



Highlights of GAO-04-99, a report to the Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform, House of Representatives

## Why GAO Did This Study

Improper payments are a longstanding, widespread, and significant problem in the federal government. This past April, the Office of Management and Budget (OMB) estimated these payments to be about \$35 billion annually for major federal benefit programs. Importantly, this estimate does not account for all federal programs and activities and considers less than half of the \$2.3 trillion net cost of the federal government for fiscal year 2002.

Because of its continued interest and concerns regarding financial management in the federal government, the Subcommittee asked GAO to follow-up on the implementation of the recommendations contained in our August 2002 report (GAO-02-749).

Our 2002 report recommended that Chief Financial Officers Act (CFO Act) agencies take actions to minimize improper payments in their programs and activities and for OMB to assist agencies in developing methods to identify and implement those actions.

OMB described our report as largely fair and accurate. It characterized the administration's current efforts to reduce erroneous payments as the most comprehensive assessment of the government's payment processes in history.

[www.gao.gov/cgi-bin/get rpt?GAO-04-99](http://www.gao.gov/cgi-bin/get rpt?GAO-04-99)

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

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# FINANCIAL MANAGEMENT

## Status of the Governmentwide Efforts to Address Improper Payment Problems

### What GAO Found

The ultimate success of the governmentwide effort to reduce improper payments hinges on each federal agency's diligence and commitment to identify, estimate, determine the causes of, take corrective actions on, measure, and report progress in reducing all improper payments.

While each of the 23 CFO Act agencies has assigned responsibility for the improper payment program to a senior official, GAO's discussions with officials at these agencies revealed a wide disparity in the progress made in implementing actions to perform risk assessments, identify and take actions to address internal control problems identified during the risk assessments, and publicly report the results of actions to reduce improper payments. Generally, the 14 CFO Act agencies that OMB Circular A-11 required to report erroneous payment information in their initial budget submissions were more active in conducting risk assessments, implementing corrective actions, and reporting on improper payments than the 9 CFO Act agencies not cited in the circular.

Officials at the 14 agencies noted that their agencies had completed risk assessments for 15 of the 44 programs cited in the circular. Of the 9 CFO Act agencies not cited in the circular, officials at only one agency stated that they had completed risk assessments of all of the agency's programs.

Not all agencies have implemented control activities to address internal control weaknesses identified through risk assessments designed to identify improper payments. While officials generally acknowledged that they had not fully assessed all of their programs and activities to identify program risks of improper payments, some stated that they had considered those risks when designing or modernizing their program's general internal control systems. Specifically, officials stated that their agencies were relying on general internal control activities already in place to manage improper payments.

Officials at each of the 23 CFO Act agencies stated that their agency would meet the reporting requirements in OMB's guidance on the implementation of the Improper Payments Information Act of 2002. This guidance calls for agencies to report significant amounts of improper payment information in their annual Performance and Accountability Reports. Depending on the agency and program, this reporting can begin as early as the fiscal year 2003 report but not later than the fiscal year 2004 report.

OMB has taken actions to address each of our recommendations. It has met with officials from each of the CFO Act agencies to provide assistance and has issued guidance for agencies' use in implementing their improper payment program including the performance of risk assessments, the identification of the causes of improper payments, and the issuance of reports on the results of the actions taken to reduce these payments.