750 million. Agencies with programs reporting estimated improper payments greater than \$750 million but also improper payment error rates below 1.5 percent of program outlays may work with OMB to be exempted from fulfilling high-priority program requirements. OMB removes programs from the high-priority list on a case-by-case basis.

Children’s Health Insurance Program. Table 6 shows all programs deemed high priority by OMB for fiscal year 2014.

Table 6: Fiscal Year 2014 High-Priority Programs Identified by the Office of Management and Budget

Dollars in billions

Program	Agency	Improper payment estimate (dollars)	Outlays (dollars)	Error rate (percentage)
Medicare Fee-for-Service	Department of Health and Human Services (HHS)	45.8	360.2	12.7
Earned Income Tax Credit	Department of the Treasury	17.7	65.2	27.1
Medicaid	HHS	17.5	261.6	6.7
Medicare Advantage (Part C)	HHS	12.2	135.5	9
Unemployment Insurance	Department of Labor	5.6	48.4	11.6
Supplemental Security Income	Social Security Administration (SSA)	5.1	55.4	9.2
Old-Age, Survivors, and Disability Insurance	SSA	3.0	824.2	0.4
Supplemental Nutrition Assistance Program	U.S. Department of Agriculture (USDA)	2.4	76.1	3.2
Medicare Prescription Drug Benefit (Part D)	HHS	1.9	58.5	3.3
National School Lunch Program	USDA	1.7	11.5	15.2
Rental Housing Assistance Programs	Department of Housing and Urban Development	1.0	31.7	3.2
Pell Grants	Department of Education	0.7	31.6	2.2
Children’s Health Insurance Program	HHS	0.6	9.5	6.5

Source: Office of Management and Budget payment accuracy website (www.paymentaccuracy.gov). | GAO-16-554

When IGs do not fully evaluate high-priority programs as directed by IPERIA and OMB guidance, their compliance reports are incomplete and therefore of less value in communicating deficiencies to be addressed to the agencies. Specifically, by not reviewing the agencies’ risk assessments for high-priority programs and the quality of the programs’ improper payment estimates and methodologies, the IGs missed the opportunity to provide their agencies with any recommendations for improving internal controls and preventing and reducing improper payments in those programs.

Assessments of Disaster Relief Programs Producing Improper Payment Estimates Were Not Performed by Two IGs

We found that for fiscal year 2014 2 of 16 CFO Act agency IGs—SSA and the Department of Housing and Urban Development (HUD)—did not comply with the requirement to assess compliance for disaster relief programs reporting improper payment estimates. Specifically, the SSA IG’s report did not assess its agency’s Hurricane Sandy Disaster Relief program’s compliance with IPERA criteria, although SSA as an agency reported an estimate of the program’s improper payments in its fiscal year 2014 AFR. Similarly, the HUD IG’s report did not include a determination of HUD’s Community Development Block Grant - Disaster Relief program’s compliance with IPERA criteria, even though HUD included improper payment estimates and related information for this program in its fiscal year 2014 AFR. The Disaster Relief Appropriations Act, 2013 requires all programs or activities receiving disaster relief funding appropriated by that act to be considered susceptible to significant improper payments for purposes of IPIA until those funds are expended. Out of a total of 19 federal agencies that received disaster relief funding under the act, 16 are CFO Act agencies. Because funds from this act are automatically considered susceptible to significant improper payments under IPIA, those agencies’ IGs are required to include their assessments of those programs’ compliance under IPERA in their annual reports. Table 7 lists the 16 CFO Act agencies that received funds under the Disaster Relief Appropriations Act, 2013.

Table 7: CFO Act Agencies Appropriated Funding under the Disaster Relief Appropriations Act, 2013

Agencies	
U.S. Department of Agriculture	Department of Labor
Department of Commerce	Department of Transportation
Department of Defense	Department of Veterans Affairs
Department of Health and Human Services	Environmental Protection Agency
Department of Homeland Security	General Services Administration
Department of Housing and Urban Development ^a	National Aeronautics and Space Administration
Department of the Interior	Small Business Administration
Department of Justice	Social Security Administration ^a

Legend:

CFO Act: Chief Financial Officers Act of 1990

IG: inspector general

IPERA: Improper Payments Elimination and Recovery Act of 2010

Source: GAO analysis of fiscal year 2014 IG IPERA compliance reports and the Disaster Relief Appropriations Act, 2013, Pub. L. No. 113-2, 127 Stat. 4 (Jan. 29, 2013). | GAO-16-554

^aAgency IG did not report on its disaster relief program’s compliance under IPERA.

When IGs do not fully comply with IPERA, the Disaster Relief Appropriations Act, and OMB guidance by failing to assess disaster relief programs' compliance under IPERA, there is an increased risk that agencies' improper payment estimate reporting is inaccurate or incomplete, thereby undermining the agencies' ability to effectively develop and implement corrective action plans for programs and increasing the risk of potential future improper payments. Additionally, IG monitoring and assessment of improper payments in federal disaster relief programs could help ensure that emergency disaster relief funding is distributed to the citizens who need it.

OMB Has Taken Steps to Educate IGs on the Form and Content of Their IPERA Compliance Reports

OMB issued the latest iteration of its Circular No. A-123, Appendix C, in October 2014. As stated previously, this guidance changed certain requirements for fiscal year 2014 reporting, extended the reporting period for IG IPERA reports, and eliminated an additional criterion for IGs to assess whether agencies have reported on efforts to recapture improper payments. This guidance also attempted to make IG determinations of compliance and noncompliance more clear and concise by requiring that high-level summaries of compliance be included in their reports, both overall and by IPERA criteria.

As part of its annual monitoring of agency improper payments estimation and reporting, OMB reviews the IGs' compliance determinations for each criterion, IG recommendations and the agencies' responses, and areas where additional follow-up or guidance may be needed. In addition to these reviews, OMB responds to questions from the agencies and IGs throughout the year and refers them to the applicable guidance on an as-needed basis.

In October 2015, upon observing that many of the IPERA compliance reports from fiscal year 2014 and prior years were still difficult to interpret and compare, OMB held a town hall for all federal IGs to clarify its implementation guidance contained in OMB Circular No. A-123, Appendix C. The town hall detailed the six IPERA criteria and how IGs can make clearer determinations of compliance and noncompliance in their upcoming fiscal year 2015 reviews that were due in May 2016. OMB officials received feedback from IGs that this town hall was useful in tailoring their IPERA reviews; therefore, OMB officials stated that they plan to conduct another town hall for IGs in the summer or fall of 2016.

To determine if IGs corrected deficiencies identified in preliminary GAO findings shared with them and followed the guidance provided in the

October 2015 OMB town hall meeting, we conducted a review of the fiscal year 2015 IPERA reports issued in May 2016 by the seven IGs in whose fiscal year 2014 reports we identified deficiencies. We verified that these deficiencies have been corrected for fiscal year 2015 reporting and therefore determined that no recommendations to these IGs are warranted. OMB officials also stated that they plan to review the compliance status of all agencies contained in the IGs' fiscal year 2015 IPERA compliance reports and identify areas where additional guidance is needed.

Conclusions

Estimated improper payments across the federal government have increased by over \$30 billion in the last 2 fiscal years. During the same time period, agency noncompliance with the criteria listed in IPERA, as determined by IGs, also increased, with the highest number of CFO Act agency IGs reporting noncompliance in fiscal year 2014.

