

Highlights of [GAO-11-575T](#), a testimony before the Subcommittee on Government Organization, Efficiency, and Financial Management, Committee on Oversight and Government Reform, House of Representatives

Why GAO Did This Study

GAO's work over the past several years has highlighted long-standing, widespread, and significant problems with improper payments in the federal government. Fiscal year 2010 marked the 7th year of implementation of the Improper Payments Information Act of 2002 (IPIA). IPIA requires executive-branch agencies to identify programs and activities susceptible to significant improper payments, estimate annual amounts improperly paid, and report these estimates and actions taken to reduce them. On July 22, 2010, the Improper Payments Elimination and Recovery Act of 2010 (IPERA) was enacted. IPERA amended IPIA and expanded requirements for recovering overpayments across a broad range of federal programs.

This testimony addresses (1) progress federal agencies have reported in estimating and reducing improper payments in fiscal year 2010, (2) challenges that continue to hinder full reporting of improper payment information, and (3) recent efforts by Congress and the executive branch intended to improve transparency and accountability for reporting, reducing, and recovering improper payments. This testimony is primarily based on prior GAO reports. GAO summarized available fiscal year 2010 improper payment information reported by federal executive-branch agencies and actions taken by the executive branch and Congress intended to improve transparency over, accountability for, and reduction of improper payments.

View [GAO-11-575T](#) or key components. For more information, contact Kay Daly at (202) 512-9312 or dalykl@gao.gov.

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IMPROPER PAYMENTS

Recent Efforts to Address Improper Payments and Remaining Challenges

What GAO Found

Federal agencies reported an estimated \$125.4 billion in improper payments for fiscal year 2010. The \$125.4 billion estimate of improper payments federal agencies reported in fiscal year 2010 was attributable to over 70 programs spread among 20 agencies. Federal agencies' fiscal year 2010 estimated improper payment amount is an increase of \$16.2 billion from federal agencies' prior year reported estimate of \$109.2 billion.

- **Progress Reported in Estimating and Reducing Improper Payments.** Since the initial implementation of IPIA in fiscal year 2004, federal agencies have consistently identified new programs or activities as risk-susceptible and reported estimated improper payment amounts. In addition, federal agencies have reported progress in reducing improper payments and payment error rates in some programs and activities. From fiscal years 2004 through 2010, 28 programs have consistently reported estimated improper payment error rates for each year. Of these 28, 17 agency programs reported reduced error rates in comparison with their initial or baseline error rates reported in fiscal year 2004.
- **Challenges Remain in Meeting Legislative Requirements to Fully Report Improper Payments Information.** Agency reporting highlighted challenges that remain in meeting the requirements of IPIA, including determining the full extent of improper payments across the federal government and in reasonably assuring that effective actions are taken to reduce improper payments. Specifically, two agencies did not report on risk assessments of their programs and activities and three agencies did not develop and report on improper payments estimates for seven risk-susceptible programs with significant amounts of outlays.
- **Recent Efforts to Address Improper Payments.** During fiscal year 2010, a number of changes and initiatives were put in place that are intended to strengthen the framework for reducing and reporting improper payments. For example, the President issued Executive Order 13520, *Reducing Improper Payments*. The President also issued two memoranda intended to expand agency efforts to recapture overpayments and directed that a Do Not Pay List be established to help prevent improper payments. Further, IPERA was enacted. In addition to amending the IPIA existing requirements, IPERA establishes additional requirements, among others, related to (1) federal agency management accountability; and (2) recovery auditing aimed at identifying and reclaiming payments made in error. We view these actions as positive steps; however, it is too soon to determine whether these activities will achieve their goal of reducing improper payments while continuing to ensure that federal programs serve and provide access to intended beneficiaries.