



December 2018

# IMPROPER PAYMENTS

## Additional Guidance Needed to Improve Oversight of Agencies with Noncompliant Programs

# GAO Highlights

Highlights of [GAO-19-14](#), a report to congressional committees

## Why GAO Did This Study

Government-wide estimated improper payments totaled almost \$1.4 trillion from fiscal year 2003 through fiscal year 2017. IPERA requires IGs to annually assess and report on whether executive branch agencies complied with the six criteria to (1) publish an agency financial report or performance accountability report, (2) conduct program-specific improper payment risk assessments, (3) publish improper payment estimates, (4) publish corrective action plans, (5) publish and meet annual improper payment reduction targets, and (6) report a gross improper payment rate of less than 10 percent.

This report examines the extent to which

1. CFO Act agencies complied with IPERA criteria for fiscal years 2016 and 2017, and the trends evident since 2011, as reported by their IGs;
2. CFO Act agencies addressed requirements for programs reported as noncompliant with IPERA criteria for 3 or more consecutive years, as of fiscal year 2016, and communicated their strategies to Congress for reducing improper payments and achieving compliance; and
3. OMB made determinations regarding whether additional funding would help CFO Act agency programs reported as noncompliant with IPERA criteria for 2 consecutive years, as of fiscal years 2016 and 2017, come into compliance.

December 2018

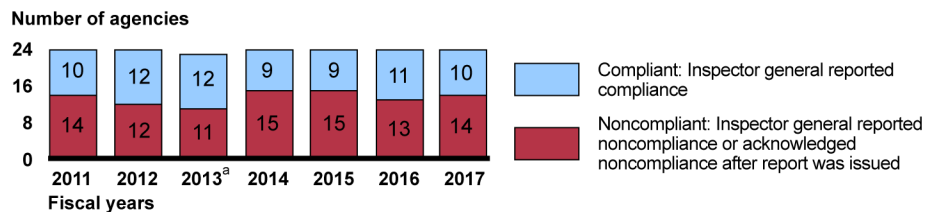
## IMPROPER PAYMENTS

### Additional Guidance Needed to Improve Oversight of Agencies with Noncompliant Programs

## What GAO Found

Over half of the 24 Chief Financial Officers Act of 1990 (CFO Act) agencies were reported by their inspectors general (IG) as noncompliant with one or more criteria under the Improper Payments Elimination and Recovery Act of 2010 (IPERA) for fiscal years 2016 and 2017. Nine CFO Act agencies have been reported as noncompliant in one or more programs every year since the implementation of IPERA in fiscal year 2011, totaling 7 consecutive years of noncompliance.

**Number of Chief Financial Officers Act Agencies Compliant under IPERA, as Reported or Acknowledged by Their Inspectors General**



Source: GAO analysis of Inspector General Improper Payments Elimination and Recovery Act of 2010 (IPERA) compliance reports from fiscal years 2011 through 2017. | GAO-19-14

<sup>a</sup>For fiscal year 2013, one inspector general did not issue a compliance report because the agency did not publish improper payment information.

The IGs of the 14 noncompliant agencies reported that a total of 58 programs were responsible for the identified instances of noncompliance in fiscal year 2017. Further, 18 of the 58 programs at 9 agencies were reported as noncompliant for 3 or more consecutive years. Fourteen of these 18 programs accounted for an estimated \$74.4 billion of the \$141 billion total estimated improper payments for fiscal year 2017; the other 4 programs did not report improper payment estimates. This sum may include estimates that are of unknown reliability. The \$74.4 billion is primarily composed of estimates reported for two noncompliant programs, the Department of Health and Human Services' Medicaid program and the Department of the Treasury's (Treasury) Earned Income Tax Credit program; estimated improper payments for these two programs are also a central part of certain high-risk areas in GAO's 2017 High-Risk List.

Agencies with any program reported as noncompliant for 3 or more consecutive years are required to notify Congress of their program's consecutive noncompliance and submit a proposal for reauthorization or statutory change to bring that program into compliance. GAO found that three agencies with one or more programs reported as noncompliant for 3 or more consecutive years, as of fiscal year 2016, did not notify Congress or submit the required proposals. The Departments of Labor and the Treasury submitted proposed legislative changes in response to their programs being previously reported as noncompliant, but did not notify Congress of the programs' continued noncompliance as of fiscal year 2016. The U.S. Department of Agriculture (USDA) has not notified Congress despite prior GAO and USDA IG recommendations to do so. To address these issues, in June 2018 the Office of Management and Budget

GAO analyzed the IGs' fiscal years 2016 and 2017 IPERA compliance reports; reviewed prior GAO reports on agencies' IPERA compliance; reviewed agency information submitted to Congress; and made inquiries to OMB, applicable agencies, and IGs; and assessed such information based on relevant IPERA provisions and OMB and other guidance.

## What GAO Recommends

GAO recommends that OMB update its guidance to specify other types of quality information that agencies with programs noncompliant for 3 or more consecutive years should include in their notifications to Congress, such as significant matters related to risks, issues, root causes, measurable milestones, designated senior officials, accountability mechanisms, and corrective actions or strategies planned or taken by agencies to achieve compliance.

GAO provided a draft of this report to OMB and requested comments, and OMB said that it had no comments. GAO also provided a draft of this report to the 24 CFO Act agencies and their IGs and requested comments. In its written comments, the Social Security Administration (SSA) stated that it provided information on measurable milestones, designated senior officials, and accountability mechanisms in its agency financial report. However, SSA did not provide this information in its notifications to Congress for programs reported as noncompliant under IPERA as of fiscal year 2016. GAO believes that OMB should take steps to update OMB's guidance to help ensure that agencies report such significant information and include it in their notifications to Congress. In addition, several agencies and IGs provided technical comments, which were incorporated in the report as appropriate.

View [GAO-19-14](#). For more information, contact Beryl H. Davis at (202) 512-2623 or [davisbh@gao.gov](mailto:davisbh@gao.gov).

(OMB) updated its guidance to clarify the notification requirements for each consecutive year a program is reported as noncompliant.

GAO found that five agencies did notify Congress as required, and included additional quality information that is not specifically required, but could be useful in updating Congress on their compliance efforts. For example, all five agencies provided information on the root causes, risks, changes, or issues affecting their efforts and corrective actions or strategies to address them; three agencies provided other quality information on accountability mechanisms, designated senior officials, and measurable milestones.

**Additional Information Included in Notifications to Congress by Five Agencies with Programs Reported by Their Inspectors General as Noncompliant under the Improper Payments Elimination and Recovery Act of 2010 for 3 or More Consecutive Years, as of Fiscal Year 2016**

Agency	Additional information included					
	Root causes	Risks/ issues/ changes	Corrective actions/ strategies	Measurable milestones	Designated senior officials	Accountability mechanisms
Dept. of Defense	Yes	Yes	Yes	Yes	Yes	Yes
Dept. of Education	Yes	Yes	Yes	Yes	Yes	Yes
Dept. of Health Human Services	Yes	Yes	Yes	No	No	No
Dept. of Homeland Security	Yes	Yes	Yes	Yes	Yes	Yes
Social Security Administration	Yes	Yes	Yes	No	No	No
<b>Total</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>3</b>	<b>3</b>	<b>3</b>

Source: GAO analysis of Chief Financial Officers Act of 1990 agencies' notifications to Congress for programs with 3 or more consecutive years of noncompliance with the Improper Payments Elimination and Recovery Act of 2010 as of fiscal year 2016. | GAO-19-14

In June 2018, OMB updated its guidance to clarify agency reporting requirements for programs reported as noncompliant for 3 or more consecutive years. However, the updated guidance does not direct agencies to include the types of quality information included in these five agencies' notifications for fiscal year 2016. GAO's *Standards for Internal Control in the Federal Government* emphasizes the importance of communicating quality information, such as significant matters affecting agencies' efforts to achieve compliance objectives. Such information could be useful in understanding the current challenges of these programs and is essential for assessing agency efforts to address high-risk and other issues. As a result, Congress could have more complete information to effectively oversee agency efforts to address program noncompliance for 3 or more consecutive years.

When programs are reported as noncompliant for 2 consecutive years, IPERA gives OMB authority to determine whether additional funding is needed to help resolve the noncompliance. In April 2018, OMB staff stated that they determined that no additional funding was needed for the 15 programs that were reported as noncompliant for 2 consecutive years, as of fiscal year 2016, and that they primarily rely on the IGs' recommendations in their annual IPERA compliance reports when making funding determinations. OMB staff subsequently stated that they no longer need to conduct a detailed review of the IGs' IPERA compliance reports to identify recommendations related to additional funding needs. Instead, OMB updated its guidance in June 2018 to direct agencies to submit proposals to OMB regarding additional funding needs to help address IPERA noncompliance and clarified that the funding determination process will unfold as part of the annual development of the President's Budget. As of September 2018, OMB was in the process of making funding determinations for 12 programs that were reported as noncompliant as of fiscal year 2017 and stated that any determinations made would be developed in the President's Budget for fiscal year 2020.

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## Abbreviations

AFR	agency financial report
CFO	Chief Financial Officer
CFO Act	Chief Financial Officers Act of 1990
DHS	Department of Homeland Security
DOD	Department of Defense
DOL	Department of Labor
Education	Department of Education
EITC	Earned Income Tax Credit
FNS	Food and Nutrition Service
Ginnie Mae	Government National Mortgage Association
HHS	Department of Health and Human Services
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
IRS	Internal Revenue Service
OIG	Office of Inspector General
OMB	Office of Management and Budget
PAR	performance and accountability report
SSA	Social Security Administration
Treasury	Department of the Treasury
USDA	U.S. Department of Agriculture

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December 7, 2018

The Honorable Ron Johnson  
Chairman  
The Honorable Claire McCaskill  
Ranking Member  
Committee on Homeland Security and Governmental Affairs  
United States Senate

The Honorable Trey Gowdy  
Chairman  
The Honorable Elijah 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 been estimated to total almost \$1.4 trillion government-wide from fiscal years 2003 through 2017.<sup>1</sup> Estimates of total improper payments have increased over the years—from \$35 billion for 27 programs in fiscal year 2003 to approximately \$141 billion for 90 programs in fiscal year 2017. It is important to note that these estimates themselves may not be accurate, reliable, or complete, because, as we have reported, the federal government is unable to determine the full extent to which improper payments occur and reasonably assure that appropriate actions are taken to reduce them.<sup>2</sup> In addition, certain inspectors general (IG) have reported issues with their

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<sup>1</sup>As required by the Improper Payments Information Act of 2002, Pub. L. No. 107-300, 116 Stat. 2350 (Nov. 26, 2002), *codified as amended at* 31 U.S.C. § 3321 note, certain agencies were required to start reporting improper payment estimates beginning for fiscal year 2003. An 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 for such payments where authorized by law), and any payment that does not account for credit for applicable discounts. Office of Management and Budget 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.

<sup>2</sup>GAO, *Financial Audit: Fiscal Years 2017 and 2016 Consolidated Financial Statements of the U.S. Government*, [GAO-18-316R](#) (Washington, D.C.: Feb. 15, 2018).



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agencies' reported improper payment estimates that were caused by insufficient sampling methods and flawed estimation methodologies for calculating and reporting improper payment estimates.

Fiscal year 2017 marked the seventh year of the implementation of the Improper Payments Elimination and Recovery Act of 2010 (IPERA), which, among other things, requires federal agencies' IGs to annually assess and report on whether the agencies under their jurisdiction have complied with six IPERA criteria.<sup>3</sup> The IGs' annual IPERA compliance reports serve a key function to reasonably assure that improper payment estimates are accurate, reliable, and complete and that Congress has information on agencies' efforts to address improper payments. We previously reported on agencies' IPERA compliance for fiscal years 2011 through 2015, as reported by the IGs.<sup>4</sup>

We performed our work under the authority of the Comptroller General to conduct evaluations on his own initiative and to assist Congress with its oversight responsibilities.<sup>5</sup> We conducted this audit to summarize and evaluate agency compliance under IPERA for fiscal years 2016 and 2017, as reported by their IGs.<sup>6</sup> Specifically, this report discusses the extent to which (1) agencies listed in the Chief Financial Officers Act of 1990, as amended,<sup>7</sup> (CFO Act) complied with the six criteria listed in IPERA for fiscal years 2016 and 2017, and the trends evident since fiscal year 2011, as reported by their IGs; (2) CFO Act agencies addressed the requirements for programs and activities reported as noncompliant with IPERA criteria for 3 or more consecutive years, as of fiscal year 2016,

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<sup>3</sup>IGs are required to issue compliance reports as indicated in IPERA, Pub. L. No. 111-204, § 3, 124 Stat. 2224, 2232 (July 22, 2010), *codified at* 31 U.S.C. § 3321 note.

