IMPROPER PAYMENTS

CFO Act Agencies Need to Improve Efforts to Address Compliance Issues

Why GAO Did This Study
IPERA calls for executive branch agencies’ IGs to annually determine whether their agencies complied with six criteria related to the estimation of improper payments, including conducting risk assessments, publishing corrective action plans, and meeting annual reduction targets. In the last 2 fiscal years, total estimated improper payments reported by federal agencies have increased considerably. Specifically, improper payment estimates across the government for fiscal year 2015 totaled $136.7 billion, over $30 billion higher than the estimated total for fiscal year 2013.

GAO was asked to review compliance under IPERA as reported by IGs for fiscal year 2014. This report examines to what extent the 24 CFO Act agency IGs (1) reported that agencies complied with the IPERA criteria for fiscal years 2011 through 2014, and what criteria and programs were responsible for agency noncompliance; (2) reported programs to be noncompliant for 3 consecutive years as of fiscal year 2014, and whether agencies submitted the required information to Congress; and (3) adhered to statutory requirements and OMB guidance for reporting on fiscal year 2014 IPERA compliance reviews.

What GAO Found
For fiscal year 2014, 15 of the 24 Chief Financial Officers Act (CFO Act) agency inspectors general (IG) determined that their agencies did not comply with criteria in the Improper Payments Elimination and Recovery Act of 2010 (IPERA). This is the largest number of CFO Act agencies reported as noncompliant under IPERA since the requirement for IGs to report on their agencies’ compliance was implemented in fiscal year 2011, and represents an increase of 4 agencies from fiscal year 2013. In fiscal year 2014, IGs reported 38 programs accounting for $100.6 billion in estimated improper payments as responsible for instances of noncompliance. Agency noncompliance for fiscal year 2014 was largely due to agencies failing to meet improper payment reduction targets or to report improper payment error rates at less than 10 percent for all programs. If the 5 agencies with programs exceeding 10 percent error rates had reported error rates under the threshold set in IPERA, the government-wide improper payment estimate would have been $23.1 billion, or 18.6 percent, lower.

The Number of Chief Financial Officers Act Agencies Compliant under IPERA from Fiscal Years 2011 through 2014, as Reported/Acknowledged by Their Inspectors General

<table>
<thead>
<tr>
<th>Fiscal years</th>
<th>Compliant</th>
<th>Noncompliant</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>14</td>
<td>10</td>
</tr>
<tr>
<td>2012</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>2013</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>2014</td>
<td>15</td>
<td>9</td>
</tr>
</tbody>
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In addition, 18 programs at 9 agencies were reported as noncompliant with IPERA criteria by their agencies’ IGs for at least 3 consecutive years as of fiscal year 2014. Agencies with programs reported as noncompliant for 3 consecutive years are required to submit proposals to Congress to reauthorize the programs or change the statutes that established them. However, GAO found that only 3 agencies submitted such information to Congress. When agencies do not report to Congress as required, Congress is limited in its ability to monitor the implementation of IPERA and ensure that its intent is being fulfilled.

Certain IGs also did not fully adhere to Office of Management and Budget (OMB) guidance or statutory requirements for IPERA reporting for fiscal year 2014 by either failing to (1) clearly state the agency’s compliance status overall and with each of the six criteria, (2) report on programs designated high priority by OMB as necessary, or (3) report compliance determinations for disaster relief programs. In the past year, OMB has made efforts to clarify its guidance to IGs. To determine if IGs made changes in response to OMB’s efforts and deficiencies identified in GAO’s preliminary findings shared with them, GAO reviewed select fiscal year 2015 IPERA reports issued by IGs in May 2016. GAO concluded that the IGs corrected the issues identified during this review in their fiscal year 2015 IPERA reports, and no recommendations to IGs are warranted.

What GAO Recommends
GAO recommends that four agencies submit proposals as required to Congress in response to 3 years of noncompliance with IPERA criteria. The Departments of Defense and Transportation concurred with GAO’s recommendations and the Department of Agriculture and the Small Business Administration stated that they had no comments on the draft report.

View GAO-16-554. For more information, contact Beryl Davis at (202) 512-2623 or davisbh@gao.gov

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