



April 2020

**PAYMENT  
INTEGRITY  
Selected Agencies  
Should Improve  
Efforts to Evaluate  
Effectiveness of  
Corrective Actions to  
Reduce Improper  
Payments**

Accessible Version

# GAO Highlights

Highlights of [GAO-20-336](#), a report to congressional addressees

## Why GAO Did This Study

Improper payments, estimated at almost \$175 billion for fiscal year 2019, are a significant problem in the federal government. IPIA and OMB guidance directs agencies to analyze the root causes of improper payments and develop corrective actions to reduce improper payments. This report examines (1) actions that agencies took to identify root causes of improper payments for selected programs, (2) the extent to which their corrective action plans correspond to identified root causes, and (3) the extent to which they monitored progress and evaluated the effectiveness of corrective actions.

GAO analyzed corrective action plans reported in fiscal year 2018 for the following eight programs: Department of Education’s Direct Loan and Pell Grant; HHS’s Children’s Health Insurance Program; SSA’s Old Age, Survivors, and Disability Insurance and Supplemental Security Income; Treasury’s EITC; USDA’s SNAP; and VA’s Prosthetic and Sensory Aids Service. GAO selected these programs based, in part, on those programs with at least \$1 billion in fiscal year 2018 improper payment estimates.

## What GAO Recommends

GAO is making seven recommendations: one each to Education, HHS, and SSA and two each to USDA and Treasury to improve their processes for addressing root causes of improper payments and measure their effectiveness. In their responses, SSA agreed, USDA generally agreed, Education and Treasury neither agreed nor disagreed, and HHS disagreed with GAO’s respective recommendation(s). GAO clarified four recommendations and continues to believe all the recommendations are valid.

View [GAO-20-336](#). For more information, contact Beryl H. Davis at (202) 512-2623 or [davisbh@gao.gov](mailto:davisbh@gao.gov).

April 2020

# PAYMENT INTEGRITY

## Selected Agencies Should Improve Efforts To Evaluate Effectiveness Of Corrective Actions To Reduce Improper Payments

### What GAO Found

Five out of six agencies used their improper payment estimation results to identify the root causes for the eight programs GAO reviewed. However, the Department of the Treasury (Treasury) used 2006 through 2008 taxpayer data to identify root causes of fiscal year 2018 Earned Income Tax Credit (EITC) improper payments. Without timely data on the true root causes of EITC improper payments, Treasury will lack quality information needed to develop appropriate corrective actions to reduce them.

In addition, only one agency we reviewed—the Department of Veterans Affairs (VA)—adhered to relevant Improper Payments Information Act of 2002, as amended (IPIA), requirements and Office of Management and Budget (OMB) guidance. The Department of Agriculture (USDA) and Treasury did not develop agency corrective action plans corresponding to the identified root causes of improper payments for the Supplemental Nutrition Assistance Program (SNAP) and EITC, respectively. In addition, the remaining three agencies did not have processes in place to either establish planned completion dates, monitor progress, or measure the effectiveness of their corrective actions in reducing improper payments.

**Agency Monitoring and Evaluation of Corrective Action Plans for Selected Programs**

Program	Did agency establish planned completion dates?	Did agency annually monitor progress?	Did agency annually measure effectiveness?
Supplemental Nutrition Assistance Program	N/A	N/A	N/A
Direct Loan	yes	yes	no
Pell Grant	yes	yes	no
Children’s Health Insurance Program <sup>a</sup>	no	yes	no
Earned Income Tax Credit	N/A	N/A	N/A
Prosthetic and Sensory Aids Service	yes	yes	yes
Old Age, Survivors, and Disability Insurance <sup>b</sup>	no	no	no
Supplemental Security Income <sup>b</sup>	no	no	no

Legend: N/A = not applicable as agency did not develop corrective actions corresponding to identified root causes of improper payments for the selected programs.

Source: GAO analysis of agencies’ corrective action plans and processes. | GAO-20-366

<sup>a</sup>The Department of Health and Human Services (HHS) did not have documented procedures for its corrective action plan process.

<sup>b</sup>Subsequent to our review, the Social Security Administration (SSA) implemented new procedures, including directives to establish planned completion dates and monitor progress.

Unless agencies develop corrective action plans that correspond to root causes of improper payments and implement processes to monitor progress and measure their effectiveness, their ability to ensure that their efforts will reduce improper payments will be limited.