<sup>4</sup>GAO, *Improper Payments: CFO Act Agencies Need to Improve Efforts to Address Compliance Issues*, [GAO-16-554](#) (Washington, D.C.: June 30, 2016), and *Improper Payments: Additional Guidance Could Provide More Consistent Compliance Determinations and Reporting by Inspectors General*, [GAO-17-484](#) (Washington, D.C.: May 31, 2017).

<sup>5</sup>31 U.S.C. § 717(b).

<sup>6</sup>The IGs' IPERA compliance reports for fiscal years 2016 and 2017 were due in May 2017 and 2018, respectively.

<sup>7</sup>The CFO Act, Pub. L. No. 101-576, 104 Stat. 2838 (Nov. 15, 1990), among other things, 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.

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and communicated their strategies to Congress for reducing improper payments and achieving compliance; and (3) the Office of Management and Budget (OMB) made determinations regarding whether additional funding would help CFO Act agency programs and activities reported as noncompliant with IPERA criteria for 2 consecutive years to come into compliance, as of fiscal years 2016 and 2017. We focused on the 24 agencies listed in the CFO Act because estimates of their improper payments represent over 99 percent of the total reported estimated improper payments for fiscal years 2016 and 2017.

To determine the extent to which CFO Act agencies were reported as compliant with the six criteria listed in IPERA for fiscal years 2016 and 2017, and trends evident since fiscal year 2011, we reviewed the IGs' IPERA compliance reports issued for fiscal years 2016 and 2017 and identified trends in agencies' compliance, and their respective programs' and activities' compliance, since fiscal year 2011 based on results summarized in our prior reports.<sup>8</sup>

To determine the extent to which CFO Act agencies addressed the requirements for programs and activities reported as noncompliant for 3 or more consecutive years as of fiscal year 2016, we requested and reviewed the applicable agencies' notifications to Congress provided by the respective agencies.<sup>9</sup> In addition, we reviewed the content of agencies' notifications to evaluate their efforts to communicate quality information to Congress, consistent with Principle 15 of *Standards for Internal Control in the Federal Government*, which emphasizes the need for an entity's management to externally communicate the necessary, quality information—such as significant matters related to risks, changes, or issues concerning their strategies for achieving compliance.<sup>10</sup> We did

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<sup>8</sup>[GAO-16-554](#) and [GAO-17-484](#).

<sup>9</sup>Under IPERA, when programs are reported as noncompliant for 3 or more consecutive years, the respective agencies are required to submit to Congress within 30 days of the IG's report either (1) a reauthorization proposal for the program or (2) the proposed statutory changes necessary to bring the program or activity into compliance. GAO has previously recommended that agencies also notify Congress if they determine that such proposals are not necessary. We reviewed agency notifications submitted to Congress after the IGs' fiscal year 2016 IPERA compliance results in May 2017 because the IGs' reporting triggers the agency reporting requirements.

<sup>10</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

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not evaluate the sufficiency and completeness of the agency-provided information.

To determine the extent to which OMB made determinations regarding whether additional funding would help CFO Act agency programs and activities reported as noncompliant for 2 consecutive years come into compliance, as of fiscal years 2016 and 2017, we interviewed key OMB staff on their process for determining additional funding needs for noncompliant programs and activities and reviewed the applicable agencies' IG compliance reports that OMB staff stated they relied on when making such determinations. Lastly, we corroborated our findings with OMB, the 24 CFO Act agencies, and their IGs. Appendix I provides additional information on our scope and methodology.

We conducted this performance audit from November 2017 to December 2018 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.

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## Background

In November 2002, Congress passed and the President signed the Improper Payments Information Act of 2002 (IPIA), which was later amended by IPERA and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA).<sup>11</sup> The amended legislation requires executive branch agencies to (1) review all programs and activities and identify those that may be susceptible to significant improper payments (commonly referred to as a risk assessment), (2) publish improper payment estimates for those programs and activities that the agency identified as being susceptible to significant improper payments, (3) implement corrective actions to reduce improper payments

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<sup>11</sup>Pub. L. No. 112-248, 126 Stat. 2390 (Jan. 10, 2013).

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and set reduction targets, and (4) report on the results of addressing the foregoing requirements.<sup>12</sup>

In addition to the agencies' identifying programs and activities that are susceptible to significant improper payments, OMB designates as high priority the programs with the most egregious cases of improper payments. Specifically, under a provision added to IPPIA by IPERIA, OMB is required to annually identify a list of high-priority federal programs in need of greater oversight and review. In general, for fiscal years 2014 through 2017, OMB implemented this requirement by designating high-priority programs based on a threshold of \$750 million in estimated improper payments for a given fiscal year.<sup>13</sup> OMB also plays a key role in implementing laws related to improper payment reporting. Specifically, OMB is directed by statute to provide guidance to federal agencies on estimating, reporting, reducing, and recovering improper payments.

IPERIA also requires executive agencies' IGs to annually determine and report on whether their respective agencies complied with certain IPERIA-related criteria. If an agency does not meet one or more of the six IPERIA criteria for any of its programs or activities, the agency is considered noncompliant overall. The six criteria are as follows:

1. **publish a report** in the form and content required by OMB—typically an agency financial report (AFR) or a performance and accountability report (PAR)—for the most recent fiscal year, and post that report on the agency website;

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<sup>12</sup>For fiscal year 2014 and beyond, "significant improper payments" are defined as gross annual improper payments in a program that may have exceeded either (1) 1.5 percent of program outlays and \$10 million or (2) \$100 million (regardless of the improper payment rate). Additionally, the Disaster Relief Appropriations Act, 2013, Pub. L. No. 113-2, div. A, § 904(b), 127 Stat. 4, 17 (Jan. 29, 2013), required 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.

<sup>13</sup>Office of Management and Budget, *Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments*, OMB Memorandum M-15-02 (Washington, D.C.: October 2014). OMB updated its guidance in June 2018, and effective for fiscal year 2018 reporting, the threshold for high-priority program determinations is increased to \$2 billion in estimated improper payments. Office of Management and Budget, *Appendix C to Circular No. A-123, Requirements for Payment Integrity Improvement*, OMB Memorandum M-18-20 (Washington, D.C.: June 2018).

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2. **conduct a program-specific risk assessment**, if required, for each program or activity that conforms with IPIA as amended;<sup>14</sup>
  3. **publish improper payment estimates** for all programs and activities deemed susceptible to significant improper payments under the agency's risk assessments;
  4. **publish corrective action plans** for those programs and activities assessed to be at risk for significant improper payments;
  5. **publish and meet annual reduction targets** for all programs and activities assessed to be at risk for significant improper payments; and
  6. **report a gross improper payment rate of less than 10 percent** for each program and activity for which an improper payment estimate was published.

Under IPERA, agencies reported by their IG as not in compliance with any of these criteria in a fiscal year are required to submit a plan to Congress describing the actions they will take to come into compliance, and such plans shall include measureable milestones, the designation of senior accountable officials, and the establishment of accountability mechanisms to achieve compliance. OMB guidance states that agencies are required to submit these plans to Congress and OMB in the first year of reported noncompliance.<sup>15</sup>

When agency programs are reported as noncompliant for consecutive years, IPERA and OMB guidance requires agencies and OMB to take additional actions.<sup>16</sup> Specifically, an agency with a program reported as noncompliant for 3 or more consecutive years is required to submit to Congress within 30 days of the IG's report either (1) a reauthorization proposal for the program or (2) the proposed statutory changes

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<sup>14</sup>IPIA requires that program and activity risk assessments be conducted at least once every 3 fiscal years.

<sup>15</sup>Office of Management and Budget, *Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments*, OMB Memorandum M-15-02, and Office of Management and Budget, *Appendix C to Circular No. A-123, Requirements for Payment Integrity Improvement*, OMB Memorandum M-18-20. OMB M-15-02 was effective for fiscal years 2016 and 2017 reporting, the years included in our audit. OMB M-15-02 was superseded by OMB M-18-20, which was issued June 26, 2018, and will be effective beginning with fiscal year 2018 reporting. Unless noted otherwise, the requirements in OMB M-15-02 and OMB M-18-20 referenced in this report are the same.

<sup>16</sup>Hereafter in this report, programs represents both programs and activities, as applicable.

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necessary to bring the program or activity into compliance.<sup>17</sup> We previously recommended that when agencies determine that reauthorization or statutory changes are not necessary to bring the programs into compliance, the agencies should state so in their notifications to Congress. Effective starting with fiscal year 2018 reporting, OMB updated its guidance to instruct agencies with programs reported as noncompliant for 3 consecutive years to explain what the agency is doing to achieve compliance if a reauthorization proposal or proposed statutory change will not bring a program into compliance with IPERA. The updated guidance also instructs agencies with programs reported as noncompliant for 4 or more consecutive years to submit a report to Congress and OMB (within 30 days of the IG's determination of noncompliance) detailing the activities taken and still being pursued to prevent and reduce improper payments.<sup>18</sup>

If agency programs are reported as noncompliant under IPERA for 2 consecutive years, and the Director of OMB determines that additional funding would help the agency come into compliance, the head of the agency must obligate additional funding in the amount determined by the Director to intensify compliance efforts.<sup>19</sup> IPERA directs the agency to exercise any reprogramming or transfer authority that the agency may have to provide additional funding to meet the level determined by OMB and, if necessary, submit a request to Congress for additional reprogramming or transfer authority to meet the full level of funding determined by OMB. Table 1 summarizes agency and OMB requirements related to agency programs that are noncompliant under IPERA, as reported by their IGs.

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<sup>17</sup>While IPERA states that these procedures are required of agencies with programs reported as noncompliant more than 3 consecutive years, OMB M-15-02 adds to this by instructing agencies with exactly 3 consecutive years of reported noncompliance to also take these steps.

<sup>18</sup>Office of Management and Budget, *Appendix C to Circular No. A-123, Requirements for Payment Integrity Improvement*, OMB Memorandum M-18-20.

<sup>19</sup>OMB interprets this requirement as applying only to agencies and programs with exactly 2 consecutive years of noncompliance findings. According to OMB staff, the annual budget process allows agencies to continue submitting budget requests that support achieving IPERA compliance in subsequent years.

**Table 1: Overview of OMB and Agency Requirements for Agency Programs Not in Compliance under IPERA as Reported by Their IGs**

Years program reported as noncompliant	Requirements for applicable agencies and OMB	Fiscal years effective <sup>a</sup>	
		2016 and 2017	2018
One year <sup>b</sup>	Agency: Within 90 days of the IG's determination of noncompliance, the agency should submit a plan to Congress and OMB describing the actions that the agency will take to come into compliance that includes measurable milestones, senior agency officials, and accountability mechanisms.	X	X
Two consecutive years <sup>c</sup>	OMB: The Director of OMB has authority to determine if additional funding for intensified compliance efforts would help the agency program(s) come into compliance.	X	X
	Agency: If OMB determines that additional funding for intensified compliance efforts is warranted, the agency shall (1) exercise reprogramming or transfer authority to provide additional funding to meet the level determined by OMB; and (2) submit a request to Congress for additional re-programming or transfer authority if additional funding is needed to meet the full level of funding determined by OMB.	X	X
	Agency: The agency should create a proposal and submit it to OMB during its next budget submission that will bring the agency into compliance.	—	X
Three or more consecutive years <sup>d</sup>	Agency: Within 30 days of the IG's determination of noncompliance, the agency is required to submit to Congress either (1) a reauthorization proposal or (2) proposed statutory changes necessary to bring the program or activity into compliance.	X	X
	Agency: If the proposals are not deemed necessary, then the agency must state so and explain what the agency is doing to achieve compliance.	—	X

Years program reported as noncompliant	Requirements for applicable agencies and OMB	Fiscal years effective <sup>a</sup>	
		2016 and 2017	2018
Four or more consecutive years	Agency: Within 30 days of the IG's determination of noncompliance, agencies are required to submit a report to Congress and OMB detailing the activities taken to complete the requirements for 1 year, 2 years, 3 years, 4 years, and so forth of noncompliance and include a description of any of the requirements that were fulfilled in years one, two, or three that are still relevant and being pursued as a means to prevent and reduce improper payments.	—	X

Legend:

X = requirement was applicable to agencies or OMB in the fiscal year(s) indicated

— = requirement was not applicable to agencies or OMB in the fiscal year(s) indicated

IG = inspector general

IPERA = Improper Payments Elimination and Recovery Act of 2010

OMB = Office of Management and Budget

Sources: IPERA and OMB memorandums. | GAO-19-14

<sup>a</sup>OMB Circular No. A-123, Appendix C (M-15-02) was issued in October 2014 and was effective for agencies reporting for fiscal years 2016 and 2017, the years included in our audit. In June 2018, OMB issued revised guidance (OMB Circular No. A-123, Appendix C (M-18-20)), which included additional agency reporting requirements that are effective for fiscal year 2018.

<sup>b</sup>OMB guidance states that agencies are required to submit these plans to Congress and OMB in the first year of reported noncompliance.

