



Highlights of [GAO-04-631T](#), a testimony before the Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform, House of Representatives

## Why GAO Did This Study

The Improper Payments Information Act of 2002 requires that agencies annually review all their programs and activities and identify those that may be susceptible to significant improper payments. It further requires those agencies with improper payments exceeding \$10 million to provide a report on the actions being taken to reduce those payments.

This testimony updates agency progress in implementing the act based on our review of agency fiscal year 2003 Performance and Accountability Reports for the 15 agencies and 46 programs previously cited in Office of Management and Budget Circular A-11, Section 57. It required those agencies and programs to report improper payment information to the Office of Management and Budget beginning with their fiscal year 2003 budget proposals.

The areas you asked us to address were (1) agencies that reported improper payments information and the programs and activities on which that information was based, (2) amounts of improper payments reported, (3) initiatives agencies reported taking to reduce those payments and the results of those initiatives, and (4) impediments to the prevention or reduction of improper payments.

## What GAO Recommends

We are not making any new recommendations in this testimony.

[www.gao.gov/cgi-bin/getrpt?GAO-04-631T](http://www.gao.gov/cgi-bin/getrpt?GAO-04-631T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact McCoy Williams at (202) 512-9508 or [williamsm1@gao.gov](mailto:williamsm1@gao.gov).

## FINANCIAL MANAGEMENT

# Fiscal Year 2003 Performance and Accountability Reports Provide Limited Information on Governmentwide Improper Payments

## What GAO Found

The fiscal year 2003 Performance and Accountability Reports (PAR) typically contained limited amounts of improper payment information even for those programs previously cited in Circular A-11 for which a reporting requirement has existed for at least three years. The PARs contained improper payment estimates for 31 of the 46 programs listed in Circular A-11. They contained information on agency initiatives to prevent or reduce improper payments for 22 programs and on impediments to improper payment prevention or reduction for 11 programs. Seven of 15 agencies reported on all three categories of information requested (improper payment amounts, initiatives taken to reduce or prevent improper payments, and impediments to improper payment prevention or reduction) for 9 of the 46 programs. For 11 of the 46 programs, the four agencies did not report on any of the three elements.

In some cases, agencies reported that they had already determined that their programs were not susceptible to significant improper payments. However, the auditor's reports in the same PARs identified management challenges or material internal control weaknesses within the programs where the design or operation of internal control procedures did not reduce, to a relatively low level, the risk that errors, fraud, or noncompliance that would be material to the financial statements may occur and not be detected promptly by employees in the normal course of performing their duties.

Key to the effort of reducing improper payments is the need for a strong control environment, including top leadership commitment and sustained attention to achieving results. Since 1982, various legislative and administrative initiatives have focused on and required agency assessments of internal controls over programs and financial management activities. Although these initiatives may not specifically target improper payments, by emphasizing internal controls, they have recognized the importance of internal controls—including a strong control environment—in ensuring that federal programs achieve their intended results and that federal agencies operate them effectively and efficiently.

If diligently and vigorously implemented, the Improper Payments Information Act of 2002 should have a significant impact on the governmentwide improper payments problem. The level of importance each agency, the administration, and the Congress place on the efforts to implement the act will determine its overall effectiveness and the level to which agencies reduce improper payments and ensure that federal funds are used efficiently and for their intended purposes.