FRAUD RISK MANAGEMENT

OMB Should Improve Guidelines and Working-Group Efforts to Support Agencies' Implementation of the Fraud Reduction and Data Analytics Act

What GAO Found

At varying stages, agencies have begun planning for and implementing fraud risk activities (like conducting an evaluation of fraud risks) required by the Fraud Reduction and Data Analytics Act of 2015 (FRDAA), according to GAO’s survey of agencies subject to the act. Overall, most of the 72 surveyed agencies (85 percent) indicated that they have started planning how they will meet FRDAA requirements, and about 78 percent indicated that they have also started taking steps to implement the requirements.

To assist agencies in implementing fraud risk management activities, the Office of Management and Budget (OMB) established FRDAA-related guidelines and a working group, as required by the act. However, agencies experienced challenges with OMB’s guidelines and the working group, among other things, according to GAO’s survey and roundtable discussion results (see figure below).

Implementation guidelines. To meet FRDAA requirements, OMB updated Circular No. A-123 guidelines that govern executive agencies. However, this update included limited information on the methodologies agencies can use to assess, document, and report on internal controls required by FRDAA, according to GAO’s review of the guidelines. Surveyed agencies had mixed perspectives on the usefulness of OMB’s guidelines for implementing FRDAA controls. Similarly, agencies identified the lack of clear requirements and guidance as top challenges in implementing FRDAA.

Reporting on implementation progress. Although not required by FRDAA, OMB updated annual financial report guidelines to include FRDAA requirements, but GAO found that the guidelines did not contain enough information to aid agencies in producing complete and detailed progress reports in 2017, the first year of reporting. Additional guidelines from OMB could help agencies produce more complete and detailed reports for 2019, the final year of required reporting. Without a longer reporting period, however, Congress may not have the useful information for continued oversight of agencies’ progress.

Working Group. OMB has taken steps to establish the working group, but GAO found the working group did not fully meet FRDAA requirements. As Chair, OMB did not (1) involve all agencies subject to the act in the working group or (2) hold the required number of meetings in 2017. Most surveyed agencies indicated a lack of involvement with and information from the working group as challenges in implementing FRDAA.

What GAO Recommends

GAO is making three recommendations, including that OMB (1) enhance its guidelines for establishing controls, (2) enhance guidelines for reporting on agencies’ progress, and (3) fully implement the working group. OMB did not concur with the need for the recommendations. GAO continues to believe the recommendations are valid, as discussed in the report. Additionally, Congress should consider extending agencies’ reporting requirements.

View GAO-19-34. For more information, contact Rebecca Shea at (202) 512-6722 or shear@gao.gov.