<sup>c</sup>OMB interprets this requirement as applying only to agencies and programs with exactly 2 consecutive years of noncompliance findings. According to OMB staff, the annual budget process allows agencies to continue submitting budget requests that support achieving IPERA compliance in subsequent years.

<sup>d</sup>While IPERA states that these procedures are required of agencies with more than 3 consecutive years of noncompliance findings by their IGs, OMB Circular No. A-123, Appendix C (M-15-02), adds to this by instructing agencies with exactly 3 consecutive years of reported noncompliance to also take these steps.



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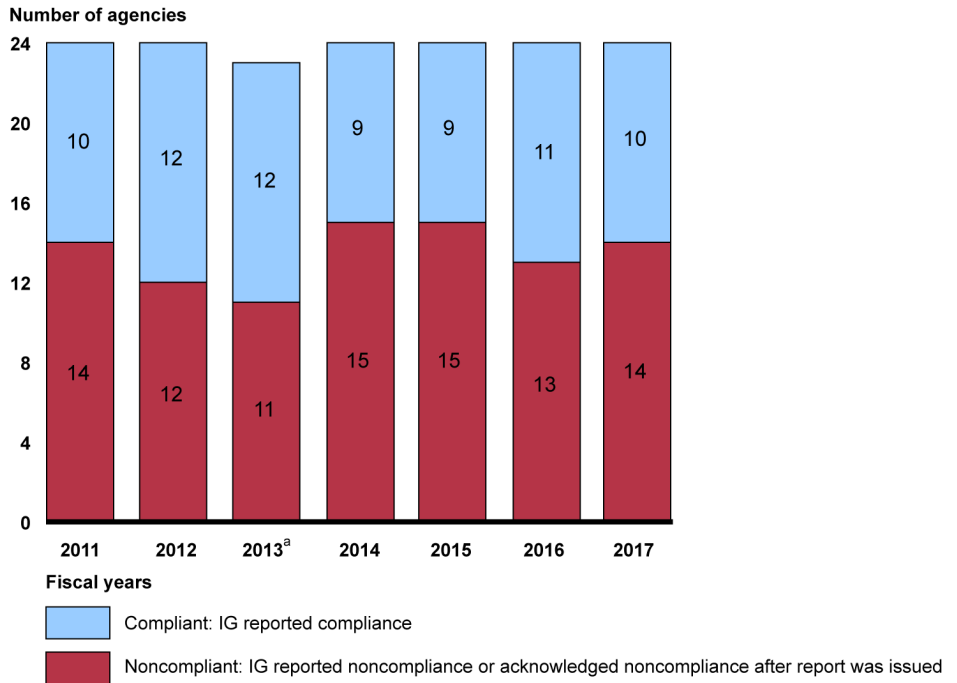
**Over Half of the CFO Act Agencies Were Reported as Noncompliant under IPERA for Fiscal Years 2016 and 2017, and Consecutive Years of Noncompliance Continue for Certain Programs**

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**Over Half of the Agencies Were Reported as Noncompliant for Fiscal Years 2016 and 2017**

Seven years after the initial implementation of IPERA, over half of the 24 CFO Act agencies were reported as noncompliant by their IGs for fiscal years 2016 and 2017. Specifically, 13 agencies were reported as noncompliant with one or more IPERA criteria for fiscal year 2016, and 14 agencies were reported as noncompliant for fiscal year 2017 (see fig. 1). Nine of these agencies have been reported as noncompliant in one or more programs every year since IPERA was implemented in 2011 (see app. II for additional details on CFO Act agencies' compliance under IPERA for fiscal years 2011 through 2017, as reported by their IGs).

**Figure 1: Number of CFO Act Agencies Compliant under IPERA for Fiscal Years 2011 through 2017, as Reported or Acknowledged by Their Inspectors General**



CFO Act - Chief Financial Officers Act of 1990 IG - inspector general

IPERA - Improper Payments Elimination and Recovery Act of 2010

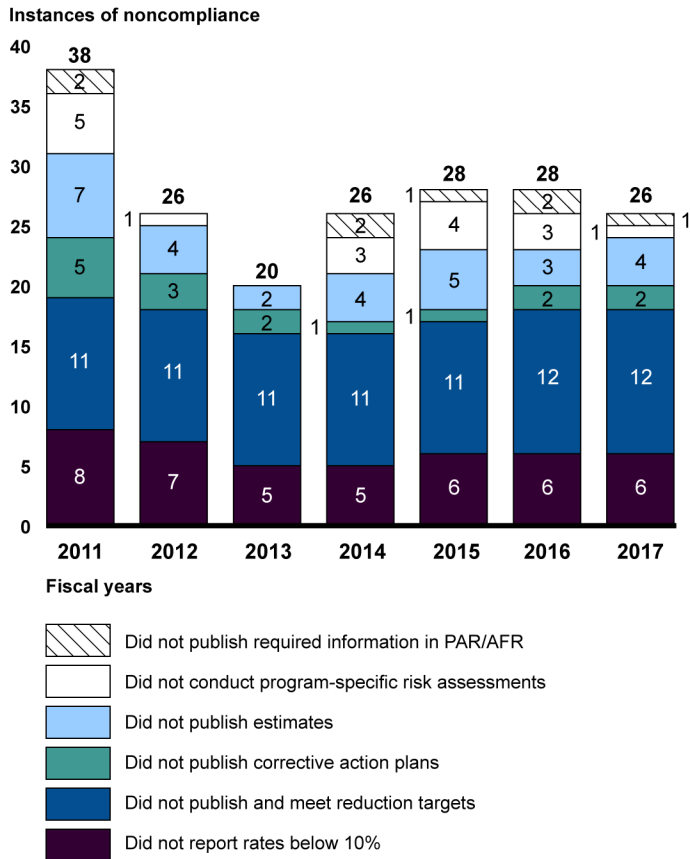
Source: GAO analysis of CFO Act agencies' IG IPERA reports for fiscal years 2011 through 2017. | GAO-19-14

<sup>a</sup>For fiscal year 2013, one inspector general did not issue a compliance report because the agency did not publish improper payment information.

Although the number of agencies reported as noncompliant under IPERA has varied slightly since fiscal year 2011, the total instances of noncompliance for all six criteria substantially improved after fiscal year 2011, when IPERA was first implemented. As shown in figure 2, the total instances decreased from 38 instances (for 14 noncompliant agencies) for fiscal year 2011 to 26 instances (for 14 noncompliant agencies) for fiscal year 2017.<sup>20</sup>

<sup>20</sup>See app. III for additional details on agencies' and programs' compliance for each criterion, as reported by their IGs, for fiscal years 2016 and 2017. Total reported instances of noncompliance exceed the number of noncompliant agencies because certain agencies were reported as noncompliant with more than one IPERA criterion.

**Figure 2: Total Instances of CFO Act Agencies' Noncompliance with IPERA Criteria, for Fiscal Years 2011 through 2017, as Reported or Acknowledged by Their Inspectors General**



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' IG IPERA reports for fiscal years 2011 through 2017. | GAO-19-14

Also, for fiscal year 2017, 7 of 14 agencies were reported as noncompliant for only one criterion per noncompliant program. Of these, 6 agencies—the Departments of Homeland Security (DHS), Education (Education), Commerce, and Transportation; the General Services Administration; and the Social Security Administration (SSA)—were only reported as noncompliant with the IPERA criterion that requires agencies to publish and meet reduction targets. In addition, the Department of the Treasury (Treasury) was only reported as noncompliant with the IPERA

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criterion that requires agencies to report improper payment rates below 10 percent.

Furthermore, the programs reported as noncompliant for fiscal year 2017 accounted for a significantly smaller portion of the total reported estimated improper payments as compared to the noncompliant programs for fiscal year 2015. Specifically, we previously reported that 52 noncompliant programs accounted for \$132 billion (or about 96 percent) of the \$137 billion total reported estimated improper payments for fiscal year 2015, whereas 58 noncompliant programs accounted for \$80 billion (or about 57 percent) of the \$141 billion total reported estimated improper payments for fiscal year 2017.<sup>21</sup> Although improper payment estimates associated with noncompliant programs vary from year to year, this decrease (approximately \$52 billion) was primarily due to two programs. Specifically, the Department of Health and Human Services' (HHS) Medicare Fee-for-Service (Parts A and B) and Medicare Part C programs were reported as noncompliant and accounted for approximately \$43 billion and \$14 billion, respectively, of estimated improper payments for fiscal year 2015. These programs were reported as compliant for fiscal year 2017 and accounted for approximately \$36 billion and \$14 billion, respectively, or about 36 percent of the \$141 billion total reported improper payments for fiscal year 2017.

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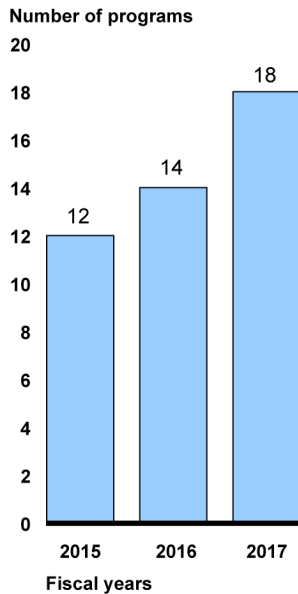
### Certain Programs Continue to Be Reported as Noncompliant for Consecutive Years

Almost a third (18 programs) of the 58 programs that contributed to 14 CFO Act agencies' noncompliance under IPERA, as of fiscal year 2017, were reported as noncompliant for 3 or more consecutive years. The number of programs noncompliant for 3 or more consecutive years has continually increased since fiscal year 2015, as shown in figure 3. Specifically, 12 programs (associated with 7 agencies) were reported as noncompliant for 3 or more consecutive years, as of fiscal year 2015, and the number increased to 14 programs (associated with 8 agencies) and 18 programs (associated with 9 agencies), as of fiscal years 2016 and 2017, respectively.

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<sup>21</sup>[GAO-17-484](#).

**Figure 3: Number of CFO Act Agency Programs Noncompliant under IPERA for 3 or More Consecutive Years, for Fiscal Years 2015 through 2017, as Reported or Acknowledged by Their IGs**



Source: GAO analysis of Chief Financial Officers Act of 1990 (CFO Act) agencies' inspector general (IG) Improper Payments Elimination and Recovery Act of 2010 (IPERA) reports for fiscal years 2015 through 2017. | GAO-19-14

These programs accounted for a substantial portion of the \$141 billion total estimated improper payments for fiscal year 2017. As shown in table 2, 14 of the 18 programs that were reported as noncompliant for 3 or more consecutive years reported improper payment estimates that accounted for an estimated \$74.4 billion (about 53 percent) of the \$141 billion, while the other 4 programs did not report improper payment estimates for fiscal year 2017 and were reported by their respective IGs as noncompliant with the IPERA criterion to publish improper payment estimates. The \$74.4 billion is primarily composed of estimates reported for 2 noncompliant programs—HHS's Medicaid program (\$36.7 billion) and Treasury's Earned Income Tax Credit program (\$16.2 billion)—totaling \$52.9 billion (or approximately 71 percent of the \$74.4 billion). Improper payments associated with these two noncompliant programs are also a central part of two areas included in our 2017 High-Risk List, which includes federal programs and operations that are especially

vulnerable to waste, fraud, abuse, and mismanagement, or that need transformative change.<sup>22</sup>

**Table 2: Fiscal Year 2017 Reported Improper Payment Estimates for 18 Programs Reported as Noncompliant under IPERA for 3 or More Consecutive Years**

Agency	Program	Estimate <sup>a</sup> (dollars in millions)
U.S. Department of Agriculture	1. Food and Nutrition Service (FNS) Child and Adult Care Food Program <sup>b</sup>	Not reported
	2. FNS National School Lunch Program <sup>b</sup>	1,875
	3. FNS School Breakfast Program <sup>b</sup>	958
	4. FNS Special Supplemental Nutrition Program for Women, Infants, and Children <sup>b</sup>	197
	5. FNS Supplemental Nutrition Assistance Program	Not reported
Department of Defense	6. Travel Pay	263
Department of Health and Human Services	7. Temporary Assistance for Needy Families <sup>b</sup>	Not reported
	8. Children's Health Insurance Program	1,236
	9. Medicaid	36,731
Department of Housing and Urban Development	10. Rental Housing Assistance Programs <sup>c</sup>	Not reported
Department of Labor	11. Unemployment Insurance Benefit <sup>b</sup>	4,066
Department of the Treasury	12. Earned Income Tax Credit <sup>b</sup>	16,232
Department of Veterans Affairs	13. Community Care	5,258
	14. Purchased Long Term Service and Support	1,890
	15. Beneficiary Travel	224
	16. Supplies and Materials	480

<sup>22</sup>GAO, *High-Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others*, GAO-17-317 (Washington, D.C.: Feb. 15, 2017). Improper payments associated with these two programs are a central part of the Medicaid Program and Enforcement of Tax Laws high-risk areas.