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**Abbreviations**

AFR	agency financial report
CFO	chief financial officer
CFO Act	Chief Financial Officers Act of 1990
CHIP	Children's Health Insurance Program
CMS	Centers for Medicare and Medicaid Services
DI	Disability Insurance
Direct Loan	William D. Ford Federal Direct Loan
EBT	Electronic Benefit Transfer
Education	Department of Education
EITC	Earned Income Tax Credit
FNS	Food and Nutrition Service
FSA	Federal Student Aid
HHS	Department of Health and Human Services
IG	inspector general
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act of 2002, as amended
IRS	Internal Revenue Service
OASDI	Old Age, Survivors, and Disability Insurance
OASI	Old Age and Survivors Insurance
OMB	Office of Management and Budget
PERM	Payment Error Rate Measurement
PSAS	Prosthetic and Sensory Aids Service
SNAP	Supplemental Nutrition Assistance Program
SSA	Social Security Administration
SSI	Supplemental Security Income

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Treasury	Department of the Treasury
USDA	Department of Agriculture
VA	Department of Veterans Affairs
VHA	Veterans Health Administration

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April 1, 2020

The Honorable Gary C. Peters  
Ranking Member  
Committee on Homeland Security and Governmental Affairs  
United States Senate

The Honorable John Yarmuth  
Chairman  
Committee on the Budget  
House of Representatives

The Honorable Gary J. Palmer  
House of Representatives

Improper payments—payments that should not have been made or were made in incorrect amounts under statutory, contractual, administrative, or other legally applicable requirements—are a significant problem in the federal government. For fiscal year 2019, federal agency improper payment estimates totaled about \$175 billion, a \$24 billion increase from the prior year. Further, as we have reported, although agencies report improper payment estimates annually, the federal government is unable to determine the full extent to which improper payments occur or reasonably ensure that actions are taken to reduce them.<sup>1</sup> Additionally, we have previously noted that some inspectors general (IG) have also reported issues related to agencies' improper payment estimates, including the use of processes that do not produce reliable estimates for agency reports.<sup>2</sup>

The Improper Payments Information Act of 2002, as amended (IPIA) by the Improper Payments Elimination and Recovery Act of 2010 (IPERA)

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<sup>1</sup>GAO, *Financial Audit: Fiscal Years 2018 and 2017 Consolidated Financial Statements of the U.S. Government*, [GAO-19-294R](#) (Washington, D.C.: Mar. 28, 2019). For fiscal year 2018, some agencies did not report improper payment estimates for certain risk-susceptible programs, including the Department of Housing and Urban Development's Rental Housing Assistance programs, the Department of Health and Human Services' Advance Premium Tax Credit, and the Department of the Treasury's Premium Tax Credit, each of which has reported program outlays over \$25 billion.

<sup>2</sup>GAO, *Improper Payments: Additional Guidance Could Provide More Consistent Compliance Determinations and Reporting by Inspectors General*, [GAO-17-484](#) (Washington, D.C.: May 31, 2017).

and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERA),<sup>3</sup> herein collectively referred to as IPIA, requires agencies, among other things, to report on the causes of improper payments identified in their programs for which they reported improper payment estimates, actions taken to correct those causes, and the planned or actual completion dates of those actions.<sup>4</sup> Related OMB guidance further directs agencies to report on the results of those actions.<sup>5</sup> IPERA requires IGs to conduct an annual review to determine whether their agencies have published improper payment estimates for all programs susceptible to significant improper payments and published programmatic corrective action plans in materials accompanying their annual financial statements.<sup>6</sup> In March 2020, Congress and the President enacted the Payment Integrity Information Act of 2019 (PIIA), which repealed IPIA, IPERA, and IPERIA and enacted substantially similar provisions to replace them. Under PIIA, the core structure of executive agency assessment, estimation, analysis (such as corrective actions), and reporting of improper payments remains consistent with the statutory framework in effect during the period of our audit.<sup>7</sup>

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<sup>3</sup>IPIA, Pub. L. No. 107-300, 116 Stat. 2350 (Nov. 26, 2002), as amended by IPERA, Pub. L. No. 111-204, 124 Stat. 2224 (July 22, 2010), and IPERIA, Pub. L. No. 112-248, 126 Stat. 2390 (Jan. 10, 2013), codified as amended at 31 U.S.C. § 3321 note.