IPERA compliance reviews serve a key function in helping to ensure that federal dollars are not misspent and that estimates of improper payments are accurate and complete. In order to allow Congress to effectively monitor compliance with IPERA criteria, it is important for agencies to keep relevant committees notified of the noncompliant status of their programs. In the past year, OMB has made efforts to clarify its IPERA implementation guidance to IGs and federal agency chief financial officers and address shortfalls in the accuracy and completeness of the IGs' reports. OMB is attempting to address these shortfalls through its communications with the IGs, and officials told us that the next planned town hall meeting will occur later in the year.

Recommendations for Executive Action

To help fulfill the IPERA and OMB requirements to submit proposals to Congress when agencies reach 3 or more consecutive years of noncompliance with IPERA criteria, we recommend the following four actions.

- We recommend that the Secretary of Agriculture or a designee submit a letter to Congress detailing proposals for reauthorization or statutory changes in response to 3 consecutive years of noncompliance as of fiscal year 2014 for its (1) Child and Adult Care Food Program; (2) School Breakfast Program; (3) National School Lunch Program; and (4) Special Supplemental Nutrition Program for Women, Infants, and Children. To the extent that reauthorization or statutory changes

are not considered necessary to bring a program into compliance, the Secretary or designee should state so in the letter.

- We recommend that the Administrator of the Small Business Administration or a designee submit a letter to Congress detailing proposals for reauthorization or statutory changes in response to 3 consecutive years of noncompliance as of fiscal year 2014 for the agency's (1) 7(a) Guaranty Loans program and (2) Disaster Assistance Loans program. To the extent that reauthorization or statutory changes are not considered necessary to bring the programs into compliance, the Administrator or designee should state so in the letter.
- We recommend that the Secretary of Transportation or a designee submit a letter to Congress detailing proposals for reauthorization or statutory changes in response to 3 consecutive years of noncompliance as of fiscal year 2014 for the agency's Federal Transit Administration's Formula Grants program. To the extent that reauthorization or statutory changes are not considered necessary to bring the program into compliance, the Secretary or designee should state so in the letter.
- We recommend that the Secretary of Defense or a designee submit a letter to Congress detailing proposals for reauthorization or statutory changes in response to 3 consecutive years of noncompliance as of fiscal year 2014 for its DOD Travel Pay program. To the extent that reauthorization or statutory changes are not considered necessary to bring the program into compliance, the Secretary or designee should state so in the letter.

Agency Comments and Our Evaluation

We provided a draft of this report to OMB, the IG offices of the 24 CFO Act agencies, and the CFO offices of those agencies with programs that were determined to be noncompliant with IPERA criteria for 3 consecutive years as of fiscal year 2014: DOD, DOL, DOT, HHS, SBA, SSA, Treasury, and USDA. These eight agencies included all 4 of the agencies to which we made recommendations. We received responses from all organizations that were provided the draft report. Table 8 summarizes the responses received from these the 24 CFO Act agencies and their IG offices.

Table 8: Summary of Responses Received from CFO Act Agencies and Inspectors General

CFO Act agency	Disposition of response	
	Office of the Inspector General	Office of the Chief Financial Officer
Department of Agriculture ^{a,b}	No comments	Technical comments only
Department of Commerce	No comments	N/A
Department of Defense ^{a,b}	Concur (See app. IV)	Concur (See app. IV)
Department of Education	No comments	N/A
Department of Energy	No comments	N/A
Department of Health and Human Services ^a	Concur	Technical comments only
Department of Homeland Security	Concur (See app. V)	N/A
Department of Housing and Urban Development	Technical comments only	Technical comments only
Department of the Interior	Concur (See app. VI)	N/A
Department of Justice	No comments	N/A
Department of Labor ^a	No comments	Technical comments only
Department of State	Concur (See app. VII)	N/A
Department of Transportation ^{a,b}	Nonconcur	Concur (See app. VIII)
Department of the Treasury ^a	Technical comments only	No comments
Department of Veterans Affairs	Concur (See app. IX)	N/A
Environmental Protection Agency	No comments	N/A
General Services Administration	Partially concur (See app. X)	N/A
National Aeronautics and Space Administration	Technical comments only	N/A
National Science Foundation	No comments	N/A
Nuclear Regulatory Commission	No comments	N/A

CFO Act agency	Disposition of response	
	Office of the Inspector General	Office of the Chief Financial Officer
Office of Personnel Management	No comments (See app. XI)	N/A
Small Business Administration ^{a,b}	No comments	No comments
Social Security Administration ^a	Technical comments only	No comments (See app. XII)
U.S. Agency for International Development	No comments	N/A

Legend:

CFO Act: Chief Financial Officers Act of 1990

IG: inspector general

N/A: This office was not extended the opportunity to comment on our report because it did not have programs that were determined by its agency's IG to be noncompliant with IPERA requirements for 3 consecutive years as of fiscal year 2014

Source: GAO analysis of responses received from CFO Act agencies and IGs based on draft report. | GAO-16-554

^aAgency had programs that were determined by the agency's IG to be noncompliant with IPERA criteria for at least 3 consecutive years as of fiscal year 2014.

^bThis report contains a recommendation to this agency.

DOD and the DOD IG provided a combined response, which is reprinted in appendix IV. OMB's written comments are reprinted in appendix XIII.

As noted in the table, some of the agencies' CFO and IG offices also provided technical comments, which we incorporated as appropriate. We also received e-mailed responses from officials at the following offices, stating that the organization had no comments on the draft report: the CFO offices of SBA and SSA; and the IG offices of USDA, the Department of Commerce, the Department of Education, the Department of Energy, the Department of Justice, DOL, the Environmental Protection Agency, NSF, the Nuclear Regulatory Commission, SBA, and the U.S. Agency for International Development.

In their written comments, the CFO offices of DOD and DOT concurred with our recommendations. The DOD CFO office noted that it does not consider reauthorization or statutory change necessary for its Travel Pay program, but will submit a letter to Congress containing planned actions for improvement by August 30, 2016. The DOT CFO office stated that DOT establishes aggressive reduction targets for its programs and noted improvement in its Formula Grants program, which met its reduction target in fiscal year 2015 after being noncompliant under IPERA for 3 consecutive years.

In their e-mailed responses, officials from CFO offices at SBA and USDA neither concurred nor disagreed with our recommendations.

In their written comments, IGs at DOD, DHS, DOI, State, and VA concurred with our findings. OMB provided written comments that reiterated its commitment to improving payment accuracy across the federal government. The HHS IG concurred with our finding in an e-mailed response.

In its written response, the GSA IG office stated that it partially agreed with the findings in our report. While the GSA IG office agreed that its fiscal year 2014 high-level summary of IPERA compliance could be improved, it noted that its summary paragraph specifically identified the criteria that GSA did not meet. However, as we noted in this report, the GSA IG reported inaccuracies in GSA's fiscal year 2014 AFR information and a failure to complete corrective actions from the previous year's review, but it was unclear if these instances resulted in determinations of compliance or noncompliance with IPERA criteria. OMB guidance directs IGs to not only report on the IPERA criteria that the IG has determined the agency did not meet, but also those criteria the agency met. The GSA IG office further stated that it has taken actions to clarify its high-level summary in its fiscal year 2015 IPERA compliance report.