Agency	Program	Estimate <sup>a</sup> (dollars in millions)
Social Security Administration	17. Supplemental Security Income <sup>b</sup>	5,020
Department of Homeland Security	18. U.S. Customs and Border Protection – Refund & Drawback	15
<b>Total for 18 programs reported as noncompliant for 3 or more consecutive years, as of fiscal year 2017</b>		<b>74,445</b>

Source: GAO analysis of Office of Management and Budget data and Chief Financial Officers Act of 1990 agencies' inspector general Improper Payments Elimination and Recovery Act of 2010 (IPERA) reports for fiscal year 2017. | GAO-19-14

<sup>a</sup>Reported estimates of improper payments totaled approximately \$141 billion for fiscal year 2017, attributable to 90 programs across 21 agencies. It is important to note that these estimates themselves may not be accurate, reliable, or complete, because, as we have reported, the federal government is unable to determine the full extent to which improper payments occur and reasonably assure that appropriate actions are taken to reduce them. See GAO, *Financial Audit: Fiscal Years 2017 and 2016 Consolidated Financial Statements of the U.S. Government*, [GAO-18-316R](#) (Washington, D.C.: Feb. 15, 2018). In addition, certain inspectors general have reported issues with their agencies' reported improper payment estimates that were caused by insufficient sampling methods and flawed estimation methodologies for calculating and reporting improper payment estimates.

<sup>b</sup>These programs have been reported as noncompliant since the implementation of the Improper Payments Elimination and Recovery Act of 2010 in fiscal year 2011.

<sup>c</sup>The Department of Housing and Urban Development ceased reporting an estimate of improper payments for certain of its Rental Housing Assistance Programs in fiscal year 2017.

Eight of the 18 noncompliant programs have been reported as noncompliant since the implementation of IPERA in fiscal year 2011, for a total of 7 consecutive years, as shown in table 2. Reported compliance for Treasury's Earned Income Tax Credit improved from being reported as noncompliant with multiple IPERA criteria in fiscal year 2013 to noncompliance with only one criterion for the last 4 years (fiscal years 2014 through 2017).

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## CFO Act Agencies Did Not Always Notify Congress, and They Provided Varying Information on Programs Reported as Noncompliant for 3 or More Consecutive Years

Eight CFO Act agencies' programs were reported as noncompliant under IPERA for 3 or more consecutive years, as of fiscal year 2016.<sup>23</sup> Three of these agencies did not notify Congress of their program's continued noncompliance as required.<sup>24</sup> In addition to submitting the required notifications for their noncompliant programs, the other five agencies also included additional information in their notifications—such as measurable milestones, designation of senior officials, and accountability mechanisms—useful for assessing their efforts to achieve compliance. In June 2018, OMB updated its guidance to clarify agency reporting requirements for each consecutive year a program is reported as noncompliant. However, OMB's updated guidance did not direct agencies to include other types of quality information in their notifications for programs reported as noncompliant for 3 or more consecutive years that could help Congress to more effectively assess their efforts to address long-standing challenges and other issues affecting these programs and to achieve compliance.

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## CFO Act Agencies with Programs Reported as Noncompliant for 3 or More Consecutive Years Did Not Always Notify Congress

Of the eight agencies with programs reported as noncompliant under IPERA for 3 or more consecutive years as of fiscal year 2016, we found that five agencies notified Congress of their noncompliance as required. Specifically, the Department of Defense (DOD), Education, HHS, DHS, and SSA notified Congress of their programs' reported noncompliance for 3 or more consecutive years as of fiscal year 2016 as required by IPERA and OMB guidance. The remaining three agencies—the U.S. Department of Agriculture (USDA), the Department of Labor (DOL), and Treasury—did not notify Congress as required.

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<sup>23</sup>See app. IV for a list of CFO Act agencies and programs reported as noncompliant for 3 or more consecutive years, as of fiscal year 2016. We limited our review to agency notifications submitted to Congress after the IGs reported the fiscal year 2016 IPERA compliance results in May 2017 because the IGs' reporting triggers the agency reporting requirements. In addition, we did not review the notifications for programs reported as noncompliant as of fiscal year 2017 (with IPERA compliance results reported in May 2018), because of timing limitations.

<sup>24</sup>IPERA and OMB require agencies to submit a request for program reauthorization or a proposal for statutory changes necessary to bring programs into compliance with IPERA. While IPERA states that this requirement is for agencies with more than 3 consecutive years of noncompliance findings by their IGs, OMB M-15-02 adds to this by instructing agencies with exactly 3 consecutive years of reported noncompliance to also take these steps. We previously reported that when an agency determines that a reauthorization or statutory change proposal is not needed to bring a program into compliance, the agency should indicate such in its notifications to Congress.



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Additional information regarding the three agencies that did not submit their required notifications to Congress is summarized below:

- **USDA:** In May 2017, the USDA IG reported that four USDA Food and Nutrition Service programs—Child and Adult Care Food Program; National School Lunch Program; School Breakfast Program; and Special Supplemental Nutrition Program for Women, Infants, and Children—had been noncompliant for 6 consecutive years, as of fiscal year 2016. However, USDA has not notified Congress of these programs' continued noncompliance with IPERA as of fiscal year 2016, despite prior recommendations that we, and the USDA IG, made to USDA to do so.<sup>25</sup> USDA staff stated in May 2018 that USDA drafted, but had not submitted, a letter to Congress regarding these programs' noncompliance.
- **DOL:** In June 2017, the DOL IG reported that the Unemployment Insurance Benefit program had been noncompliant for 6 consecutive years, as of fiscal year 2016. In October 2016, DOL included proposed legislation in its last notification to Congress regarding this program, approximately 8 months prior to the DOL IG's IPERA compliance report. However, because the requirement for agencies to notify Congress is triggered by IG reporting of programs that are noncompliant for 3 or more consecutive years, DOL should have also notified Congress regarding the program's continued noncompliance in fiscal year 2016 after the IG's report was issued in June 2017. DOL staff stated in August 2018 that the proposed legislation included in its October 2016 notification had not been enacted and that DOL is currently working to develop a new report to Congress and OMB detailing corrective actions taken to bring the program into compliance.
- **Treasury:** In May 2017, the Treasury IG reported that the Earned Income Tax Credit (EITC) program had been noncompliant for 6 consecutive years, as of fiscal year 2016. We previously reported that Treasury submitted proposed statutory changes to Congress for this program in August 2014 and in June 2015.<sup>26</sup> As stated in the Treasury IG's fiscal year 2016 IPERA compliance report, the proposed statutory

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<sup>25</sup>See GAO recommendations in [GAO-16-554](#) and [GAO-17-484](#). See the USDA IG recommendation in, U.S. Department of Agriculture, Office of Inspector General, *USDA'S Fiscal Year 2016 Compliance with Improper Payment Requirements*, Audit Number 50024-0011-11 (Washington, D.C.: May 2017).

<sup>26</sup>[GAO-16-554](#) and [GAO-17-484](#).

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changes would help prevent the improper issuance of billions of dollars in refunds as it would provide the Internal Revenue Service (IRS) with expanded authority to systematically correct erroneous claims that are identified when tax returns are processed and allow IRS to deny erroneous EITC refund claims before they are paid. Further, Treasury stated that IRS has repeatedly requested authority to correct such errors in subsequent fiscal year budgets, including its fiscal year 2019 budget submission. In June 2018, Treasury staff stated that the Consolidated Appropriations Act, 2016 provided IRS with additional tools for reducing EITC improper payments; however, the act did not expand IRS's authority to systematically correct the erroneous claims that are identified when tax returns are processed.<sup>27</sup>

Treasury staff also stated that the department has continued to coordinate with OMB on required reporting for the EITC program because of the program's complexity, and that OMB has not requested additional actions or documentation regarding the program's noncompliance. Although continued coordination with OMB is important, Treasury did not notify Congress regarding the EITC program's continued noncompliance as required.

In summary, despite reporting requirements in IPERA and OMB guidance, one agency (USDA) has not notified Congress about four programs being reported as noncompliant for 6 consecutive years, as of fiscal year 2016. The remaining two agencies (DOL and Treasury) that did not notify Congress of their programs' consecutive noncompliance, as of fiscal year 2016, submitted notifications to Congress prior to their respective IGs' fiscal year 2016 compliance results. However, IPERA requires agencies to notify Congress when programs are reported as noncompliant for more than 3 consecutive years and thus DOL and Treasury should have also notified Congress about their programs' being reported as noncompliant for 6 consecutive years, as of fiscal year 2016.

It is important that agencies continue to notify Congress of their programs' consecutive noncompliance each year after the third consecutive year as the information related to their proposals or regarding their IPERA compliance efforts included in prior years' notifications to Congress may significantly change over time. Unless agencies continue to notify

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<sup>27</sup>The Protecting Americans from Tax Hikes Act of 2015, which was enacted as part of the Consolidated Appropriations Act, 2016, included reforms, that among other things, allow IRS earlier access to Form W-2s, which enables IRS to systemically verify more wage data and return information. Pub. L. No. 114-113, div. Q, § 201, 129 Stat. 2242, 3076 (Dec. 18, 2015).

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Congress in subsequent years, Congress may lack the current and relevant information needed to effectively assess agencies' proposals or monitor their efforts to address problematic programs in a timely manner. OMB updated its guidance in June 2018 to provide more clarity regarding the notification requirements for each consecutive year a program is reported as noncompliant. Effective implementation of this guidance may help ensure that agencies consistently provide required information to Congress on these programs in future years.

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### Certain Agencies Provided Additional Quality Information on IPERA Compliance Efforts in Their Notifications to Congress

We found that the five agencies—DOD, DHS, Education, HHS, and SSA—that notified Congress regarding their programs' reported noncompliance for 3 or more consecutive years, as of fiscal year 2016, also included additional information about their efforts to achieve IPERA compliance. Although IPERA does not specifically require that agency proposals for reauthorization or other statutory change provide such information, including it could help Congress to better assess the agencies' proposals included in these notifications and to oversee agency efforts to address long-standing challenges and compliance issues associated with these programs.

In many instances, the types of additional information provided by these agencies are similar to information that agencies are required to provide to Congress or OMB in other required notifications or other reports, such as annual AFRs or PARs. For example, all improper payment estimates reported under IPIA, as amended, must be accompanied by information on what the agency is doing to reduce improper payments, including a description of root causes and the steps the agency has taken to ensure accountability. Further, IPERA and OMB guidance require agencies to provide corrective action plans to Congress for programs reported as noncompliant for 1 year. Such plans should include actions planned or taken to address the program's noncompliance, measurable milestones, a senior official designated to oversee progress, and the accountability mechanisms in place to hold the senior official accountable.<sup>28</sup>

In addition, GAO's *Standards for Internal Control in the Federal Government* emphasizes the importance of communicating quality

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<sup>28</sup>IPERA requires agencies to submit corrective action plans to Congress when programs are reported as noncompliant for a fiscal year. As noted above, OMB guidance interprets this requirement as applying only to agencies with exactly 1 year of reported noncompliance.

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information, such as significant matters related to risks, changes, or issues affecting agencies' efforts to achieve compliance objectives, to external parties—such as legislators, oversight bodies, and the general public.<sup>29</sup> Furthermore, in our fiscal year 2017 High-Risk Update, we also highlight the importance of these types of information when assessing agency efforts to address issues associated with programs included on our High-Risk List.<sup>30</sup> Examples of such information include (1) action plans that are accessible and transparent with clear milestones and metrics, including established goals and performance measures to address identified root causes; (2) leadership commitment of top (or senior) officials to establish long-term priorities and goals and continued oversight and accountability; (3) monitoring progress against goals, assessing program performance, or reporting potential risks; and (4) demonstrated progress, through recommendations implemented, actions taken for improvement, and effectively addressing identified root causes and managing high-risk issues.

Table 3 summarizes the types of additional information described above that the five agencies provided in their fiscal year 2016 notifications to Congress to address programs with 3 or more consecutive years of noncompliance. All five agencies informed Congress of (1) root causes that directly lead to improper payments or hindered the program's ability to achieve compliance; (2) certain risks, significant changes, or issues affecting their efforts; and (3) their corrective actions or strategies to achieve compliance. Three of the five agencies—DOD, Education, and DHS—also included the other types of additional information described above in their notifications, including measurable milestones, designated senior officials to oversee progress, and accountability mechanisms

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<sup>29</sup>[GAO-14-704G](#). Such significant matters could include internal or external risk factors in an agency's environment—including significant related changes that have (or may) occur, such as complex organizational or program structures, new or existing legal requirements, or natural disasters, and internal control issues in the design, implementation, or operating effectiveness of a system or related processes, which may adversely affect the entity's ability to achieve compliance and its reporting objectives.