<sup>4</sup>See IPIA, codified as amended at 31 U.S.C. § 3321 note, § 2(d). IPIA also states that the Office of Management and Budget (OMB) shall prescribe guidance for agencies to implement IPIA requirements. See *id.* at § 2(h).

<sup>5</sup>Office of Management and Budget, *Financial Reporting Requirements*, OMB Circular No. A-136 (Washington, D.C.: June 28, 2019), p. 107. Office of Management and Budget, *Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, OMB Memorandum M-18-20 (Washington, D.C.: June 26, 2018), pp. 32–33, provides additional information to agencies for developing, implementing, and assessing the results of corrective actions to prevent and reduce improper payments and directs agencies to consult OMB Circular No. A-136 for annual payment integrity reporting.

<sup>6</sup>IPERA, Pub. L. No. 111-204, § 3(b), 124 Stat. at 2233 (2010).

<sup>7</sup>PIIA, Pub. L. No. 116-117, 134 Stat. 113 (Mar. 2, 2020) (S.375). This statute enacted a new Subchapter in Title 31 of the U.S. Code, containing substantially similar provisions as IPIA, IPERA, and IPERIA. See 31 U.S.C. §§ 3351-3358. PIIA, however, does enact some enhancements to improper payments law, including more detailed requirements for agency risk assessments and improper payment estimates, a requirement that OMB report an annual government-wide estimate, and a process for clearer and more consistent reporting on programs and activities that do not comply with improper payments criteria. PIIA also establishes an interagency working group on payment integrity.

We performed our work under the authority of the Comptroller General to conduct evaluations on his own initiative and to assist Congress with its oversight responsibilities.<sup>8</sup> This report examines (1) actions agencies have taken to identify root causes of improper payments for selected programs, (2) the extent to which their corrective action plans correspond to identified root causes, and (3) the extent to which agencies monitored the progress and evaluated the effectiveness of implementing such corrective action plans and communicated this information to appropriate stakeholders within the agencies.

To address our objectives, we analyzed improper payment root cause analysis and corrective action plan requirements under IPIA and related Office of Management and Budget (OMB) M-18-20 and Circular No. A-136.<sup>9</sup> Based on this analysis, we identified key criteria that agencies should use when identifying root causes of improper payments and developing and monitoring related corrective action plans. Additionally, we reviewed relevant federal internal control standards to determine the relevant processes and procedures needed to help ensure that agencies properly identify root causes of improper payments, develop corresponding corrective action plans, and communicate relevant information to appropriate stakeholders within the agencies.<sup>10</sup>

We selected a nongeneralizable sample of eight programs among six Chief Financial Officers Act of 1990 (CFO Act) agencies for our review.<sup>11</sup> Specifically, we focused on programs that reported improper payment estimates greater than \$1 billion for fiscal year 2018, resulting in 16 programs from seven agencies to consider for our review. We also

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<sup>8</sup>31 U.S.C. § 717(b).

<sup>9</sup>PIIA was enacted at the conclusion of our audit work; however, as noted above, PIIA contains substantially similar provisions as the statutory framework in effect during the period of our audit. OMB M-18-20 and Circular No. A-136 remain in effect. As a result, the enactment of PIIA did not affect our assessment of agencies' efforts to address requirements related to developing, implementing, and reporting on corrective actions to address improper payments and our related findings and recommendations presented in this report.

<sup>10</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

<sup>11</sup>The CFO Act, Pub. L. No. 101-576, 104 Stat. 2838 (Nov. 15, 1990), among other things, established chief financial officers to oversee financial management activities at 23 major executive departments and agencies. The list now includes 24 entities, which are often referred to collectively as CFO Act agencies, and is codified, as amended, in section 901 of Title 31, United States Code.

consulted with other GAO mission teams and relevant agencies' offices of inspector general and removed from consideration programs that had any recent or ongoing work related to corrective action plans for improper payments to avoid duplication of audit efforts. Based on this process, we selected eight programs for review. Table 1 summarizes the selected programs and their fiscal year 2018 and 2019 improper payment estimates.