In an e-mailed response dated June 1, 2016, the DOT Assistant IG for Information Technology and Audits disagreed with our finding that the IG's determination that DOT "generally complied" with IPERA criteria was misleading and also stated that the magnitude of DOT's instances of noncompliance was not conveyed in our report. However, as stated in our report, IPERA defines compliance as including all six of the listed criteria, and thus if an IG reports that any of the IPERA criteria are not met by its agency, the agency is overall noncompliant. Our report further conveys the one criterion and program responsible for DOT's noncompliance in fiscal year 2014. Despite its disagreement with our findings, the DOT IG office reported a clearer determination of agency compliance in its fiscal year 2015 report, stating that the agency "(did) not comply with IPERA requirements".

As discussed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 7 days from the report date. At that time, we will send copies to the appropriate congressional committees, the Director of the Office of Management and Budget, all CFO Act agencies' inspectors general, and select CFO Act

agencies' chief financial officers. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-2623 or davisb@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff members who made key contributions to this report are listed in appendix XIV.

A handwritten signature in cursive script that reads "Beryl H. Davis".

Beryl Davis
Director
Financial Management and Assurance

Appendix I: Objectives, Scope, and Methodology

Our objectives were to review (1) the number of agencies, among those listed in the Chief Financial Officers Act of 1990, as amended (CFO Act),¹ that complied with the criteria listed in the Improper Payments Elimination and Recovery Act of 2010 (IPERA),² as reported by their inspectors general (IG), for fiscal years 2011 through 2014, and what criteria and programs the IGs concluded were primarily responsible for instances of agency noncompliance; (2) the number of programs at the 24 CFO Act agencies that were determined noncompliant with IPERA criteria by their IGs for 3 or more consecutive years, as of fiscal year 2014, and the extent to which the responsible agencies submitted the required information to Congress; and (3) the extent to which CFO Act agency IGs have adhered to certain IPERA requirements and the related Office of Management and Budget (OMB) guidance contained in OMB Circular No. A-123, Appendix C,³ in their fiscal year 2014 improper payment compliance reviews, including reporting on special disaster relief appropriations and OMB-designated high-priority programs. Although IPERA requirements apply to the head of each executive agency, we only reviewed reports of those agencies designated as CFO Act agencies because these agencies represented over 99 percent of the total government-wide improper payments reported in fiscal year 2014.

To address our first objective, we identified the requirements that agencies must meet by reviewing the Improper Payments Information Act of 2002,⁴ as amended; IPERA; and OMB guidance. We analyzed CFO Act agency IGs' fiscal year 2014 IPERA reports, which were the most current reports available at the beginning of our review, and summarized information related to agency compliance with IPERA criteria and

¹The CFO Act, Pub. L. No. 101-576 (Nov. 15, 1990), established chief financial officers to oversee financial management activities at 23 major executive departments and agencies. The list now includes 24 entities, which are often referred to collectively as CFO Act agencies, and is codified, as amended, in section 901 of Title 31, United States Code. The CFO Act agencies accounted for over 99 percent of the government-wide improper payment estimate for fiscal year 2014.

²Pub. L. No. 111-204, 124 Stat. 2224 (July 22, 2010).

³Office of Management and Budget, *Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments*, OMB Memorandum No. M-15-02 (Washington, D.C.: October 2014).

⁴Pub. L. No. 107-300, 116 Stat. 2350 (Nov. 26, 2002), *codified as amended at* 31 U.S.C. § 3321 Note.

identified common findings and related causes for improper payments, as reported by the IGs. We also relied on and reviewed prior year supporting documentation and analyses of CFO Act agencies' IG IPERA reports for fiscal years 2011, 2012, and 2013, as reported in GAO's December 2014 report ([GAO-15-87R](#)), and compared agencies' compliance with each IPERA criterion over fiscal years 2011 through 2013, as reported by the IGs. To summarize the CFO Act agencies' noncompliant programs for fiscal years 2011 through 2014, we compared data from the IG IPERA reports and agencies' performance and accountability reports (PAR) and agency financial reports (AFR) for those years. We also determined the programs responsible for noncompliance over this period by analyzing and summarizing the determinations made in the IG reports. Our work did not include validating or retesting the data or methodologies used by the IGs in coming to their conclusions. We confirmed our findings with the relevant CFO Act agency IGs and OMB. We also obtained and summarized OMB and agencies' data on improper payment estimates by agency program (see app. III).

To address our second objective, we summarized IG determinations made in the IGs' annual IPERA compliance reports from fiscal year 2011 through fiscal year 2014. We corroborated our findings with OMB and the relevant CFO Act agency IGs. To determine if agencies responsible for these noncompliant programs had submitted either proposals for reauthorization or statutory changes to Congress, we interviewed and requested information from relevant agency offices of chief financial officer in coordination with the agency IGs. We did not make conclusions as to the sufficiency or completeness of the information contained in proposals for reauthorization or statutory changes submitted to Congress.

To address our third objective, we identified requirements that agencies' IGs must meet by reviewing IPERA, the Improper Payments Elimination and Recovery Improvement Act of 2012, and OMB guidance for IG IPERA reports, which is contained in OMB Circular No. A-123, Appendix C (OMB Memorandum M-15-02). We compared CFO Act agencies' IGs improper payment reporting for fiscal year 2014 to statutory requirements and OMB guidance, including reporting on high-priority programs and disaster relief funds. To determine the population of OMB's high-priority programs, we obtained the list for fiscal year 2014 from www.paymentaccuracy.gov. To ensure that this list was reported correctly on the website, we interviewed OMB officials and corroborated the information. For each agency responsible for a high-priority program, we reviewed the related IG's IPERA compliance report for fiscal year 2014 to ensure that the IG's review of the high-priority program met all elements

prescribed by OMB Memorandum M-15-02. For agencies reporting improper payment estimates for disaster relief funding, we reviewed the Disaster Relief Appropriations Act, 2013 and determined whether the agencies listed therein reported improper payment estimates and whether their IGs reported compliance determinations for those programs in their fiscal year 2014 IPERA reports.

We also compared the structure and content of the fiscal year 2014 IG reports to that required by IPERA and OMB Memorandum M-15-02. Further, we reviewed the improper payments reporting contained in the AFRs and PARs of the CFO Act agencies for fiscal year 2014 to ensure that certain IG compliance determinations for some criteria agreed to our observations. Specifically, in each fiscal year 2014 CFO Act agency AFR or PAR, we determined whether the following IPERA Section 3 criteria were met for each program assessed to be at risk for significant improper payments: (1) corrective action plans were reported, (2) annual reduction targets were published and met, and (3) a gross improper payment estimate of less than 10 percent was reported for each program. For the remaining criteria related to publishing the required information in the PAR or AFR, conducting risk assessments, and publishing improper payment estimates for programs deemed susceptible to significant improper payments, we did not make conclusions but relied on the IGs' judgments of compliance and noncompliance. IGs gave their respective agencies the opportunity to comment on their fiscal year 2014 IPERA compliance reports, and we reviewed all agency and IG responses. To determine if certain IGs corrected deficiencies identified in preliminary GAO findings shared with them and followed OMB guidance for fiscal year 2015 reporting, we reviewed the fiscal year 2015 IPERA reports issued in May 2016 by the seven IGs in whose fiscal year 2014 reports we identified deficiencies. We determined that the conclusions in the IGs' reports were sufficiently reliable for our reporting purposes.

We conducted this performance audit from September 2015 to June 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: CFO Act Agencies and Programs Reported as Noncompliant under IPERA by IGs for Fiscal Year 2014

Table 9 lists the Chief Financial Officers Act of 1990 agencies and their programs that their inspectors general reported in fiscal year 2014 were noncompliant with the Improper Payments Elimination and Recovery Act of 2010.