<sup>30</sup>[GAO-17-317](#). Every 2 years at the start of a new Congress, GAO calls attention to agencies and program areas that are at high risk because of their vulnerabilities to fraud, waste, abuse, and mismanagement or that are most in need of transformation. Two programs, HHS's Medicaid and Treasury's EITC, were reported as noncompliant under IPERA for 3 or more consecutive years, as of fiscal years 2016 and 2017. As noted in table 2, these two programs accounted for approximately \$52.9 billion (or 37.5 percent) of the \$141 billion of the total reported improper payments estimates for fiscal year 2017. Improper payments associated with these two noncompliant programs are also a central part of two areas included in our 2017 High-Risk List.

established to help achieve compliance. For example, all three agencies designated their chief financial officers (CFO) to oversee progress toward achieving measurable milestones and expanded their official roles and responsibilities to hold them accountable. Education and DHS stated that these responsibilities were added to their respective CFOs' individual performance plans.

**Table 3: Additional Information Included in Notifications to Congress by Five Agencies with Programs Reported as Noncompliant under the Improper Payments Elimination and Recovery Act of 2010 for 3 or More Consecutive Years, as of Fiscal Year 2016**

Agency	Additional information included <sup>a</sup>					
	Root causes	Risks, issues, or changes	Corrective actions or strategies	Measurable milestones	Designated senior officials	Accountability mechanisms
Department of Defense	Yes	Yes	Yes	Yes	Yes	Yes
Department of Education	Yes	Yes	Yes	Yes	Yes	Yes
Department of Health and Human Services	Yes	Yes	Yes	No	No	No
Department of Homeland Security	Yes	Yes	Yes	Yes	Yes	Yes
Social Security Administration	Yes	Yes	Yes	No	No	No
<b>Total</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>3</b>	<b>3</b>	<b>3</b>

Source: GAO analysis of Chief Financial Officers Act of 1990 agencies' notifications to Congress for programs with 3 or more consecutive years of noncompliance as of fiscal year 2016. | GAO-19-14

<sup>a</sup>Descriptions of the additional types of information shown above are as follows:

*Root causes:* Underlying issues or causes that directly lead to an improper payment or hinder the program's ability to achieve compliance and, if corrected, would prevent the improper payments.

*Risks, issues, or changes:* Internal or external risk factors in an agency's environment, significant changes that have (or may) occur, and internal control issues in their systems or processes that may adversely affect their ability to achieve compliance.

*Corrective actions or strategies:* Specific action items or strategies planned, developed, implemented, or taken to address a program's noncompliance.

*Measurable milestones:* Key action items in the agency's efforts to achieve compliance that are measurable and include specific target dates.

*Designated senior officials:* Senior agency official designated to oversee and be held accountable for the agency's efforts and related progress for each of its programs or activities to achieve compliance.

*Accountability mechanisms:* Appropriate incentives and consequences for the senior official designated to oversee the agency's efforts to achieve compliance.

Although OMB updated its guidance in June 2018 to clarify agency reporting requirements related to programs reported as noncompliant for 3 or more consecutive years, the updated guidance did not direct agencies to include other types of quality information in their notifications, such as those described above. In addition, information related to measurable milestones, corrective actions, risks, issues, or other items

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affecting agencies' efforts may change significantly over time. With this additional information, Congress could have more complete information to effectively oversee agency efforts to address long-standing challenges and other issues that have contributed to programs being reported as noncompliant for 3 or more consecutive years.

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## OMB Updated Guidance for Determining Additional Funding Needs for Programs Reported as Noncompliant for 2 Consecutive Years

Fifteen programs in seven agencies and 12 programs in six agencies were reported as noncompliant for 2 consecutive years as of fiscal years 2016 and 2017, respectively.<sup>31</sup> For agencies reported as noncompliant under IPERA for 2 consecutive years for the same program, IPERA gives the Director of OMB the authority to determine whether additional funding would help the agencies come into compliance.<sup>32</sup> If the OMB Director determines that such funding would help, the agency is required to use any available reprogramming or transfer authority to meet the funding level that the OMB Director specified and, if such authorities are not sufficient, submit a request to Congress for additional reprogramming or transfer authority. According to OMB staff, OMB determined that no additional funding was needed for programs reported as noncompliant for 2 consecutive years as of fiscal year 2016. As of September 2018, OMB was in the process of making funding determinations for 12 programs that were reported as noncompliant as of fiscal year 2017 and stated that any determinations made would be developed in the President's Budget for fiscal year 2020.

The 12 programs reported as noncompliant for 2 consecutive years, as of fiscal year 2017, accounted for approximately \$3 billion (2 percent) of the \$141 billion total improper payment estimate for that year. Of these 12 programs, more than half (or 7 of the 12) were attributable to DOD; however, Education's Pell Grant program accounted for \$2.2 billion (or 74 percent) of the \$3 billion in improper payment estimates for programs reported as noncompliant programs for 2 consecutive years, for fiscal year 2017. In addition, as shown in table 4, the 12 programs reported as noncompliant for 2 consecutive years, as of fiscal year 2017, were primarily noncompliant with the IPERA criteria that required agencies to

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<sup>31</sup>See app. IV for all agencies and programs with 2 consecutive years of noncompliance as reported by their IGs, as of fiscal years 2016 and 2017.

<sup>32</sup>As noted above, OMB interprets this requirement as applying only to agencies and programs with exactly 2 consecutive years of noncompliance findings. According to OMB staff, the annual budget process allows agencies to continue submitting budget requests that support achieving IPERA compliance in subsequent years.

publish information in their PAR or AFR or publish and meet reduction targets.

**Table 4: CFO Act Agency Programs Reported as Noncompliant for 2 Consecutive Years by Their IGs and Noncompliance Determinations for Each IPERA Criterion, as of Fiscal Year 2017**

Agencies and programs	Published information in PAR/AFR	Conducted program-specific risk assessment(s)	Published estimate(s)	Published corrective action plan(s)	Published and met reduction target(s)	Reported rate(s) below 10 percent
<b>Department of Defense</b>						
1. Navy Commercial Bill Pay Office - Naples	X	*	*	*	*	*
2. Defense Finance and Accounting Services - Commercial Pay	X	*	X	*	*	*
3. U.S. Army Corps of Engineers - Travel Pay	X	*	*	*	X	*
4. Military Health Benefits	X	*	X	X	*	*
5. Military Pay	X	*	*	X	*	*
6. Civilian Pay	X	*	*	*	*	*
7. Military Retiree and Annuitant Benefit Payments	X	*	*	X	X	*
<b>Department of Education</b>						
8. Pell Grant	*	*	*	*	X	*
<b>Department of Health and Human Services</b>						
9. Foster Care	*	*	*	*	X	*
<b>Department of Veterans Affairs</b>						
10. Civilian Health and Medical Program of the Department of Veterans Affairs	*	*	*	*	X	*
<b>General Services Administration</b>						
11. Rental of Space Program	*	*	*	*	X	*

Agencies and programs	Published information in PAR/AFR	Conducted program-specific risk assessment(s)	Published estimate(s)	Published corrective action plan(s)	Published and met reduction target(s)	Reported rate(s) below 10 percent
<b>Small Business Administration</b>						
12. Section 7(a) Loan Guaranty Purchases	*	*	*	*	X	*

Legend:

X = Program was noncompliant with IPERA criterion, as reported by the agencies' IG

\* = Program was not reported by the IG as noncompliant with IPERA 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

OMB = Office of Management and Budget

PAR = performance and accountability report

Source: GAO analysis of CFO Act agencies' IG IPERA compliance reports for fiscal years 2017. | GAO-19-14

Note: These 12 programs were determined to be noncompliant with IPERA for 2 consecutive years as of fiscal year 2017. The specific IPERA criterion (or criteria) with which each program was noncompliant in fiscal year 2017, as shown in this table, may differ from the criterion the program was noncompliant with in a prior year. For agencies reported as noncompliant under IPERA for 2 consecutive years for the same program, IPERA gives the Director of OMB the authority to determine whether additional funding would help the agency come into compliance. OMB interprets this requirement as applying only to agencies and programs with exactly 2 consecutive years of noncompliance findings. According to OMB staff, the annual budget process allows agencies to continue submitting budget requests that support achieving IPERA compliance in subsequent years.

As noted previously, IPERA gives OMB authority to determine whether additional funding for intensified compliance efforts would help the agency come into compliance under IPERA. Therefore, an established process for making timely, well-informed funding determinations is an essential part of ensuring that agencies have sufficient resources and take steps to intensify their compliance efforts in a timely manner. In April 2018, OMB staff stated that when making funding determinations, they primarily rely on the IGs' recommendations in their annual IPERA compliance reports. OMB staff also stated that for its fiscal year 2016 determinations, OMB determined that additional funding was not needed because the IGs' recommendations did not specify that additional funding was needed to help resolve the programs' noncompliance.

The IGs' annual reports provide information on agencies' IPERA compliance and may be useful to OMB as a tool to help them make determinations for additional funding. However, IPERA does not require IGs to address funding levels in their annual compliance reports, and OMB's guidance does not inform the IGs that their work might be relied upon in this manner. We reviewed the IGs' fiscal years 2016 and 2017 IPERA compliance reports for the agencies with programs reported as



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noncompliant for 2 consecutive years and found that the IGs did not make any recommendations regarding additional funding needed to bring these programs into compliance. In addition, as specifically stated by the IGs for Education and USDA in their IPERA reports, OMB has the statutory responsibility to make these funding determinations. Education IG's fiscal year 2017 IPERA compliance report stated that "If OMB recommends that the Department needs additional funding or should take any other actions to become compliant with IPERA, we recommend that the Department implement OMB's recommendations." Also, the USDA IG's fiscal year 2016 IPERA compliance report stated, "For agencies that are not compliant for 2 consecutive years for the same program, the Director of OMB will determine if additional funding would help these programs come into compliance." As a result, OMB's reliance on IG recommendations as the source of information to support additional funding determinations may not provide sufficient information to effectively assess agencies' funding needs to address noncompliance.

OMB staff subsequently stated that they no longer need to conduct a detailed review of the IGs' IPERA compliance reports to identify recommendations related to additional funding needs. Instead, OMB Memorandum M-18-20, issued in June 2018, updated OMB Circular No. A-123, Appendix C, and clarified that the funding determination process will unfold as part of the annual development of the President's Budget, as described in OMB Circular No. A-11.<sup>33</sup> This updated guidance also directs agencies to submit proposals to OMB regarding additional funding needs that may help them address IPERA noncompliance.

To illustrate, under this new guidance, the IGs' fiscal year 2018 IPERA compliance reports will be due in May 2019, and any funding needs to address noncompliance would be incorporated in the next annual budget preparation process, the results of which are due to be submitted to Congress in February 2020 for the President's Budget for fiscal year 2021. Once OMB's determinations have been made and communicated to agencies, agencies would respond by performing the required reprogramming and making transfers under existing authority, where

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<sup>33</sup>Office of Management and Budget, *Appendix C to Circular No. A-123, Requirements for Payment Integrity Improvement*, OMB Memorandum M-18-20, and *Preparation, Submission, and Execution of the Budget*, OMB Circular No. A-11 (Washington, D.C.: June 2018).

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available. Any requests for additional transfer authority may be incorporated into subsequent appropriations legislation.<sup>34</sup>

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## Conclusions

Estimated improper payments reported government-wide total almost \$1.4 trillion from fiscal year 2003 through fiscal year 2017. The number of programs reported as noncompliant under IPERA for 3 or more consecutive years has continued to increase, from 12 programs (associated with 7 agencies) to 18 programs (associated with 9 agencies) as of fiscal years 2015 and 2017, respectively. Including additional useful, up-to-date information—such as measurable milestones, risks, or other issues affecting agency efforts to achieve compliance—in notifications to Congress, which are required when programs are reported as noncompliant for 3 or more consecutive years, could help Congress better assess agency efforts to address long-standing challenges and other issues associated with them. Although certain agencies included certain types of additional information in their notifications as of fiscal year 2016, OMB guidance does not require agencies to include such information in their notifications. As a result, Congress may lack sufficient information to effectively oversee agency efforts and take prompt action to help address long-standing challenges or other issues associated with these programs.

## Recommendation for Executive Action

The Director of OMB should take steps to update OMB guidance to specify other types of quality information that agencies with programs noncompliant for 3 or more consecutive years should include in their notifications to Congress, such as significant matters related to risks, issues, root causes, measurable milestones, designated senior officials, accountability mechanisms, and corrective actions or strategies planned or taken by agencies to achieve compliance. (Recommendation 1)

## Agency Comments and Our Evaluation

We provided a draft of this report to OMB and requested comments, and OMB said that it had no comments. We also provided a draft of this report to the 24 CFO Act agencies and their IGs and requested comments. We received letters from the DHS Office of Inspector General (OIG), SSA, and the United States Agency for International Development. These

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<sup>34</sup>A full timeline for preparation of the annual President's Budget can be found in OMB Circular No. A-11 § 10.5.