**Table 1: Summary of Selected Programs' Fiscal Year 2018 and 2019 Improper Payment Estimates**

Agency	Program	Reported estimated improper payments (dollars in millions Fiscal year 2018)	Reported estimated improper payments (dollars in millions Fiscal year 2019)	Reported estimated improper payment rate (percent) Fiscal year 2018	Reported estimated improper payment rate (percent) Fiscal year 2019
Department of Agriculture	Supplemental Nutrition Assistance Program	4,008	4,022	6.3	6.8
Department of Education	William D. Ford Federal Direct Loan	3,753	483	4.0	0.5
	Pell Grant	2,302	646	8.2	2.2
Department of Health and Human Services	Children's Health Insurance Program	1,390	2,736	8.6	15.8
Department of the Treasury	Earned Income Tax Credit	18,443	17,352	25.1	25.3
Department of Veterans Affairs	Prosthetic and Sensory Aids Service	1,021	60	39.7	2.1
Social Security Administration	Old Age, Survivors, and Disability Insurance	6,158	2,651	0.7	0.3
	Supplemental Security Income	4,757	5,529	8.4	9.7

Source: GAO analysis of selected programs' improper payment estimates as reported on Paymentaccuracy.gov for fiscal years 2018 and 2019. | GAO-20-336

Note: Estimated improper payment rates reflect the estimated improper payments as a percentage of total program outlays.

We interviewed officials within the selected agencies to determine their processes for identifying root causes of improper payments, developing corrective action plans in response to those root causes, monitoring the progress and effectiveness of the corrective actions, and communicating relevant corrective action plan information to agency officials. We also

reviewed agencies' documented policies and procedures for these processes.<sup>12</sup>

We obtained documentation and supporting analyses on the corrective action plans developed for root causes that agencies reported in their fiscal year 2018 agency financial reports (AFR).<sup>13</sup> We analyzed the supporting documentation against relevant IPIA requirements, OMB guidance, and federal internal control standards to determine how the agencies identified root causes of improper payments and the extent to which they (1) developed corrective actions that corresponded to the identified root causes, (2) monitored the progress and effectiveness of their corrective actions, and (3) communicated relevant information to the appropriate stakeholders within the agency in accordance with such requirements and guidance. For any agencies that did not adhere to the relevant requirements or guidance, or did not provide a reasonable basis for determining the root cause of improper payments, we inquired with agency officials to determine the reasons they did not.

We conducted this performance audit from March 2019 to April 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>12</sup>For certain state-administered programs in our review, we focused on corrective action plans developed by the federal agency. We also made inquiries regarding the procedures that these agencies provided to states for developing, monitoring, and reporting on state-level corrective action plans and, where applicable, provided relevant information regarding such efforts. We did not evaluate state efforts to develop, monitor, or report on state-level corrective action plans to remediate improper payments for these selected programs.

<sup>13</sup>Although our review focused on corrective action plans for fiscal year 2018 improper payment estimates, we also assessed applicable information reported in the selected agencies' fiscal year 2019 AFRs to identify any significant changes. Where applicable, we provided details regarding the selected agencies' fiscal year 2019 information.

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## Background

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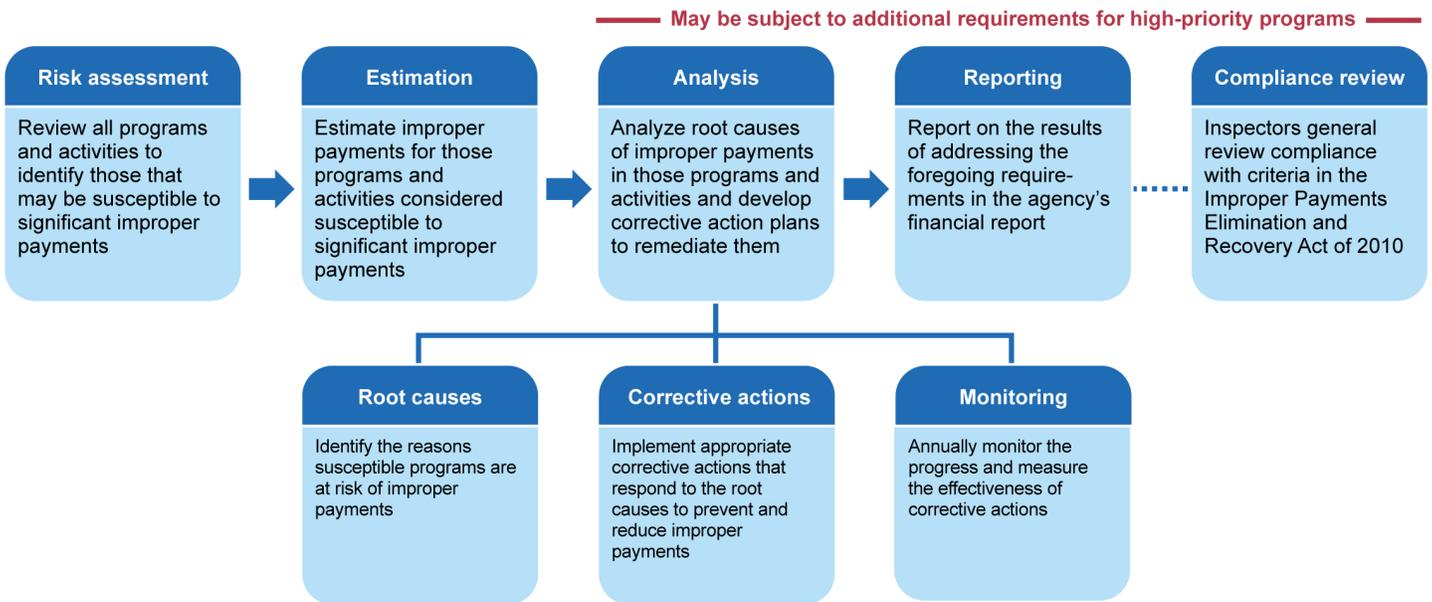
### Key Requirements and Guidance on Agency Analysis of Improper Payments and Corrective Actions to Remediate Them