Table 9: CFO Act Agencies and Programs That IGs Reported as Noncompliant with IPERA Criteria for Fiscal Year 2014

Agency	Reason for noncompliance reported by inspector general (IG)
1. Department of Agriculture	<p>Did not publish improper payment estimate for 1 program:</p> <p>1. Child and Adult Care Food Program</p> <p>Did not publish and meet reduction targets for 6 programs:</p> <p>2. School Breakfast</p> <p>3. Farm Security and Rural Investment</p> <p>4. Loan Deficiency Payments</p> <p>5. Federal Crop Insurance Corporation</p> <p>6. Special Supplemental Nutrition Program for Women, Infants, and Children</p> <p>7. Direct & Counter-Cyclical Payments</p> <p>Did not report an error rate below 10 percent for 4 programs:</p> <p>School Breakfast</p> <p>Farm Security and Rural Investment</p> <p>Loan Deficiency Payments</p> <p>8. National School Lunch Program</p>
2. Department of Defense (DOD)	<p>Did not meet reduction target for 1 program:</p> <p>9. DOD Travel Pay</p>
3. Department of Education	<p>Did not meet reduction target for 1 program:</p> <p>10. Direct Loan</p>

**Appendix II: CFO Act Agencies and Programs
Reported as Noncompliant under IPERA by IGs
for Fiscal Year 2014**

Agency	Reason for noncompliance reported by inspector general (IG)
4. Department of Health and Human Services	<p>Did not conduct program-specific risk assessment</p> <p>Did not publish improper payment estimate and Did not publish corrective action plans for 1 program:</p> <p>11. Temporary Assistance for Needy Families</p> <p>Did not meet reduction targets for 4 programs:</p> <p>12. Medicare Fee-for-Service</p> <p>13. Medicaid</p> <p>14. Child Care and Development Fund</p> <p>15. Foster Care – Title IV-E</p> <p>Did not report error rate below 10 percent for 3 programs:</p> <p>Medicare Fee-for-Service</p> <p>16. Disaster Relief – Administration for Children and Families Social Services Block Grant</p> <p>17. Disaster Relief – Substance Abuse and Mental Health Services Administration</p>
5. Department of Homeland Security	<p>Did not meet reduction targets for 5 programs:</p> <p>18. Federal Emergency Management Agency (FEMA) Disaster Relief Fund Vendor Payments</p> <p>19. FEMA Transportation Security Grant Program</p> <p>20. Planned Emergency Food and Shelter Program</p> <p>21. FEMA Homeland Security Grant Program</p> <p>22. FEMA Public Assistance Programs</p>
6. Department of Housing and Urban Development	<p>Did not publish required information in AFR/PAR</p> <p>Did not conduct program-specific risk assessment</p>
7. Department of the Interior	<p>Did not publish improper payment estimate for 1 program:</p> <p>23. Disaster Relief</p>
8. Department of Labor	<p>Did not publish reduction target and Did not report an error rate below 10 percent for 1 program:</p> <p>24. Unemployment Insurance</p>
9. Department of Transportation	<p>Did not meet reduction targets for 2 programs:</p> <p>25. Federal Transit Administration Formula Grants Program</p> <p>26. Federal Railroad Administration High-Speed Intercity Passenger Rail Program</p>
10. Department of the Treasury	<p>Did not report error rate below 10 percent for 1 program:</p> <p>27. Earned Income Tax Credit</p>

**Appendix II: CFO Act Agencies and Programs
Reported as Noncompliant under IPERA by IGs
for Fiscal Year 2014**

Agency	Reason for noncompliance reported by inspector general (IG)
11. Department of Veterans Affairs (VA)	<p>Did not publish improper payment estimate for 1 program:</p> <ul style="list-style-type: none"> 27. Education – Chapter 33 (Post-9/11 G.I. Bill) 28. Did not meet reduction targets for 5 programs: 29. Non-VA Care Civilian Health and Medical Program of the Department of Veterans Affairs 30. Pension 31. Compensation 32. Vocational Rehabilitation and Employment 33. Education – Chapter 1606 (Montgomery G.I. Bill – Selected Reserve)
12. General Services Administration	<p>Did not meet reduction targets for 2 programs:</p> <ul style="list-style-type: none"> 34. Purchase Cards 35. Building Operations – Utilities
13. National Science Foundation	<p>Did not publish required information in AFR/PAR Did not conduct program-specific risk assessment</p>
14. Small Business Administration	<p>Did not meet reduction target for 1 program:</p> <ul style="list-style-type: none"> 36. 7(a) Guaranty Approvals <p>Did not report error rate below 10 percent for 1 program:</p> <ul style="list-style-type: none"> 37. Disaster Assistance Loans Disbursements
15. Social Security Administration	<p>Did not meet reduction target for 1 program:</p> <ul style="list-style-type: none"> 38. Supplemental Security Income

Legend:

AFR: agency financial report

CFO Act: Chief Financial Officers Act of 1990

IPERA: Improper Payments Elimination and Recovery Act of 2010

PAR: performance and accountability report

Source: GAO analysis of CFO Act agencies' IG IPERA reports for fiscal year 2014. | GAO-16-554

Appendix III: Reported Improper Payment Estimates by Agency and Program/Activity for Fiscal Year 2015

Table 10 lists reported improper payment estimates by agency and program or activity for fiscal year 2015.

Table 10: Reported Improper Payment Estimates by Agency and Program/Activity for Fiscal Year 2015

Agency/reporting program	Reported by OMB for fiscal year 2015		
	Outlays (dollars)	Improper payment estimate (dollars)	Error rate (percentage)
CFO Act agencies			
Department of Agriculture	111,262,780,000	6,339,123,000	
1 Supplemental Nutrition Assistance Program	70,022,000,000	2,562,810,000	3.66
2 National School Lunch Program	11,319,000,000	1,773,000,000	15.66
3 School Breakfast Programs	3,812,000,000	875,000,000	22.95
4 Special Supplemental Nutrition Program for Women, Infants, and Children	4,542,000,000	210,000,000	4.62
5 Livestock Forage Disaster Program	3,357,000,000	104,200,000	3.10
6 Livestock Indemnity Program	63,000,000	4,000,000	6.35
7 Supplemental Revenue Assistance Payments Program	34,000,000	3,366,000	9.90
8 Noninsured Crop Disaster Assistance Program	174,000,000	12,800,000	7.36
9 Child and Adult Care Food Program	930,000,000	7,800,000	0.84
10 Rental Assistance Program	1,147,000,000	16,200,000	1.41
11 Federal Crop Insurance Corporation Program Fund	13,734,000,000	302,150,000	2.20
12 Farm Security and Rural Investment Act Programs	2,122,000,000	467,790,000	22.04
13 Hurricane Sandy - Emergency Conservation Program	400,000	2,000	0.50
14 Farm Service Agency Hurricane Sandy - Emergency Forest Restoration Program (EFRP)	300,000	5,000	1.67
15 Forest Service Hurricane Sandy - EFRP	70,000	-	0.00
16 Hurricane Sandy - Capital Improvement and Maintenance	1,180,000	-	0.00
17 Hurricane Sandy - Emergency Watershed Protection Program	4,830,000	-	0.00
Department of Commerce	113,120,000	-	
18 Funds Received by National Oceanic and Atmospheric Administration under Disaster Relief Appropriations Act	113,120,000	-	0.00
Department of Defense (DOD)	560,770,000,000	1,256,080,000	
19 Military Health Benefits	19,700,000,000	157,670,000	0.80
20 Military Pay	107,400,000,000	242,900,000	0.23
21 Civilian Pay	56,600,000,000	57,200,000	0.10
22 Military Retirement	59,300,000,000	20,800,000	0.04
23 DOD Travel Pay	6,600,000,000	521,470,000	7.90