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letters are reproduced in appendixes V through VII. We also received technical comments from DOL, the Department of Veterans Affairs, the General Services Administration, HHS, the Department of Housing and Urban Development, and the Treasury OIG, which we incorporated in the report as appropriate. The remaining agencies and OIGs either did not provide comments or notified us via email that they had no comments.

In its comments, SSA stated that it provided information to Congress on measurable milestones, designated senior officials, and accountability mechanisms in its AFR. In the report, we acknowledge that these types of additional information are similar to information that agencies are required to provide to Congress or OMB in other reports, such as annual AFRs. However, our analysis was based on SSA's fiscal year 2016 notifications to Congress for programs reported as noncompliant under IPERA, in which this specific information was not reported. As such, we continue to believe that OMB should take steps to update OMB guidance to help ensure that agencies report such significant information and include it in their notifications to Congress.

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We are sending copies of this report to the appropriate congressional committees, the Director of the Office of Management and Budget, and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions on matters discussed in this report, please contact me at (202) 512-2623 or [davisbh@gao.gov](mailto:davisbh@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 who made key contributions to this report are listed in appendix VIII.



Beryl H. Davis  
Director  
Financial Management and Assurance

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# Appendix I: Objectives, Scope, and Methodology

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Our objectives were to determine the following:

1. The extent to which the 24 agencies listed in the Chief Financial Officers Act of 1990, as amended (CFO Act),<sup>1</sup> complied with the six criteria listed in the Improper Payments Elimination and Recovery Act of 2010 (IPERA),<sup>2</sup> for fiscal years 2016 and 2017, and the trends evident since 2011, as reported by their inspectors general (IG).
2. The extent to which CFO Act agencies addressed requirements for programs and activities reported as noncompliant with IPERA criteria for 3 or more consecutive years, as of fiscal year 2016, and communicated their strategies to Congress for reducing improper payments and achieving compliance.
3. The extent to which the Office of Management and Budget (OMB) made determinations regarding whether additional funding would help CFO Act programs and activities reported as noncompliant with IPERA criteria for 2 consecutive years, as of fiscal years 2016 and 2017, come into compliance.

Although the responsibility for complying with provisions of improper payment-related statutes rests with the head of each executive agency, we focused on the 24 agencies listed in the CFO Act because estimates of their improper payments represent over 99 percent of the total reported estimated improper payments for fiscal years 2016 and 2017. Our work did not include validating or retesting the data or methodologies that the IGs used to determine and report compliance. We corroborated all of our findings with OMB and all 24 CFO Act agencies and IGs.

To address our first objective, we identified the requirements that agencies must meet by reviewing the Improper Payments Information Act of 2002 (IPIA),<sup>3</sup> IPERA, and OMB guidance. We reviewed the CFO Act agency IGs' IPERA compliance reports for fiscal years 2016 and 2017, which were the most current reports available at the time of our review.

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<sup>1</sup>The CFO Act, Pub. L. No. 101-576 104 Stat. 2838 (Nov. 15, 1990), established, among other things, 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.

<sup>2</sup>Pub. L. No. 111-204, 124 Stat. 2224 (July 22, 2010), *codified as amended at* 31 U.S.C. § 3321 note.

<sup>3</sup>Pub. L. No. 107-300, 116 Stat. 2350 (Nov. 26, 2002), *codified as amended at* 31 U.S.C. § 3321 note.

We summarized the overall agency and program-specific compliance determinations with the six IPERA criteria, as reported by the IGs. For fiscal years 2011 through 2015, we relied on and reviewed prior year supporting documentation and analyses of CFO Act agencies' IPERA compliance, as reported in our prior reports, in order to identify compliance trends since 2011, as reported by the IGs.<sup>4</sup> Based on these reports, we summarized the programs and the number of consecutive years that they were reported as noncompliant. For each IG report that did not specifically state that the agency had programs noncompliant for consecutive years, we compared the list of programs reported as noncompliant for fiscal years 2016 and 2017 to the list of programs reported as noncompliant for fiscal years 2014 and 2015 in our prior reports. Lastly, we corroborated our findings with OMB and all 24 CFO Act agencies and IGs.

To address our second objective, we determined if the agencies responsible for programs and activities reported as noncompliant for 3 or more consecutive years as of fiscal year 2016 had submitted the required proposals (reauthorizations or statutory changes) to Congress by requesting and reviewing documentation of the required submissions and relevant notifications to Congress obtained from each applicable agency. Further, we reviewed the content of each agency notification to evaluate agencies' efforts to communicate quality information to Congress concerning their strategies for achieving compliance consistent with *Standards for Internal Control in the Federal Government*.<sup>5</sup> Principle 15 of these standards emphasizes the need for an entity's management to communicate necessary quality information, such as significant matters related to risks, changes, or issues affecting agencies' efforts, to achieve compliance objectives, to external parties—such as legislators, oversight bodies, and the general public. To identify other types of information useful for this purpose, we reviewed IPER, as amended; IPERA; and OMB guidance for information agencies are required to provide to Congress or OMB in other notifications and reports, such as their corrective action plans or strategies, measurable milestones, designated senior officials,

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<sup>4</sup>GAO, *Improper Payments: CFO Act Agencies Need to Improve Efforts to Address Compliance Issues*, [GAO-16-554](#) (Washington, D.C.: June 30, 2016), and *Improper Payments: Additional Guidance Could Provide More Consistent Compliance Determinations and Reporting by Inspectors General*, [GAO-17-484](#) (Washington, D.C.: May 31, 2017).

<sup>5</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

and accountability mechanisms for achieving compliance. We also reviewed information used to assess agency efforts to address issues associated with programs on our High-Risk List.<sup>6</sup>

To determine the extent to which agencies' notifications to Congress included these additional types of useful information for their applicable program(s), we used a data collection instrument to document our determinations regarding the additional types of quality information included in each notification. In addition, two GAO analysts independently reviewed each agency's notification and documented their determinations regarding the types of information included in the notifications. Differences between the analysts' determinations were identified and resolved to ensure that the types of additional information were consistently identified and categorized. We did not evaluate the sufficiency and completeness of the agency-provided information. Lastly, we corroborated our findings with the respective agencies and IGs.

To address our third objective, we identified provisions in IPIA, IPERA, and OMB guidance that are applicable to OMB for programs reported as noncompliant for 2 consecutive years.<sup>7</sup> To determine if OMB made additional funding determinations for agency programs and activities reported as noncompliant for 2 consecutive years as of fiscal years 2016 and 2017, we requested relevant information and communications from OMB and the applicable agencies and IGs. We also interviewed key OMB staff on their process for determining additional funding needs for noncompliant programs and activities as of fiscal years 2016 and 2017 and related results. In addition, we reviewed the applicable fiscal years 2016 and 2017 CFO Act agency IG IPERA compliance reports, which OMB staff stated they relied on for determining whether noncompliant programs and activities required additional funding. We also asked the agencies whether they coordinated with OMB regarding their need for additional funding for programs and activities reported as noncompliant for 2 consecutive years as of fiscal years 2016 and 2017. Lastly, we corroborated our findings with OMB and the respective agencies and IGs.

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<sup>6</sup>GAO, *High-Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others*, [GAO-17-317](#) (Washington, D.C.: February 2017).

<sup>7</sup>Office of Management and Budget, *Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments*, OMB Memorandum M-15-02, and *Appendix C to Circular No. A-123, Requirements for Payment Integrity Improvement*, OMB Memorandum M-18-20.

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We conducted this performance audit from November 2017 to December 2018 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.

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# Appendix II: CFO Act Agencies' Overall IPERA Compliance for Fiscal Years 2011 through 2017, as Reported or Acknowledged by Their IGs

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Figure 4 details the 24 Chief Financial Officers Act of 1990 (CFO Act) agencies' overall compliance under the Improper Payments Elimination and Recovery Act of 2010 (IPERA), as reported by their inspectors general, for fiscal years 2011 through 2017. We previously reported on CFO Act agencies' overall reported compliance for fiscal years 2011 through 2015.<sup>1</sup>

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<sup>1</sup>GAO, *Improper Payments: Additional Guidance Could Provide More Consistent Compliance Determinations and Reporting by Inspectors General*, [GAO-17-484](#) (Washington, D.C.: May 31, 2017).



Appendix II: CFO Act Agencies' Overall IPERA Compliance for Fiscal Years 2011 through 2017, as Reported or Acknowledged by Their IGs

Figure 4: CFO Act Agencies' Overall IPERA Compliance for Fiscal Years 2011 through 2017, as Reported or Acknowledged by Their IGs

Agency	Fiscal year							Number of years reported as noncompliant
	2011	2012	2013	2014	2015	2016	2017	
Department of Agriculture	X	X	X	X	X	X	X	7
Department of Commerce	✓	✓	✓	✓	✓	✓	X	1
Department of Defense	✓	X	X	X	X	X	X	6
Department of Education	✓	✓	✓	X	X	X	X	4
Department of Energy	X	✓	✓	✓	✓	✓	✓	1
Department of Health and Human Services	X	X	X	X	X	X	X	7
Department of Homeland Security	X	X	X	X	X	X	X	7
Department of Housing and Urban Development	✓	✓	X	X	X	X	X	5
Department of the Interior	X	✓	✓	X	X	✓	✓	3
Department of Justice	✓	✓	✓	✓	✓	✓	✓	0
Department of Labor	X	X	X	X	X	X	X	7
Department of State	X	✓	✓	✓	✓	✓	✓	1
Department of Transportation	X	X	X	X	X	X	X	7
Department of the Treasury	X	X	X	X	X	X	X	7
Department of Veterans Affairs	X	X	X	X	X	X	X	7
Environmental Protection Agency	✓	X	✓	✓	✓	✓	✓	1
General Services Administration	✓	✓	✓	X	X	X	X	4
National Aeronautics and Space Administration	X	✓	✓	✓	✓	✓	✓	1
National Science Foundation	✓	X	NR	X	✓	✓	✓	2
Nuclear Regulatory Commission	✓	✓	✓	✓	✓	✓	✓	0
Office of Personnel Management	X	✓	✓	✓	X	✓	✓	2
Small Business Administration	X	X	X	X	X	X	X	7
Social Security Administration	X	X	X	X	X	X	X	7
U.S. Agency for International Development	✓	✓	✓	✓	✓	✓	✓	0
<b>Total not reported</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total compliant agencies</b>	<b>10</b>	<b>12</b>	<b>12</b>	<b>9</b>	<b>9</b>	<b>11</b>	<b>10</b>	
<b>Total noncompliant agencies</b>	<b>14</b>	<b>12</b>	<b>11</b>	<b>15</b>	<b>15</b>	<b>13</b>	<b>14</b>	

✓ Compliant: IG reported compliance

X Noncompliant: IG reported noncompliance or acknowledged noncompliance after report was issued

NR Not reported: IG did not issue compliance report because agency did not publish improper payment information

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 2017. | GAO-19-14

# Appendix III: CFO Act Agencies and Programs Reported as Noncompliant with IPERA for Fiscal Years 2016 and 2017

Tables 5 and 6 detail the Chief Financial Officers Act of 1990 (CFO Act) agencies and programs reported by their inspectors general as noncompliant with the six criteria specified by the Improper Payments Elimination and Recovery Act of 2010 (IPERA), for fiscal years 2016 and 2017. We previously reported on CFO Act agencies' reported compliance with the six IPERA criteria for fiscal year 2015.<sup>1</sup>

**Table 5: CFO Act Agency Programs That IGs Reported as Noncompliant with IPERA Criteria for Fiscal Year 2016**

Agencies and programs	Published information in PAR/AFR	Conducted program-specific risk assessment(s)	Published estimate(s)	Published corrective action plan(s)	Published and met reduction target(s)	Reported rate(s) below 10 percent
<b>U.S. Department of Agriculture</b>						
1. Food and Nutrition Service (FNS) Supplemental Nutrition Assistance Program	*	*	X	*	*	*
2. FNS Child and Adult Care Food Program	*	*	X	*	*	*
3. FNS National School Lunch Program	*	*	*	*	X	X
4. FNS School Breakfast Program	*	*	*	*	X	X
5. FNS Special Supplemental Nutrition Program for Women, Infants, and Children	*	*	*	*	X	*
6. Farm Service Agency (FSA) Loan Deficiency Payment	*	*	*	*	X	*
7. FSA Livestock Forage Disaster Program	*	*	*	*	X	*
8. FSA Livestock Indemnity Program	*	*	*	*	X	X
9. FSA Supplemental Revenue Assistance Payments	*	*	*	*	X	X
<b>Department of Defense<sup>a</sup></b>						
10. Navy Commercial Bill Pay Office - Naples	X	*	*	X	*	*
11. Defense Finance and Accounting Service Commercial Pay	X	*	*	X	*	*
12. U.S. Army Corps of Engineers Travel Pay	X	*	X	X	X	*

<sup>1</sup>GAO, *Improper Payments: Additional Guidance Could Provide More Consistent Compliance Determinations and Reporting by Inspectors General*, [GAO-17-484](#) (Washington, D.C.: May 31, 2017).