IPIA requires executive branch agencies to take various steps regarding improper payments in accordance with guidance issued by OMB, including the following:

1. reviewing all programs and activities and identifying those that may be susceptible to significant improper payments;
2. developing improper payment estimates for those programs and activities that agency risk assessments, OMB, or statutes identify as being susceptible to significant improper payments;
3. analyzing the root causes of improper payments and developing corrective actions to reduce them; and
4. reporting on the results of addressing the foregoing requirements.

Figure 1 illustrates these steps, as well as the major components of analyzing root causes of improper payments and developing corrective action plans to remediate them.

Figure 1: Key Steps Related to Analyzing Improper Payments and Major Components of Corrective Action Plans



Source: GAO analysis of relevant laws and guidance. | GAO-20-336

Note: According to the Office of Management and Budget's (OMB) [Paymentaccuracy.gov](https://www.paymentaccuracy.gov), as of fiscal year 2018, high-priority programs are those programs that report \$2 billion or more in estimated improper payments in a given year, regardless of the improper payment rate estimate. In addition, OMB will notify an agency if it determines that a program is high priority for reasons other than exceeding the dollar threshold.

IPIA requires agencies with programs susceptible to significant improper payments to report a description of the causes of the improper payments identified, actions that the agency has planned or taken to correct those causes, and the planned or actual completion dates of those actions.<sup>14</sup> It also requires agencies to report program-specific improper payment reduction targets that OMB has approved.

OMB M-18-20 provides guidance to agencies for implementing IPIA requirements, including their responsibilities for preventing and reducing improper payments. The guidance directs agencies that have developed estimates for improper payments to categorize them by root causes, including the percentage of the total estimate for each category. According to the guidance, this level of specificity helps lead to more

<sup>14</sup>Under IPIA, improper payments are considered "significant" if in the preceding fiscal year they may have exceeded either (1) 1.5 percent of program outlays and \$10 million or (2) \$100 million (regardless of the improper payment rate).

effective corrective actions and more focused prevention strategies. Table 2 summarizes OMB’s root cause categories.

**Table 2: Summary of Office of Management and Budget Root Cause Categories for Improper Payments**

Root cause category	Cause subcategory	Description
Program design or structural issue		A situation in which improper payments result from the design of the program or a structural issue.
Inability to authenticate eligibility	Inability to access data	A situation in which the data needed exists but the agency does not have access to it
	Data needed does not exist	A situation in which no database or data set currently exists that the program could use to check eligibility prior to making the payment.
Failure to verify	Death data	Failure to verify that an individual is deceased.
	Financial data	Failure to verify that an individual’s or household’s financial resources do not meet the threshold to qualify for a benefit.
	Excluded party data	Failure to verify that an individual or entity has been excluded from receiving federal payments.
	Prisoner data	Failure to verify that an individual is incarcerated and ineligible for receiving a payment.
	Other eligibility data	Failure to verify any other type of data not already listed above, causing the agency to make an improper payment as a result.
Administrative or process errors made by	Federal agency	Errors caused by incorrect data entry, classifying, or processing of applications or payments.
	State or local agency	
	Other party	
Medical necessity		A situation in which a medical provider delivers a service or item that does not meet coverage requirements for medical necessity.
Insufficient documentation to determine		A situation where there is a lack of supporting documentation necessary to verify the accuracy of a payment.
Other reason		If none of the above categories apply, include any other reasons for the improper payment under this category. In instances where agencies are able to identify improper payments resulting from fraud, they should report those amounts as “other.”