**Appendix III: Reported Improper Payment
Estimates by Agency and Program/Activity for
Fiscal Year 2015**

Agency/reporting program	Reported by OMB for fiscal year 2015		
	Outlays (dollars)	Improper payment estimate (dollars)	Error rate (percentage)
24 Defense Finance and Accounting Service (DFAS) Commercial Pay ^a	287,800,000,000	256,000,000	0.09
25 U.S. Army Corps of Engineers (USACE) Commercial Pay	18,200,000,000	-	0.00
26 USACE Travel Pay	170,000,000	40,000	0.02
27 Navy Enterprise Resource Planning Commercial Pay	5,000,000,000	-	0.00
Department of Education	144,395,930,000	1,866,270,000	
28 Pell Grants	29,909,280,000	562,290,000	1.80
29 Direct Loan	98,771,650,000	1,284,030,000	1.30
30 Title I	15,715,000,000	19,950,000	0.13
Department of Health and Human Services	882,445,963,000	89,776,826,740	
31 Medicare Fee-for-Service (Parts A and B)	358,348,600,000	43,325,610,000	12.09
32 Medicare Advantage (Part C)	148,593,710,000	14,117,000,000	9.50
33 Medicare Prescription Drug Benefit (Part D)	62,003,910,000	2,234,250,000	3.60
34 Medicaid	297,672,020,000	29,124,610,000	9.78
35 Children's Health Insurance Program	9,293,910,000	632,110,000	6.80
36 Foster Care	841,010,000	30,680,000	3.65
37 Child Care	5,420,320,000	311,130,000	5.74
38 Disaster Relief – Administration for Children and Families (ACF) Head Start	16,380,000	61,600	0.38
39 Disaster Relief - ACF Social Services Block Grant	209,140,000	460,000	0.22
40 Disaster Relief - ACF Family Violence Prevention and Services	893,000	7,900	0.89
41 Disaster Relief – Assistant Secretary for Preparedness and Response Research	1,550,000	-	0.00
42 Disaster Relief – Centers for Disease Control Research	4,600,000	-	0.00
43 Disaster Relief – Substance Abuse and Mental Health Services Administration	1,320,000	18,200	1.38
44 Disaster Relief – National Institutes of Health Research	38,600,000	884,600	2.29
Department of Homeland Security	11,592,352,000	217,402,700	
45 Customs and Border Protection (CBP) – Refund & Drawback	1,590,560,000	3,879,000	0.24
46 CBP – Administratively Uncontrollable Overtime	337,960,000	840,000	0.25
47 CBP – Hurricane Sandy	465,000	700	0.14
48 Domestic Nuclear Detection Office – Hurricane Sandy	47,000	-	0.00
49 Federal Emergency Management Agency (FEMA) – Assistance to Firefighters Grant Program	224,900,000	1,440,000	0.64
50 FEMA – Flood Risk Map & Risk Analysis Program	131,000,000	10,915,000	8.33

**Appendix III: Reported Improper Payment
Estimates by Agency and Program/Activity for
Fiscal Year 2015**

Agency/reporting program	Reported by OMB for fiscal year 2015		
	Outlays (dollars)	Improper payment estimate (dollars)	Error rate (percentage)
51 FEMA – Hazard Mitigation – Hurricane Sandy	34,030,000	-	0.00
52 FEMA – Homeland Security Grant Program	1,496,520,000	17,960,000	1.20
53 FEMA – Individuals and Households Program	23,970,000	1,680,000	7.01
54 FEMA – National Flood Insurance Program	894,360,000	1,473,000	0.16
55 FEMA – Public Assistance	3,902,650,000	56,580,000	1.45
56 FEMA – Port Security Grant Program	300,890,000	2,020,000	0.67
57 FEMA – Transit Security Grant Program	353,260,000	3,115,000	0.88
58 FEMA – Vendor Pay	733,620,000	54,990,000	7.50
59 Immigration and Customs Enforcement – Enforcement and Removal Operations	1,525,280,000	61,940,000	4.06
60 National Protection and Programs Directorate – Hurricane Sandy	1,020,000	-	0.00
61 Office of the Inspector General – Hurricane Sandy	2,000,000	-	0.00
62 Science & Technology Directorate – Hurricane Sandy	280,000	-	0.00
63 U.S. Coast Guard – Hurricane Sandy	9,540,000	570,000	1.44
Department of Housing and Urban Development	33,643,120,000	1,300,600,000	
64 Public Housing/Rental Assistance	32,001,120,000	1,281,790,000	4.01
65 Community Development Block Grant - Disaster Relief	1,642,000,000	18,810,000	1.15
Department of the Interior	165,091,000	-	
66 Disaster Relief	165,091,000	-	0.00
Department of Justice	1,924,000	-	
67 Law Enforcement - Disaster Relief	529,000	-	0.00
68 Prisons & Detention - Disaster Relief	1,395,000	-	0.00
Department of Labor	38,412,500,000	3,638,150,000	
69 Unemployment Insurance	32,895,310,000	3,530,160,000	10.73
70 Workforce Investment Act	2,530,000,000	22,260,000	0.88
71 Federal Employees Compensation Act	2,987,190,000	85,730,000	2.87
Department of Transportation	60,295,682,200	491,018,100	
72 Federal Aviation Administration (FAA) Airport Improvement Program	3,117,088,100	1,265,200	0.04
73 FAA Facilities & Equipment - Disaster Relief Appropriations Act	9,582,300	-	0.00
74 Federal Highway Administration Highway Planning and Construction	44,424,555,000	479,196,100	1.08
75 Federal Railroad Administration (FRA) Grants to Amtrak	1,363,118,200	4,241,900	0.31
76 FRA High Speed Intercity Passenger Rail	1,113,586,600	358,800	0.03
77 Federal Transit Administration (FTA) Formula Grants	9,419,656,000	5,092,700	0.05

