Federal agencies reported an estimated $105.8 billion in improper payments in fiscal year 2013, a decrease from the prior year revised estimate of $107.1 billion. The fiscal year 2013 estimate was attributable to 84 programs spread among 18 agencies. The specific programs included in the government-wide estimate may change from year to year. For example, with Office of Management and Budget (OMB) approval, an agency can obtain relief from estimating improper payments if the agency has reported improper payments under a certain threshold for at least 2 consecutive years. A net of 10 additional programs were added to the government-wide estimate by OMB in fiscal year 2013 when compared to fiscal year 2012.

For fiscal year 2013, GAO identified the federal government’s inability to determine the full extent to which improper payments occur and reasonably assure that appropriate actions are taken to reduce them as a material weakness in internal control. In addition, existing internal control weaknesses at the agency level continued to increase the risk of improper payments occurring. In fiscal year 2013, four agencies did not report estimates for four risk-susceptible programs, including the Department of Health and Human Services’ (HHS) Temporary Assistance for Needy Families (TANF) program. HHS cited a statutory barrier that prevents it from requiring states to estimate improper payments for TANF. Estimates reported for two programs were also not included in the government-wide total because their estimation methodologies were not approved by OMB.

Further, inspectors general reported deficiencies related to compliance with criteria listed in the Improper Payments Elimination and Recovery Act of 2010 for fiscal year 2013, such as the use of estimation methodologies that were not statistically valid.

As GAO has previously found, a number of strategies across government, some of which are currently under way, could help to reduce improper payments. For example:

- Analysis of the root causes of improper payments can help agencies target effective corrective actions. Some agencies reported root causes of improper payments using three error categories required by OMB (documentation and administrative, authentication and medical necessity, and verification). However, because the three categories are general, more detailed analysis to understand the root causes could help agencies identify and implement more effective corrective actions.

- Designing and implementing strong preventive controls can help defend against improper payments, increasing public confidence and avoiding the difficult “pay and chase” aspects of recovering improper payments. Preventive controls involve activities such as up-front validation of eligibility through data sharing, predictive analytic tests, and training programs.

- Implementing effective detection techniques to quickly identify and recover improper payments after they have been made is also important to a successful reduction strategy. Detection activities include data mining and recovery audits. Another area for further exploration is the broader use of incentives to encourage and support states in efforts to implement effective preventive and detective controls in state-administered programs.