Source: GAO analysis of Office of Management and Budget Circular No. A-123, Appendix C, Requirements for Payment Integrity Improvement. | GAO-20-336

OMB M-18-20 directs agencies with programs deemed susceptible to significant improper payments to implement a corrective action plan that responds to their root causes to prevent and reduce them.<sup>15</sup> As such, OMB directs that an agency must understand the true root cause of its improper payments in order to develop targeted, effective corrective

<sup>15</sup>OMB M-18-20 defines root cause as something that would directly lead to an improper payment and, if corrected, would prevent the improper payment.

actions, which are proportional to the severity of the associated amount and rate of the root cause.

OMB M-18-20 also directs agencies to annually measure the effectiveness and progress of individual corrective actions by assessing results, such as performance and outcomes. In performing such measurements, OMB states that agencies should determine if any existing corrective actions can be intensified or expanded to further reduce improper payments and to identify annual benchmarks for corrective actions that agencies implement over multiple years. Agencies may use these benchmarks to demonstrate progress in implementing the actions or their initial effect on preventing and reducing improper payments.

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## Characteristics of Programs Reviewed and Related Improper Payment Estimates

The eight programs we reviewed serve a variety of purposes and are administered by various agencies across the federal government, as discussed below.

### Supplemental Nutrition Assistance Program

The Department of Agriculture's (USDA) Supplemental Nutrition Assistance Program (SNAP) is the largest federally funded nutrition assistance program, providing benefits to about 40 million people in fiscal year 2018.<sup>16</sup> SNAP is intended to help low-income households obtain a more nutritious diet by providing them with benefits to purchase food from authorized retailers nationwide. SNAP recipients receive monthly benefits on an Electronic Benefit Transfer (EBT) card and redeem them for eligible food at authorized food stores. The Food and Nutrition Act of 2008 established SNAP as a federally funded, state-administered program. States, following federal guidelines, are responsible for program administration. States determine applicant eligibility, calculate benefit amounts, issue EBT cards to recipients, and investigate possible recipient program violations.

USDA's Food and Nutrition Service (FNS) pays the full cost of SNAP benefits and shares 50 percent of administrative costs with the states. As

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<sup>16</sup>Participation total excludes North Carolina data. According to SNAP officials, North Carolina did not submit data for the months of February 2018 through October 2018.

part of oversight responsibilities, FNS develops program regulations and monitors states to ensure that they comply with program rules. FNS is also directly responsible for authorizing and monitoring retail food stores where recipients may purchase food.

In accordance with IPIA, USDA has annually reported an improper payment estimate for SNAP since fiscal year 2004.<sup>17</sup> In its fiscal year 2019 AFR, USDA reported an improper payment estimate of approximately \$4 billion, or 6.8 percent of SNAP outlays of \$59.1 billion.

### Direct Loan Program

The Department of Education's (Education) William D. Ford Federal Direct Loan (Direct Loan) program authorizes Education to make loans, through participating schools, to eligible undergraduate and graduate students and their parents. The Direct Loan program comprises four types of loans: Subsidized Stafford, Unsubsidized Stafford, PLUS, and Consolidation loans. Evidence of financial necessity is required for an undergraduate student to receive a Subsidized Stafford loan; however, borrowers at all income levels are eligible for the other three types. Education originates the loans and disburses them through each borrower's school. Once a loan is disbursed, Education assigns a servicer responsible for communicating with the borrower, providing information about repayment, and processing payments from the borrower.

Education first reported an improper payment estimate for the Direct Loan program in fiscal year 2013. In its fiscal year 2019 AFR, Education reported an improper payment estimate of approximately \$483 million, or 0.5 percent of Direct Loan program outlays of \$92.9 billion.