**Appendix III: Reported Improper Payment
Estimates by Agency and Program/Activity for
Fiscal Year 2015**

Agency/reporting program	Reported by OMB for fiscal year 2015		
	Outlays (dollars)	Improper payment estimate (dollars)	Error rate (percentage)
78 FTA Emergency Relief Program – Disaster Relief Appropriations Act	570,439,400	174,600	0.03
79 Maritime Administration Ready Reserve Force	277,656,600	688,800	0.25
Department of the Treasury	65,600,000,000	15,600,000,000	
80 Earned Income Tax Credit	65,600,000,000	15,600,000,000	23.78
Department of Veterans Affairs (VA)	113,464,530,000	4,976,172,000	
81 Beneficiary Travel	811,550,000	50,480,000	6.22
82 Civilian Health and Medical Program of the VA	1,135,340,000	38,750,000	3.41
83 VA Community Care	3,912,170,000	2,142,690,000	54.77
84 Purchased Long Term Services and Support	1,479,710,000	875,128,000	59.14
85 State Home Per Diem Grants	1,077,840,000	21,766,000	2.02
86 Supplies and Materials	2,457,240,000	32,440,000	1.32
87 Compensation	58,449,560,000	1,361,350,000	2.33
88 Pension	5,832,790,000	264,190,000	4.53
89 Vocational Rehabilitation & Employment Beneficiary Payments	1,081,220,000	11,260,000	1.04
90 Education - Chapter 33	11,172,650,000	135,050,000	1.21
91 Education - Chapter 1606	147,150,000	1,550,000	1.05
92 Education - Chapter 1607	67,330,000	1,500,000	2.23
93 Disaster Relief Act - Hurricane Sandy	27,270,000	1,558,000	5.71
94 Payments to Federal Employees - Payroll	25,812,710,000	38,460,000	0.15
Environmental Protection Agency	2,714,120,000	3,740,400	
95 Clean Water State Revolving Fund	1,549,930,000	1,510,000	0.10
96 Drinking Water State Revolving Fund	1,162,900,000	2,230,000	0.19
97 Hurricane Sandy Disaster Relief Fund	1,290,000	400	0.03
General Services Administration	6,146,040,000	8,920,000	
98 Rental of Space	5,745,950,000	6,900,000	0.12
99 Building Operations - Utilities	369,870,000	40,000	0.01
100 Purchase Cards	30,220,000	1,980,000	6.55
National Aeronautics and Space Administration	4,980,000	-	
101 Hurricane Sandy Disaster Relief Program	4,980,000	-	0.00
Office of Personnel Management	129,166,810,000	372,630,000	
102 Total Program - Retirement	81,067,700,000	304,200,000	0.38
103 Federal Employee Health Benefit - All Carriers	48,099,110,000	68,430,000	0.14
Small Business Administration	20,789,560,000	1,053,577,000	
104 7(a) Guaranty Purchases	880,160,000	7,910,000	0.90
105 7(a) Guaranty Approvals	15,160,480,000	848,080,000	5.59

**Appendix III: Reported Improper Payment
Estimates by Agency and Program/Activity for
Fiscal Year 2015**

Agency/reporting program	Reported by OMB for fiscal year 2015		
	Outlays (dollars)	Improper payment estimate (dollars)	Error rate (percentage)
106 504 Certified Development Company Guaranty Approvals	4,189,530,000	158,200,000	3.78
107 Disaster Loan Disbursements	302,280,000	24,570,000	8.13
108 Disbursements for Goods and Services	105,440,000	14,260,000	13.52
109 Hurricane Sandy Disaster Relief Grants	4,300,000	130,000	3.02
110 Hurricane Sandy Disaster Relief Administrative Funds - Payroll	136,740,000	410,000	0.30
111 Hurricane Sandy Disaster Relief Administrative Funds - Travel	10,120,000	12,000	0.12
112 Hurricane Sandy Disaster Relief Administrative Funds - Purchase Cards	510,000	5,000	.98
Social Security Administration	919,177,431,000	9,802,930,000	
113 Old Age, Survivors & Disability Insurance	862,719,790,000	5,038,190,000	0.58
114 Supplemental Security Income	56,457,560,000	4,764,740,000	8.44
115 Disaster Relief Act Funds Total Payment	81,000	-	0.00
Department of Energy	NR	NR	NR
Department of State	NR	NR	NR
National Science Foundation	NR	NR	NR
Nuclear Regulatory Commission	NR	NR	NR
U.S. Agency for International Development	NR	NR	NR
Non-CFO Act agencies			
Corporation for National and Community Service	222,400,000	14,500,000	
116 AmeriCorps - State and National	222,400,000	14,500,000	6.52
Federal Communications Commission	8,568,020,000	154,760,000	
117 Universal Service Fund (USF) - High Cost	3,744,680,000	2,800,000	0.07
118 USF - Schools and Libraries	2,286,310,000	144,650,000	6.33
119 USF - Lifeline	1,635,860,000	7,310,000	0.45
120 Telecommunications Relay Service - Interstate Telecommunications Relay Services Fund	901,170,000	-	0.00
Railroad Retirement Board (RRB)	12,015,820,000	74,890,000	
121 Retirement and Survivors Benefits (RRA)	11,909,620,000	70,600,000	0.59
122 Railroad Unemployment Insurance Act (RUIA)	106,200,000	4,290,000	4.04
Government-wide total as Reported by OMB	3,120,968,173,700	136,947,585,500	4.39
Exclusion of DFAS Commercial Pay Program^a	(287,800,000,000)	(256,000,000)	(0.09)
Government-wide total	2,833,168,173,700	136,691,585,500	4.83

Legend:

CFO Act: Chief Financial Officers Act of 1990

NR: not reported

OMB: Office of Management and Budget

**Appendix III: Reported Improper Payment
Estimates by Agency and Program/Activity for
Fiscal Year 2015**

Source: GAO analysis of OMB data. | GAO-16-554

^aThis table includes DOD's DFAS Commercial Pay improper payment estimate of 256 million and corresponding outlays of 287.8 billion as reported by DOD and OMB in fiscal year 2015. However, the reported government-wide estimate of 136.7 billion in improper payments attributable to 121 programs or activities excludes DFAS Commercial Pay because of GAO concerns regarding the reliability of its estimate. The government-wide improper payment estimate for fiscal year 2015 including this program is 137 billion and the error rate is 4.39 percent.

Appendix IV: Comments from the Department of Defense and Inspector General



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

Ms. Beryl Davis
Director, Financial Management and Assurance
U.S. Government Accountability Office
441 G. Street, NW
Washington, DC 20548

MAY 31 2016

Dear Ms. Davis:

My office reviewed the Government Accountability Office (GAO) Draft Report, "Improper Payments – Improvements Needed in Addressing Compliance Issues by CFO Act Agencies" (GAO-16-554). Enclosed is a response to address the recommendation to the Secretary of Defense.

We appreciate the opportunity to review and comment on the GAO draft audit report. My staff point of contact for improper payments is Ms. Adriane Peoples. She can be reached at adriane.l.peoples.civ@mail.mil or 703-571-2430.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Easton", is written over a printed name and title.

Mark E. Easton
Deputy Chief Financial Officer

Enclosure:
As stated

OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) (OUSDC)
RESPONSE TO GOVERNMENT ACCOUNTABILITY OFFICE (GAO) DRAFT REPORT

GAO 16-554 (GAO CODE 197251), DATED MAY 18, 2016

"IMPROPER PAYMENTS - IMPROVEMENTS NEEDED IN ADDRESSING COMPLIANCE
ISSUES BY CFO ACT AGENCIES"

RECOMMENDATION 1.a.: The Secretary of Defense or designee submit a letter to Congress detailing proposals for reauthorization or statutory changes in response to three consecutive years of noncompliance as of fiscal year (FY) 2014 for its DoD Travel Pay program. To the extent that reauthorization or statutory changes are not considered necessary to bring the program into compliance, the Secretary or designee should state so in the letter.

OUSDC RESPONSE: Concur. The Office of the Under Secretary of Defense (Comptroller) will prepare and submit a letter to Congress, in coordination with the Office of Management and Budget, to address the Travel Pay program noncompliance and planned actions for improvement. The Department believes the program is fundamentally sound and reauthorization or statutory changes are not necessary. During the FY 2016 reporting cycle, DoD will update the current remediation plan focusing on root causes and initiate appropriate corrective actions to reduce travel improper payments.