**Appendix III: CFO Act Agencies and Programs  
Reported as Noncompliant with IPERA for  
Fiscal Years 2016 and 2017**

<b>Agencies and programs</b>	<b>Published information in PAR/AFR</b>	<b>Conducted program-specific risk assessment(s)</b>	<b>Published estimate(s)</b>	<b>Published corrective action plan(s)</b>	<b>Published and met reduction target(s)</b>	<b>Reported rate(s) below 10 percent</b>
<b>Department of Defense<sup>a</sup></b>						
13. Military Health Benefits	X	*	*	X	*	*
14. Military Pay	X	*	*	X	*	*
15. Civilian Pay	X	*	*	X	*	*
16. Military Retiree and Annuitant Benefit Payments	X	*	*	X	*	*
17. Travel Pay	X	*	X	X	X	*
18. Navy Enterprise Resource Planning Commercial Pay	X	*	*	X	*	*
19. Navy Commercial Bill Pay Office - Singapore	X	X	*	*	*	*
<b>Department of Education</b>						
20. Pell Grant	*	*	*	*	X	*
21. Department-managed grant programs	*	X	*	*	*	*
22. Federal Student Aid - managed contracting activities	*	X	*	*	*	*
23. Direct Loan	*	*	*	*	X	*
<b>Department of Health and Human Services</b>						
24. Temporary Assistance for Needy Families (TANF) <sup>b</sup>	*	*	X	X	X	X
25. Medicaid	*	*	*	*	*	X
26. Children's Health Insurance Program	*	*	*	*	X	*
27. Foster Care	*	*	*	*	X	*
28. Medicare Advantage (Part C)	*	*	*	*	X	*
29. Medicare Fee-for-Service (Parts A and B)	*	*	*	*	*	X
<b>Department of Homeland Security</b>						
30. U.S. Customs and Border Protection - Refund & Drawback	*	*	*	*	X	*
31. Federal Emergency Management Agency (FEMA) - Assistance to Firefighters Grant	*	*	*	*	X	*
32. FEMA - Flood Risk Map-Flood Hazard Mapping & Risk Analysis	*	*	*	*	X	*

**Appendix III: CFO Act Agencies and Programs  
Reported as Noncompliant with IPERA for  
Fiscal Years 2016 and 2017**

<b>Agencies and programs</b>	<b>Published information in PAR/AFR</b>	<b>Conducted program-specific risk assessment(s)</b>	<b>Published estimate(s)</b>	<b>Published corrective action plan(s)</b>	<b>Published and met reduction target(s)</b>	<b>Reported rate(s) below 10 percent</b>
<b>Department of Homeland Security</b>						
33. FEMA - Public Assistance	*	*	*	*	X	*
34. FEMA - Port Security Grant Program	*	*	*	*	X	*
35. FEMA - Vendor Pay	*	*	*	*	X	*
36. Office of Inspector General -Hurricane Sandy Payroll & Travel	*	*	*	*	X	*
37. FEMA - Federal Insurance and Mitigation Administration - Non Claims Loss Payments	X	*	*	*	*	*
38. FEMA - Flood Risk Map Program – Grants	X	*	*	*	*	*
39. Non Disaster Relief Fund Travel	X	*	*	*	*	*
<b>Department of Housing and Urban Development</b>						
40. Rental Housing Assistance Programs	*	*	*	*	X	*
41. Government National Mortgage Association programs <sup>c</sup>	*	X	*	*	*	*
42. Payments to Federal employees for all program offices	*	X	*	*	*	*
43. Federal Housing Administration (FHA) Single Family Notes	*	X	*	*	*	*
44. FHA - Other Disbursements	*	X	*	*	*	*
<b>Department of Labor</b>						
45. Unemployment Insurance Benefit	*	*	*	*	X	X
46. Federal Employees' Compensation Act	*	*	*	*	X	*
<b>Department of Transportation</b>						
47. Federal Aviation Administration Facilities and Equipment - Disaster Relief Appropriations Act	*	*	*	*	X	*
48. Federal Railroad Administration's High-Speed Intercity Passenger Rail	*	*	*	*	X	*
49. Federal Transit Administration's Formula Grants and Passenger Rail Investment and Improvement Act	*	*	*	*	X	*
<b>Department of the Treasury</b>						
50. Earned Income Tax Credit	*	*	*	*	*	X

**Appendix III: CFO Act Agencies and Programs  
Reported as Noncompliant with IPERA for  
Fiscal Years 2016 and 2017**

<b>Agencies and programs</b>	<b>Published information in PAR/AFR</b>	<b>Conducted program-specific risk assessment(s)</b>	<b>Published estimate(s)</b>	<b>Published corrective action plan(s)</b>	<b>Published and met reduction target(s)</b>	<b>Reported rate(s) below 10 percent</b>
<b>Department of Veterans Affairs</b>						
51. Civilian Health and Medical Program of the Department of Veterans Affairs	*	*	*	*	X	*
52. Community Care	*	*	*	*	X	X
53. Purchased Long Term Service and Support	*	*	*	*	X	X
54. Beneficiary Travel	*	*	*	*	X	*
55. Supplies and Materials	*	*	*	*	X	*
56. State Home Per Diem Grants	*	*	*	*	X	*
<b>General Services Administration</b>						
57. Rental of Space Program	*	*	*	*	X	*
<b>Small Business Administration</b>						
58. Section 7(a) Loan Guaranty Purchases	*	*	*	*	X	*
59. Disbursements for Goods and Services	*	*	*	*	*	X

**Appendix III: CFO Act Agencies and Programs  
Reported as Noncompliant with IPERA for  
Fiscal Years 2016 and 2017**

Agencies and programs	Published information in PAR/AFR	Conducted program-specific risk assessment(s)	Published estimate(s)	Published corrective action plan(s)	Published and met reduction target(s)	Reported rate(s) below 10 percent
<b>Social Security Administration</b>						
60. Supplemental Security Income	*	*	*	*	X	*
61. Old-Age, Survivors, and Disability Insurance	*	*	*	*	X	*
<b>Total agencies noncompliant with criterion (marked X)</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>12</b>	<b>6</b>
<b>Total noncompliant programs as of fiscal year 2016</b>	<b>13</b>	<b>7</b>	<b>5</b>	<b>10</b>	<b>38</b>	<b>12</b>

Legend:

X = Program was noncompliant with IPERA criterion, as reported by the agency's IG

\* = IG did not report the program as noncompliant with IPERA 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 CFO Act agencies' IG IPERA compliance reports for fiscal year 2016. | GAO-19-14

<sup>a</sup>The Department of Defense (DOD) published the Improper Payment and Payment Recapture Programs section of its fiscal year 2016 AFR on November 15, 2016. However, it did not publish the AFR by March 1, 2017; therefore, the DOD IG determined the agency to be noncompliant with this IPERA criterion, as reported in the fiscal year 2016 IPERA compliance report.

<sup>b</sup>The Department of Health and Human Services (HHS) does not agree with its IG's assessment of 2 criteria for the TANF program—published and met reduction target(s) and reported rate(s) below 10 percent—which were reported by HHS IG as noncompliant for fiscal year 2016.

<sup>c</sup>The Department of Housing and Urban Development does not agree with its IG's assessment of the criterion to conduct program-specific risk assessments for the Government National Mortgage Association (Ginnie Mae) programs. The agency stated that although some of Ginnie Mae's programs were noncompliant with this criterion in fiscal year 2016, not all of its programs were noncompliant.

**Table 6: CFO Act Agency Programs That IGs Reported as Noncompliant with IPERA Criteria for Fiscal Year 2017**

Agencies and programs	Published information in PAR/AFR	Conducted program-specific risk assessment(s)	Published estimate(s)	Published corrective action plan(s)	Published and met reduction target(s)	Reported rate(s) below 10 percent
<b>U.S. Department of Agriculture</b>						
1. Farm Service Agency Noninsured Crop Disaster Assistance Program	*	*	*	*	X	*
2. Food and Nutrition Service (FNS) Supplemental Nutrition Assistance Program	*	*	X	*	*	*
3. FNS Child and Adult Care Food Program	*	*	X	*	*	*

**Appendix III: CFO Act Agencies and Programs  
Reported as Noncompliant with IPERA for  
Fiscal Years 2016 and 2017**

<b>Agencies and programs</b>	<b>Published information in PAR/AFR</b>	<b>Conducted program-specific risk assessment(s)</b>	<b>Published estimate(s)</b>	<b>Published corrective action plan(s)</b>	<b>Published and met reduction target(s)</b>	<b>Reported rate(s) below 10 percent</b>
<b>U.S. Department of Agriculture</b>						
4. FNS National School Lunch Program	*	*	*	*	X	X
5. FNS School Breakfast Program	*	*	*	*	X	X
6. FNS Special Supplemental Nutrition Program for Women, Infants, and Children	*	*	*	*	X	*
<b>Department of Commerce</b>						
7. Disaster Relief Appropriations Act	*	*	*	*	X	*
<b>Department of Defense<sup>a</sup></b>						
8. U.S. Army Corps of Engineers (USACE) Commercial Pay	X	*	X	X	X	*
9. Navy Commercial Bill Pay Office - Naples	X	*	*	*	*	*
10. Defense Finance and Accounting Service Commercial Pay	X	*	X	*	*	*
11. USACE Travel Pay	X	*	*	*	X	*
12. Military Health Benefits	X	*	X	X	*	*
13. Military Pay	X	*	*	X	*	*
14. Civilian Pay	X	*	*	*	*	*
15. Military Retiree and Annuitant Benefit Payments	X	*	*	X	X	*
16. Travel Pay	X	*	X	X	X	*
<b>Department of Education</b>						
17. Pell Grant	*	*	*	*	X	*
<b>Department of Health and Human Services</b>						
18. Temporary Assistance for Needy Families	*	*	X	X	*	*
19. Medicaid	*	*	*	*	X	X
20. Children's Health Insurance Program	*	*	*	*	X	*
21. Foster Care	*	*	*	*	X	*
<b>Department of Homeland Security</b>						
22. U.S. Customs and Border Protection Refund & Drawback	*	*	*	*	X	*

**Appendix III: CFO Act Agencies and Programs  
Reported as Noncompliant with IPERA for  
Fiscal Years 2016 and 2017**

<b>Agencies and programs</b>	<b>Published information in PAR/AFR</b>	<b>Conducted program-specific risk assessment(s)</b>	<b>Published estimate(s)</b>	<b>Published corrective action plan(s)</b>	<b>Published and met reduction target(s)</b>	<b>Reported rate(s) below 10 percent</b>
<b>Department of Homeland Security</b>						
23. U.S. Coast Guard Acquisition, Construction, and Improvement and Operating Expense: Hurricane Sandy Disbursements	*	*	*	*	X	*
<b>Department of Housing and Urban Development</b>						
24. Rental Housing Assistance Programs	*	*	X	*	*	*
25. Community Development Block Grant entitlement grant	*	*	X	*	*	*
26. Federal Housing Administration Single Family Insurance Claims Program	*	*	X	*	*	*
27. Disaster - Federal Emergency Management Agency, Disaster Housing Assistance Program	*	X	*	*	*	*
28. U.S. Department of Transportation Surface Transportation Project	*	X	*	*	*	*
29. HOME Investment Partnerships Program (HOME)	*	X	X	*	*	*
30. Housing Trust Fund	*	X	*	*	*	*
31. Hurricane Ike, Other Disasters	*	X	*	*	*	*
32. Self-Help and Assistance Homeownership	*	X	*	*	*	*
33. Master Subservicer Default Activity	*	X	*	*	*	*
34. American Recovery and Reinvestment Act - Energy and Green Retrofit Loan Financing	*	X	*	*	*	*
35. Emergency Home Loan Program (EHLP)	*	X	*	*	*	*
36. EHLP - Direct Loan Financing Account	*	X	*	*	*	*
37. Homeownership and Rental Housing Solutions Grant Assistance, Section 236	*	X	*	*	*	*
38. Housing Counseling	*	X	*	*	*	*
39. Housing for Special Populations - Capital Advance Portion of Expenditures, Section 202	*	X	*	*	*	*
40. Housing for the Elderly and Handicapped	*	X	*	*	*	*



