IMPROPER PAYMENTS

Weaknesses in USAID’s and NASA’s Implementation of the Improper Payments Information Act and Recovery Auditing

What GAO Found

For the first 3 years of IPIA implementation, fiscal years 2004 through 2006, USAID and NASA performed various procedures to conduct their risk assessments. Many of these procedures are positive steps to address the requirements of IPIA. At the same time, GAO identified numerous deficiencies in the procedures that warrant further improvement. For example, neither USAID nor NASA had developed a systematic process to (1) identify risks that exist in their payment activities or (2) evaluate the results of their payment stream reviews, such as weighting and scoring the effectiveness of existing internal control over payments made and results from external audits. Furthermore, risk assessment documentation maintained by USAID and NASA was lacking or insufficient to support their conclusions that no programs or activities were susceptible to significant improper payments. A lack of detailed written guidance for both agencies may have contributed to the deficiencies identified. Due to inadequacies in their risk assessment process, USAID and NASA cannot be certain that they had no programs or activities susceptible to significant improper payments, and ultimately, had effectively implemented IPIA.

Although USAID and NASA have reported on steps taken to recoup improper contract payments, GAO found several weaknesses in their recovery auditing procedures for fiscal years 2004 through 2006. In particular, USAID and NASA did not report recovery auditing information for each fiscal year, documentation was lacking or not adequately supported, and neither agency adhered to all of the reporting requirements outlined in OMB’s implementing guidance. Other weaknesses noted were agency-specific. For example, USAID recovery auditing procedures were comprised of reviews of certain OIG and external audit reports over USAID grant and contract programs. However, the methodology used for conducting those audits may not have constituted a recovery auditing program as defined by OMB guidance, and thus may be insufficient for this purpose. NASA, on the other hand, used IPIA contract payment review results to report amounts recovered for fiscal year 2005. However, the payment reviews were limited in scope and did not provide an adequate representation of the extent of contract overpayments. Due to a lack of, or insufficient, documentation, along with identified weaknesses, the validity and accuracy of the reported recovery amounts are questionable.

While USAID and NASA have experienced significant challenges in their first 3 years of IPIA implementation, both agencies have taken steps to strengthen their risk assessment process and, ultimately, IPIA reporting. For example, USAID has developed an agencywide payment database that will be used to research and data mine for potential improper payments. NASA hired two different contractors to develop a methodology for conducting a risk assessment and testing of payment transactions. Actions are also under way to improve recovery auditing efforts. However, improvements are still needed to address some of the weaknesses identified related to conducting risk assessments and performing recovery auditing procedures.