ECD: No later than August 30, 2016

Attachment

Appendix IV: Comments from the Department
of Defense and Inspector General



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)

SUBJECT: Authorization to Release DoD Comments to U.S. Government Accountability Office (GAO) Draft Report

Reference: GAO Draft Report, GAO-16-554, "IMPROPER PAYMENTS Improvements Needed in Addressing Compliance Issues by CFO Act Agencies," dated May 18, 2016 (GAO Code 197251)

In accordance with DoD Instruction 7650.02, we have coordinated the proposed DoD response to the referenced draft report. Accordingly, the response is authorized for release to the GAO.

When the response is signed, please contact Mr. Phil McIntyre at 202-512-4373 or email macintyre@ga.gov to receive further instructions on the pickup or forwarding of the response. In addition, please provide one copy to us and make the appropriate internal DoD distribution.

Should you wish to change the response, please call us before release to the GAO. If the changes are significant, the response may require re-coordination.

Please safeguard the contents of the GAO draft report and any DoD response to prevent inadvertent release or improper disclosure prior to publication of the GAO final report. Distribution should be limited to DoD officials with a legitimate concern and need to know. All GAO draft reports remain the property of the GAO and may be recalled at any time.

Your action officer for this review is Ms. Adriane Peoples at 703-571-2430 or adriane.l.peoples.civ@mail.mil. If you have any questions, please contact my action officer, Ms. Nickcola Harris at 703-604-8544 or email nickcola.harris@dodig.mil. If my action officer is not available, please send an email to gaoaffairs@dodig.mil. The auto-reply will provide you with additional contact information.

6/2/2016

A handwritten signature in black ink, appearing to read "Luis A. Villalobos", written over a horizontal line.

Signed by: VILLALOBOS.LUISA.1232172734
Luis A. Villalobos
Chief, GAO Affairs Division
Office of Inspector General, DoD

Appendix V: Comments from the Department of Homeland Security Office of Inspector General



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

JUN 1 2016

Ms. Beryl Davis
Director, Financial Management and Assurance
Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Ms. Davis:

Re: GAO Draft Report – *Improper Payments – Improvements Needed in Addressing Compliance Issues by CFO Act Agencies* (GAO-16-554)

Thank you for the opportunity to review and comment on this draft report. The Department of Homeland Security (DHS or Department) Office of Inspector General appreciates the Government Accountability Office's (GAO) work to review agencies' compliance under the *Improper Payments Elimination and Recovery Act of 2010* (IPERA).

As stated in your draft report, we reissued IPERA reports for fiscal years (FY) 2011 to 2014 to correctly reflect DHS' non-compliance solely based on the annual reduction targets. Specifically, we determined that the Department did not meet its annual reduction targets for each high risk program.

Over the years, the Department has made progress in reducing improper payments. Through our audits and recommendations, the Department has improved its processes and procedures and implemented more effective internal controls. As a result, the Department has made progress in closing all IPERA-related recommendations thus far, with the exception of the new recommendation in the revised reports for FYs 2012 through 2014.

In response to the new recommendation, the Department has developed corrective action plans to help meet annual reduction targets for its high risk programs. As reported, there are four Federal Emergency Management Agency (FEMA) programs that have not met reduction targets for at least three consecutive years. As such, FEMA has indicated that it is executing remediation activities to help meet reduction targets. The Department has also taken steps to report IPERA non-compliance for FYs 2011 through 2014 and has coordinated with Office of Management and Budget (OMB) to determine the best course of action in meeting OMB's requirements for non-compliance.

**Appendix V: Comments from the Department
of Homeland Security Office of Inspector
General**



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Please contact me with any questions or your staff may contact Sandra John,
Director, at (202) 254-4100.

Sincerely,

A handwritten signature in cursive script that reads "Mark Bell".

Mark Bell
Assistant Inspector General for Audits

Appendix VI: Comments from the Department of the Interior Office of Inspector General



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

MAY 31 2016

Ms. Beryl Davis
Director, Financial Management and Assurance
Government Accountability Office
441 G Street, NW
Washington, DC 20548

Subject: Response to Draft Report on Improper Payments – Improvements Needed in Addressing Compliance Issues by CFO Act Agencies

Dear Ms. Davis:

Thank you for the opportunity to comment on your draft report that presents the results of the Government Accountability Office's review of compliance under the Improper Payments Elimination and Recovery Act of 2010 (IPERA) as reported by agency Inspector Generals for fiscal year 2014.

We agree that we did not include high-level summaries in our fiscal year 2014 IPERA compliance report as directed by OMB Circular No. A-123, Appendix C. We have already corrected the issue and included the required summaries in our fiscal year 2015 IPERA compliance report.

If you have any questions concerning this response, please contact me at 202-208-5745.

Sincerely,

A handwritten signature in black ink that reads "Mary L. Kendall".

Mary L. Kendall
Deputy Inspector General

Office of Inspector General | Washington, DC

Appendix VII: Comments from the Department of State Office of Inspector General



OIG Office of Inspector General
U.S. Department of State • Broadcasting Board of Governors

UNCLASSIFIED

May 23, 2016

Ms. Beryl Davis
Director
Financial Management and Assurance
U.S. Government Accountability Office
441 G St., NW
Washington, DC 20548

Dear Ms. Davis:

Thank you for the opportunity to comment on the U.S. Government Accountability Office (GAO) draft report *Improper Payments: Improvements Needed in Addressing Compliance Issues by CFO Act Agencies* (GAO-16-554).

The Office of Inspector General (OIG) for the Department of State (Department) and the Broadcasting Board of Governors has enhanced its reporting format to clarify its conclusions regarding Department compliance with the Improper Payments and Elimination and Recovery Act. Specifically, OIG's recent report, titled *Audit of Department of State FY 2015 Compliance With Improper Payments Requirements* (AUD-FM-16-31, May 2016), included a report summary that (1) identified the six specific criteria with which the agency complied, and (2) clearly stated the Department's overall compliance status. This change in approach directly addresses the concerns expressed in GAO's draft regarding our comparable report for FY 2014. We intend to apply our revised approach in all subsequent reports on this issue.

If you require additional information, please contact the Assistant Inspector General for Audits, Norman P. Brown, by email at brownnp2@state.gov or Beverly J.C. O'Neill, Director, Division of Financial Management, by email at oneillb@state.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Steve A. Linick".

Steve A. Linick
Inspector General

U.S. Department of State, Office of Inspector General, Washington, DC 20520-0308

Appendix VIII: Comments from the Department of Transportation



U.S. Department of Transportation
Office of the Secretary of Transportation

Assistant Secretary for Administration

1200 New Jersey Avenue, SE
Washington, DC 20590

JUN 1 2016

Beryl H. Davis
Director, Financial Management and Assurance
U.S. Government Accountability Office
441 G Street NW
Washington, DC 20548

Ms. Davis,

The Department of Transportation (DOT) has taken great strides to reduce improper payments and we consider ourselves to have been generally compliant with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) since its enactment. To maintain our high payment accuracy rates, DOT establishes aggressive goals and target reduction rates that are more stringent than the IPERA required rate of 10 percent. In Fiscal Year 2015, the Federal Transit Administration's (FTA) Formula Grants Program attained its rigorous target achieving a payment accuracy rate of 99.95 percent.

Upon review of the draft report, we concur with the recommendation and will provide a detailed response to the recommendation within 60 days of the final report's issuance. We appreciate the opportunity to respond to the GAO draft report. Please contact Madeline M. Chulumovich, Director, Audit Relations and Program Improvement, at (202) 366-6512 with any questions or if you would like to obtain additional details.