**Appendix III: CFO Act Agencies and Programs  
Reported as Noncompliant with IPERA for  
Fiscal Years 2016 and 2017**

<b>Agencies and programs</b>	<b>Published information in PAR/AFR</b>	<b>Conducted program-specific risk assessment(s)</b>	<b>Published estimate(s)</b>	<b>Published corrective action plan(s)</b>	<b>Published and met reduction target(s)</b>	<b>Reported rate(s) below 10 percent</b>
<b>Department of Labor</b>						
41. Unemployment Insurance Benefit	*	*	*	*	X	X
<b>Department of Transportation</b>						
42. Federal Transit Administration Emergency Relief Program - Disaster Relief Appropriations Act, 2013 (DRAA) Program	*	*	*	*	X	*
43. Office of Inspector General DRAA Activity	*	*	*	*	X	*
<b>Department of the Treasury</b>						
44. Earned Income Tax Credit	*	*	*	*	*	X
<b>Department of Veterans Affairs</b>						
45. Civilian Health and Medical Program of the Department of Veterans Affairs	*	*	*	*	X	*
46. Community Care	*	*	*	*	X	X
47. Purchased Long Term Service and Support	*	*	*	*	X	X
48. Beneficiary Travel	*	*	*	*	X	X
49. Supplies and Materials	*	*	*	*	X	X
50. Communications, Utilities, and Other Rents	*	*	*	*	*	X
51. Prosthetics	*	*	*	*	*	X
52. Post-9/11 GI Bill	*	*	*	*	X	*
53. Pension	*	*	*	*	X	*
54. Medical Care Contracts and Agreements	*	*	*	*	*	X
<b>General Services Administration</b>						
55. Rental of Space Program	*	*	*	*	X	*

**Appendix III: CFO Act Agencies and Programs  
Reported as Noncompliant with IPERA for  
Fiscal Years 2016 and 2017**

<b>Agencies and programs</b>	<b>Published information in PAR/AFR</b>	<b>Conducted program-specific risk assessment(s)</b>	<b>Published estimate(s)</b>	<b>Published corrective action plan(s)</b>	<b>Published and met reduction target(s)</b>	<b>Reported rate(s) below 10 percent</b>
<b>Small Business Administration</b>						
56. Section 7(a) Loan Guaranty Purchases	*	*	*	*	X	*
57. Disaster Direct Loan Program	*	*	*	*	X	X
<b>Social Security Administration</b>						
58. Supplemental Security Income	*	*	*	*	X	*
<b>Total agencies noncompliant with criterion (marked X)</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>2</b>	<b>12</b>	<b>6</b>
<b>Total noncompliant programs as of fiscal year 2017</b>	<b>9</b>	<b>14</b>	<b>11</b>	<b>6</b>	<b>29</b>	<b>13</b>

Legend:

X = Program was noncompliant with IPERA criterion, as reported by the agency's IG

\* = IG did not report the program as noncompliant with IPERA 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 CFO Act agencies' IG IPERA compliance reports for fiscal year 2017. | GAO-19-14

<sup>a</sup>The Department of Defense (DOD) published a Payment Integrity section in its fiscal year 2017 AFR. However, it did not publish all required information; therefore, the DOD IG determined the agency to be noncompliant with this IPERA criterion, as reported in the fiscal year 2017 IPERA compliance report.

# Appendix IV: CFO Act Agencies with Programs Reported by Their IGs as Noncompliant for 2 or More Consecutive Years, as of Fiscal Years 2016 and 2017

Table 7 details the Chief Financial Officers Act of 1990 (CFO Act) agencies and programs reported by their inspectors general as noncompliant under the Improper Payments Elimination and Recovery Act of 2010 (IPERA) for 2 or more consecutive years, as of fiscal years 2016 and 2017. We previously reported on CFO Act agencies' reported compliance for fiscal year 2015.<sup>1</sup>

**Table 7: CFO Act Agencies and Programs Reported or Acknowledged by Their IGs as Noncompliant for 2 or More Consecutive Years, as of Fiscal Years 2016 and 2017**

Agencies	Noncompliant programs	Consecutive years of reported noncompliance as of fiscal year	
		2016	2017
U.S. Department of Agriculture	Food and Nutrition Service (FNS) Supplemental Nutrition Assistance Program	2	3
	Farm Service Agency (FSA) Livestock Forage Disaster Program	2	NA
	FSA Supplemental Revenue Assistance Payments	2	NA
	FNS Child and Adult Care Food Program	6	7
	FNS National School Lunch Program	6	7
	FNS School Breakfast Program	6	7
	FNS Special Supplemental Nutrition Program for Women, Infants, and Children	6	7
Department of Defense	Defense Finance and Accounting Service Commercial Pay	1	2
	Civilian Pay	1	2
	Military Health Benefits	1	2
	Military Pay	1	2
	Military Retiree and Annuitant Benefit Payments	1	2
	U.S. Army Corps of Engineers Travel Pay	1	2
	Navy Commercial Bill Pay Office - Naples	1	2
Department of Education	Travel Pay	5	6
	Pell Grant	1	2
Department of Health and Human Services	Direct Loan	3	NA
	Foster Care	1	2
	Medicare Advantage (Part C)	2	NA
	Children's Health Insurance Program	2	3
	Medicaid	3	4

<sup>1</sup>GAO, *Improper Payments: Additional Guidance Could Provide More Consistent Compliance Determinations and Reporting by Inspectors General*, [GAO-17-484](#) (Washington, D.C.: May 31, 2017).

**Appendix IV: CFO Act Agencies with Programs  
Reported by Their IGs as Noncompliant for 2  
or More Consecutive Years, as of Fiscal Years  
2016 and 2017**

Agencies	Noncompliant programs	Consecutive years of reported noncompliance as of fiscal year	
		2016	2017
	Medicare Fee-for-Service (Parts A and B)	5	NA
	Temporary Assistance for Needy Families	6	7
Department of Homeland Security	U.S. Customs and Border Protection Refund & Drawback	2	3
	Federal Emergency Management Agency (FEMA) - Assistance to Firefighters Grant	2	NA
	FEMA - Public Assistance	3	NA
	FEMA - Vendor Pay	3	NA
Department of Housing and Urban Development	Government National Mortgage Association programs <sup>a</sup>	2	NA
	Rental Housing Assistance Programs	2	3
Department of Labor	Unemployment Insurance Benefit	6	7
Department of the Treasury	Earned Income Tax Credit	6	7
Department of Veterans Affairs	Civilian Health and Medical Program of the Department of Veterans Affairs	1	2
	Community Care	2	3
	Purchased Long Term Service and Support	2	3
	Beneficiary Travel	2	3
	Supplies and Materials	2	3
Small Business Administration	Section 7(a) Loan Guaranty Purchases	1	2
	Disbursements for Goods and Services	2	NA
General Services Administration	Rental of Space Program	1	2
Social Security Administration	Old-Age, Survivors, and Disability Insurance	2	NA
	Supplemental Security Income	6	7
<b>Total programs reported noncompliant for 2 consecutive years, as of fiscal years 2016 and 2017</b>		<b>15</b>	<b>12</b>
<b>Total programs reported noncompliant for 3 or more consecutive years, as of fiscal years 2016 and 2017</b>		<b>14</b>	<b>18</b>

Legend:

CFO Act = Chief Financial Officers Act of 1990

IG = inspector general

IPERA = Improper Payments Elimination and Recovery Act of 2010

NA = Not applicable because IGs did not report program as noncompliant as of fiscal year 2016 or noncompliant as of fiscal year 2017

Source: GAO analysis of CFO Act agencies' IG IPERA compliance reports for fiscal years 2016 and 2017. | GAO-19-14

<sup>a</sup>The Department of Housing and Urban Development does not agree with its IG's reporting of the Government National Mortgage Association programs as noncompliant for 2 consecutive years, as of fiscal year 2016.

# 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](http://www.oig.dhs.gov)

October 25, 2018

Beryl Davis  
Director, Financial Management and Assurance  
U.S. Government Accountability Office  
441 G Street, NW,  
Washington, DC 20226

Dear Ms. Davis:

Thank you for the opportunity to review and comment on the draft report, "Improper Payments – *Additional Guidance Needed to Improve Oversight of Agencies with Noncompliant Programs.*" The Department of Homeland Security (DHS) Office of Inspector General appreciates the Government Accountability Office's work to review agencies' compliance under the *Improper Payments Elimination and Recovery Act of 2010* (IPERA).

Through our audits and recommendations, the Department has improved its processes and procedures and implemented more effective internal controls to reduce improper payments. As your office reported, DHS properly notified Congress of its programs' noncompliance for 3 or more consecutive years as of FY 2016 as required by IPERA and Office of Management and Budget guidance. Through DHS' continued hard work, all of these programs met their reduction targets in FY 2017 and are now compliant. As of FY 2017, U.S. Customs and Border Protection - Refund and Drawback is the only DHS program non-compliant for 3 consecutive years.

Please contact me with any questions at (202) 981-6000, or your staff may contact Maureen Duddy, Deputy Assistant Inspector General for Audits, at (617) 565-8723.

Sincerely,

A handwritten signature in black ink that reads "Sondra F. McCauley".

Sondra F. McCauley  
Assistant Inspector General for Audits

# Appendix VI: Comments from the Social Security Administration



## SOCIAL SECURITY Office of the Commissioner

October 31, 2018

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: Additional Guidance Needed to Improve Oversight of Agencies with Noncompliant Programs" (GAO-19-14). We support the finding that we notified Congress of three or more consecutive years of noncompliance under the Improper Payments Elimination and Recovery Act (IPERA) of 2010 for fiscal years (FY) 2016 and 2017 because we did not meet our reduction targets for the Supplemental Security Income (SSI) program.

In your report, you indicated that we provided some additional information to Congress, along with four other agencies, but did not include measurable milestones, designated senior officials, or accountability mechanisms. We did in fact provide this information and addressed each in our Agency Financial Report as follows.

- Measurable Milestones – We conduct Continuing Disability Reviews and SSI redeterminations and identified these workloads as measurable milestones to address improper payments. Our annual budget determines these workload volumes.
- Designated Senior Officials – We designated the Chair of our Improper Payments Oversight Board as our Senior Official.
- Accountability Mechanisms – Effective in FY 2012, as required by IPERA, we hold managers, program officials, and senior executives accountable for reducing improper payments. For these employees, their annual performance plans reflect their responsibility to support efforts to maintain sufficient internal controls to prevent, detect, and recover improper payments and meet targets to reduce improper payments. Rating officials hold these employees accountable for the content of their performance plans.

If you have any questions, please contact me at (410) 965-9704. Your staff may contact Trae Sommer, Acting Director for the Audit Liaison Staff, at (410) 965-9102.

Sincerely,

A handwritten signature in blue ink that reads "Stephanie Hall".

Stephanie Hall  
Acting Deputy Chief of Staff

SOCIAL SECURITY ADMINISTRATION BALTIMORE, MD 21235-0001

# Appendix VII: Comments from the United States Agency for International Development



Beryl Davis  
Director, Financial Management and Assurance  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20226

Re: Draft Report "GAO-19-14 (Code 102476) Improper Payments, Additional Guidance Needed to Improve Oversight of Agencies with Noncompliant Programs"

Dear Ms. Davis:

I am pleased to provide the United States Agency for International Development's (USAID) formal response to the draft report of the U. S. Government Accountability Office (GAO) entitled, "*Improper Payments, Additional Guidance Needed to Improve Oversight of Agencies with Noncompliant Programs*".

USAID is proud to be one of only three Federal Departments and Agencies identified in the report as having complied with all reporting requirements that concern improper payments from Fiscal Year (FY) 2011 through FY 2017. This record of compliance has significant, since the Office of the Inspector General audits and verifies it annually.

USAID has a rigorous payment process supported by extensive core financial-system and procedural controls which has led to a consistently low rate of erroneous payments. As a result, the Office of Management and Budget granted USAID relief from related reporting requirements for three years, starting with the FY 2015 Agency Financial Report. Even with this relief, USAID has maintained our readiness and expertise in finding and reporting on improper payments by continuing to perform risk assessments annually to identify programs that could be susceptible to significant improper payments. In the FY 2018 Agency Financial Report, USAID will again publish our improper payments rate, which will demonstrate our continued prudent and diligent stewardship of taxpayer dollars.

Thank you for the opportunity to respond to your draft report, and for the courtesies extended by your staff while conducting this engagement. We appreciate the opportunity to participate in the evaluation of our compliance with IPERA.

Sincerely,

A handwritten signature in blue ink, appearing to read "Angelique M. Crumbly".

Angelique M. Crumbly  
Acting Assistant Administrator  
Bureau for Management

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# Appendix VIII: GAO Contact and Staff Acknowledgments

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## GAO Contact

Beryl H. Davis, (202) 512-2623 or [davisbh@gao.gov](mailto:davisbh@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Michelle Philpott (Assistant Director), Matthew Valenta (Assistant Director), Vivian Ly (Auditor in Charge), Juvy Chaney, John Craig, Caitlin Cusati, Francine DeVecchio, Patrick Frey, Maria Hasan, Maxine Hattery, Jason Kelly, Jim Kernen, Jason Kirwan, Sharon Kittrell, Lisa Motley, Heena Patel, Anne Rhodes-Kline, and Kailey Schoenholtz made key contributions to this report.



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