Highlights of GAO-19-112, a report to congressional requesters

Why GAO Did This Study
Improper payments are a long-standing problem in the federal government, estimated at almost $141 billion for fiscal year 2017. Agencies are required to perform risk assessments to identify programs that may be susceptible to significant improper payments.

GAO was asked to review federal agencies’ improper payment risk assessments. This report examines the extent to which certain agencies’ improper payment risk assessments for selected programs provided a reasonable basis for determining their susceptibility to significant improper payments. GAO analyzed the most recent risk assessments, from 2015 through 2017, for the following five programs: USDA’s Agriculture Risk Coverage and Price Loss Coverage programs; HHS’s Head Start; DOJ’s Law Enforcement; and Treasury’s Interest on the Public Debt and Home Affordable Modification Program. GAO selected these programs, focusing on programs that recently underwent a risk assessment and size of programs’ gross outlays—which totaled about $330 billion in fiscal year 2017 for the five programs GAO selected.

What GAO Recommends
GAO recommends that Treasury, DOJ, and HHS revise their improper payment risk assessment processes, and that HHS revise its procedures to help ensure that all programs are assessed at least once every 3 years. In their responses, Treasury and HHS agreed with the recommendations, and DOJ disagreed with GAO’s recommendation. GAO continues to believe that the recommendation is valid, as discussed in the report.

View GAO-19-112. For more information, contact Beryl H. Davis at (202) 512-2623 or davisbh@gao.gov.

What GAO Found
The Improper Payments Information Act of 2002, as amended (IPIA), defines “significant” improper payments as improper payments in the preceding fiscal year that may have exceeded either (1) 1.5 percent of program outlays and $10 million or (2) $100 million (regardless of the improper payment rate). GAO found that the Departments of Health and Human Services (HHS), the Treasury (Treasury), Justice (DOJ), and Agriculture (USDA) assessed the five programs GAO selected for review as at low risk for susceptibility to significant improper payments; however, HHS, Treasury, and DOJ lacked sufficient documentation to assess the extent to which their risk assessments provided a reasonable basis for their risk determinations. On the other hand, USDA’s quantitative risk assessment of its program’s susceptibility to significant improper payments provided a reasonable basis for its low-risk determination.

Although HHS, Treasury, and DOJ considered, among other factors, the nine risk factors from IPIA and Office of Management and Budget guidance, they did not document or effectively demonstrate how these factors affected their programs’ susceptibility to significant improper payments. These programs’ risk assessments did not contain sufficient documentation to determine how the agencies arrived at their risk determinations for each risk factor, or how the total scores for all risk factors led to low-risk determinations. For example, HHS determined that its Head Start program was at high risk for several risk factors—including complexity per transaction and volume of payments—but did not document how these high-risk ratings informed its overall determination that Head Start was not susceptible to significant improper payments.

Further, the agencies did not have documentation to demonstrate how they determined the weighing of each risk factor or the risk level ranges from the risk assessment templates as they relate to the programs’ susceptibility to significant improper payments. For example, based on GAO’s analysis of Treasury’s risk assessment template, the agency could identify areas of risk related to each of the nine risk factors. But because of the assigned weights given to each risk factor, Treasury’s final risk calculation would still not determine the program to be at high risk of susceptibility to significant improper payments. Without documenting the basis for the assigned weights, Treasury cannot demonstrate, and GAO cannot determine, that its process for determining its programs’ susceptibility to significant improper payments was reasonable. Until HHS, Treasury, and DOJ revise their risk assessment processes to help ensure that they result in reliable assessments, they cannot be certain whether their programs are susceptible to significant improper payments and therefore whether they are required to estimate the amount of improper payments.

GAO also found that HHS did not assess many of its programs and activities at least once during the 3-year period from fiscal years 2015 through 2017, as required by IPIA. Based on the analysis of HHS information, GAO identified at least 140 programs or activities that were not assessed during the 3-year period. When not all eligible programs are reviewed as required, there is an increased risk that the agency may not identify all risk-susceptible programs and activities, resulting in incomplete improper payment estimates.

IMPROPER PAYMENTS
Selected Agencies Need Improvements in Their Assessments to Better Determine and Document Risk Susceptibility

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