



Highlights of [GAO-03-750T](#), a report to Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform, House of Representatives

Why GAO Did This Study

The Subcommittee asked GAO to testify on the Improper Payments Information Act (PL-107-300) and related draft guidance issued by the Office of Management and Budget (OMB), and on GAO recommendations to agencies on actions they can take to prevent or reduce improper payments.

FINANCIAL MANAGEMENT

Challenges Remain in Addressing the Government's Improper Payments

What GAO Found

Improper payments are a longstanding, widespread, and significant problem in the federal government. Agency financial statements for both fiscal years 2002 and 2001 identified improper payment estimates of approximately \$20 billion. OMB recently testified that the amount of improper payments was closer to \$35 billion annually for major benefit programs. As significant as these amounts are, they do not represent a true picture of the magnitude of the problem governmentwide because they do not consider other significant but smaller programs and other types of agency activities that could result in improper payments.

Until recently OMB guidance did not require or offer agencies a comprehensive approach to measuring improper payments, developing and implementing corrective actions, or reporting on the results of the actions taken. Improper payment information varied across agencies and programs and included a mixture of estimated improper payment rates and actual improper payments, and was reported inconsistently in a variety of places, including annual financial statements, performance reports, and the federal budget. None of these reporting mediums provided a comprehensive view of either the scope of the improper payment problem or of individual agency or government efforts to reduce it.

We are seeing increased leadership and actions—both from the Congress and the administration—to address the improper payment problem.

Two recent pieces of legislation provide an impetus for all agencies to systematically address improper payment activity on an annual basis and to identify and recover contract overpayments. To illustrate this, the Improper Payments Information Act of 2002 requires agency heads to annually review all programs and activities that they administer and identify those susceptible to improper payments. For those with estimates of significant improper payments, the legislation requires further analysis and reporting. The National Defense Authorization Act for fiscal year 2002 contains a provision that requires agencies entering into sizeable contracts to carry out a cost recovery program for improper payments made to contractors.

OMB has taken some actions to address our prior improper payment-related recommendations. For example, it has issued draft guidance for agency use in identifying and reporting on improper payments within their programs and activities. Further, preliminary follow up work on our prior recommendations shows a wide range of agency activities regarding improper payment identification and reporting. Some agencies have implemented detailed action plans while others are in the early stages of such work. OMB and the agencies need to continue to work to identify and measure improper payments, set performance goals, implement corrective actions, and report results against those goals.

www.gao.gov/cgi-bin/getrpt?GAO-03-750T.

To view the full report, including the scope and methodology, click on the link above. For more information, contact McCoy Williams at 202-512-6906 or williamsm1@gao.gov.