DISASTER RELIEF

Agencies Need to Improve Policies and Procedures for Estimating Improper Payments

What GAO Found

The five agencies GAO reviewed used a variety of approaches to estimate and report improper payments related to Disaster Relief Appropriations Act, 2013 (DRAA) funding, in accordance with Office of Management and Budget (OMB) guidance. Specifically, these agencies, which received approximately 94 percent of the $50 billion provided by DRAA, used various approaches regarding the following:

- **Estimate presentation.** Some agencies reported separate estimates for DRAA funding, while others developed one combined improper payment estimate that also included non-DRAA funding.
- **Estimate methodology.** Agencies used statistical sampling methodologies, used alternative (nonstatistical) sampling methodologies, or tested 100 percent of DRAA-funded payments to estimate improper payments for DRAA funding.
- **Time period of estimate.** Agencies used different time periods (or sampling windows) of the underlying transactions that were tested to develop improper payment estimates, such as October 2012 through September 2013 or April 2013 through March 2014.

The five agencies GAO reviewed had developed policies and procedures to guide their processes for estimating improper payments for 21 of 22 programs. However, GAO found that the agencies’ policies and procedures did not address all key requirements from relevant laws, guidance, and Standards for Internal Control in the Federal Government. For example, GAO found the following:

- Ten of the 22 programs did not have policies and procedures that included key quality assurance procedures, such as reconciliations, to validate that the populations of transactions were complete and accurate before selecting the samples used to estimate improper payments. Standards for Internal Control in the Federal Government states that control activities, such as reconciliations, are an integral part of an entity’s planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results.
- Fourteen of the 22 programs did not have policies and procedures that included a requirement to maintain sufficient documentation to support their improper payment estimates as required by OMB guidance. Standards for Internal Control in the Federal Government also states that internal controls and all transactions and other significant events need to be clearly documented, and that the documentation should be readily available for examination and properly managed and maintained.

During the audit, one of the five agencies addressed the deficiencies that GAO identified. If key requirements for estimating improper payments are not documented in policies and procedures, agencies face an increased risk that their estimation processes as designed will not comply with the provisions of relevant laws and regulations or consistently produce reliable estimates that can help agencies improve stewardship of taxpayer dollars.