Sincerely,

A handwritten signature in blue ink that reads "Jeff Marootian".

Jeff Marootian
Assistant Secretary for Administration

Appendix IX: Comments from the Department of Veterans Affairs Office of Inspector General



Department of Veterans Affairs
Office of Inspector General
Washington, D.C. 20420

May 31, 2016

Office of Audits and Evaluations

Government Accountability Office
Beryl Davis, Director
Financial Management and Assurance Team

Dear Mr. Beryl:

Thank you for the opportunity to comment on your draft report presenting the results of your team's work on addressing compliance with reporting on improper payments, entitled *Improper Payments: Improvements Needed in Addressing Compliance Issues by CFO Act Agencies* (GAO-16-554).

We agree with your observations as stated in the draft report.

If you have any questions, please call Mr. Brent Arronte, Deputy Assistant Inspector General, Office of Audits and Evaluations at (202) 461-4725.

Sincerely,

A handwritten signature in black ink that reads "Gary K. Abe".

GARY K. ABE
Acting Assistant Inspector General

Appendix X: Comments from the General Services Administration Office of Inspector General



U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

May 31, 2016

Ms. Beryl Davis
Director
United States Government Accountability Office (GAO)

Dear Ms. Davis:

Thank you for the opportunity to comment on draft report *Improper Payments: Improvements Needed in Addressing Compliance Issues by CFO Act Agencies* (GAO-16-554). We partially concur with the audit findings related to the General Services Administration (GSA) Office of Inspector General (OIG).

With regard to the assessment in Table 5 (Instances in Which CFO Act Agencies' IGs Did Not Include High-Level Summaries in their Fiscal Year 2014 IPERA Compliance Reports as Directed by OMB Circular No. A-123, Appendix C) related to summary paragraphs, we agree that our fiscal year 2014 high-level summary of Improper Payments Elimination and Recovery Act of 2010 (IPERA) compliance could be improved. The summary paragraph specifically identified the criteria that the agency did not meet, but did not identify the criteria that the agency met. We have taken actions to clarify the high-level summary in the fiscal year 2015 IPERA audit report.

However, we do not agree with the paragraph below Table 5 on page 22. The paragraph in the draft report states the following: "We found that four of the 24 IGs did not report which of the six IPERA requirements the agency was compliant or noncompliant with the IPERA criteria. Specifically, IGs at...GSA... did not fulfill this requirement."

We believe that this is misleading. Our report clearly identified which criteria GSA did not meet. Specifically, the first sentence of our Results paragraph on page 2 states, "GSA has not complied with IPERA during FY 2014, as the Agency failed to meet its stated reduction targets from the prior year for both the Purchase Cards and the Building Operations - Utilities programs." This Results paragraph is followed by Finding 1 - GSA did not comply with IPERA due to failure to meet improper payment reduction targets from the prior year. Indeed, our findings are accurately reported in Table 1 on page 8 of GAO's draft report (Fiscal Year 2014 CFO Act Agencies' IPERA Compliance as Reported by Their IGs). As that table shows, we found that GSA was not compliant with publishing and meeting reduction targets, but was compliant with the other five criteria.

Thank you for your support of the work of Inspectors General. Please do not hesitate to contact me or R. Nicholas Goco, Assistant Inspector General for Auditing, at 202-501-0450.

Sincerely,

A handwritten signature in blue ink that reads "Carol F. Ochoa".

Carol F. Ochoa
Inspector General

Appendix XI: Comments from the Office of Personnel Management Office of Inspector General



Office of the
Inspector General

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

June 1, 2016

MEMORANDUM FOR PHIL MCINTYRE

Assistant Director, U.S. Government Accountability Office

FROM:

NORBERT E. VINT

Acting Inspector General

A handwritten signature in black ink that reads "Norbert E. Vint".

SUBJECT:

U.S. Office of Personnel Management's Office of the Inspector General
Response to the Draft GAO Report for Comment - FY 2014 IPERA
Compliance (GAO-16-554)

On May 18, 2016, your office provided a copy of the U.S. Government Accountability Office's proposed draft report entitled *Improper Payments: Improvements Needed in Addressing Compliance Issues by CFO Act Agencies* (GAO-16-554) and requested that the U.S. Office of Personnel Management's Office of the Inspector General (OIG) provide written or oral comments by Wednesday, June 1, 2016, which would be reflected in the final report.

I would like to thank you for allowing the OIG the opportunity to review and comment on your report and inform you that the OIG does not have any comments.

Please contact me on (202) 606-1200 if you have any questions, or your staff may wish to contact Michael R. Esser, Assistant Inspector General for Audits, on (202) 606-2143.

Appendix XII: Comments from the Social Security Administration



SOCIAL SECURITY
Office of the Commissioner

June 01, 2016

Ms. Beryl Davis
Director, Financial Management and Assurance
United States Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Davis:

Thank you for the opportunity to review the draft report, "IMPROPER PAYMENTS: Improvements Needed in Addressing Compliance Issues by CFO Act Agencies" (GAO-16-554); however we are deferring comment to our Inspector General.

If you have any questions, please contact me at (410) 965-0520. Your staff may contact Gary S. Hatcher, Senior Advisor for Records Management and Audit Liaison Staff, at (410) 965-0680.

Sincerely,

A handwritten signature in blue ink, appearing to read "Frank Cristaudo".

Frank Cristaudo
Executive Counselor to the Commissioner

SOCIAL SECURITY ADMINISTRATION BALTIMORE, MD 21235-0001

Appendix XIII: Comments from the Office of Management and Budget



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
FINANCIAL MANAGEMENT

May 26, 2016

Ms. Beryl H. Davis
Director
Financial Management Assurance
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

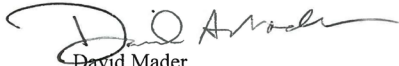
Dear Ms. Davis,

I appreciate the opportunity to provide comments in response to the Government Accountability Office's (GAO) draft report entitled "Improvements Needed in Addressing Compliance Issues by CFO Act Agencies" (GAO-16-554). Our partnership with the Congress and consultation with the GAO and the Inspector General (IG) community over the years has been critical to addressing improper payments. The Office of Management and Budget (OMB) appreciates the GAO's work in planning and conducting its review and issuing this report.

Addressing improper payments has been and continues to be a central component of the Administration's overall efforts to eliminate waste, fraud, and abuse. When the President took office in 2009, the improper payment error rate was 5.42%, an all-time high. Since then, the Administration, working together with the Congress and the IGs, has made progress by strengthening accountability and transparency through annual reviews by agency IGs, and has expanded review requirements for high-priority programs. While these results are important, there is more work that can be done to improve payment accuracy across the Government. The IG community plays an essential role through the annual work done for their IPERA compliance reports.

I appreciate the attention that GAO dedicates to reviewing improper payments, along with the efforts of the Congress, the IG community, and agencies. The Administration remains committed to achieving our mutual objective of achieving payment accuracy and integrity in Federal programs.

Sincerely,


David Mader
Controller

Appendix XIV: GAO Contact and Staff Acknowledgments

GAO Contact

Beryl Davis, Director, (202) 512-2623 or davisbh@gao.gov

Staff Acknowledgments

In addition to the contact named above, Philip McIntyre (Assistant Director), Laura Bednar (Auditor-in-Charge), Maria Belaval, Wilfred Holloway, Jason Kelly, Jason Kirwan, and Ricky A. Perry, Jr., made key contributions to this report.

GAO's Mission

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