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<sup>17</sup>USDA based its SNAP improper payment estimates reported in the fiscal year 2019 AFR on fiscal year 2018 information. USDA did not report an improper payment estimate for SNAP in its fiscal years 2016 and 2017 AFRs because of data quality issues in some state-reported data. According to agency officials, in 2014 USDA identified data quality issues in the SNAP quality control process and did a thorough review of quality control systems in all 53 state agencies (50 U.S. states, two U.S. territories, and the District of Columbia). Because of data quality issues found in 42 of 53 state agencies during the reviews, the state-reported improper payment rates derived from those data could not be validated. As a result, USDA was unable to calculate a national improper payment rate for fiscal years 2015 and 2016. According to agency officials, FNS has since conducted reviews of all state agencies and taken actions to eliminate bias in state improper payment rate reporting, and FNS determined that it was able to report a reliable national improper payment rate in the fiscal year 2018 AFR.

### Pell Grant Program

Education's Pell Grant program—the single largest source of grant aid for postsecondary education—awards federally funded grants to low-income undergraduate and certain post-baccalaureate students who are enrolled in a degree or certificate program and have a federally defined financial need. Students are eligible to receive Pell Grants for no more than 12 semesters (or the equivalent). To qualify, an applicant must, in addition to satisfying other requirements, demonstrate financial need and not have obtained a bachelor's degree or a first professional degree. Grant amounts depend on the student's expected family contribution, the cost of attendance (as determined by the institution), the student's enrollment status (full-time or part-time), and whether the student attends for a full academic year or less.<sup>18</sup>

Education first reported an improper payment estimate for the Pell Grant program in fiscal year 2004. In its fiscal year 2019 AFR, Education reported an improper payment estimate of approximately \$646 million, or 2.2 percent of Pell Grant program outlays of \$28.9 billion.

### Children's Health Insurance Program

The Department of Health and Human Services' (HHS) Children's Health Insurance Program (CHIP) expands health coverage to uninsured children who are ineligible for Medicaid but cannot afford private coverage. The states and the federal government jointly fund CHIP benefit payments and administrative expenses. HHS's Centers for Medicare & Medicaid Services (CMS) oversees the program; however, each state administers the program and sets its own guidelines regarding eligibility and services according to federal guidelines.

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<sup>18</sup>A family's expected contribution is an approximation of the financial resources a family has available to help pay for a student's postsecondary education expenses. A family's contribution varies based on factors such as family size, whether the family has other members in college, and whether a student has children or other dependents.

HHS first reported an improper payment estimate for CHIP (based on one-third of the states) in fiscal year 2008.<sup>19</sup> In its fiscal year 2019 AFR, HHS reported an improper payment estimate of approximately \$2.7 billion, or 15.8 percent of CHIP outlays of \$17.3 billion.<sup>20</sup>

### Earned Income Tax Credit

The Earned Income Tax Credit (EITC) administered by the Department of the Treasury (Treasury) is a credit that offsets taxes owed by eligible taxpayers, and because the credit is refundable, EITC recipients need not owe taxes to receive a benefit. If the taxpayer's credit exceeds the amount of taxes due, the Internal Revenue Service (IRS) issues a refund of the excess to the taxpayer. To claim the EITC, the taxpayer must work and have earnings that do not exceed the phaseout income of the credit.<sup>21</sup> Additional eligibility rules apply to any children that a taxpayer claims for calculating the credit. Among other criteria, a qualifying child must meet certain age, relationship, and residency requirements.

Treasury first reported an improper payment estimate for EITC in fiscal year 2003. In its fiscal year 2019 AFR, Treasury reported an improper payment estimate of approximately \$17.4 billion, or 25.3 percent of EITC outlays of \$68.7 billion.

### Prosthetic and Sensory Aids Service

Through its Prosthetic and Sensory Aids Service (PSAS), the Department of Veterans Affairs' (VA) Veterans Health Administration (VHA) provides

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<sup>19</sup>The Children's Health Insurance Program Reauthorization Act of 2009 prohibited HHS from calculating or publishing any national or state-specific improper payment rates for CHIP until 6 months after the new payment error rate measurement rule became effective in September 2010. As a result, the agency did not publish an improper payment estimate for fiscal years 2009 through 2011. HHS has annually published an improper payment rate estimate for CHIP since fiscal year 2012 and established its first baseline (representing measurements of all 50 states and the District of Columbia) in fiscal year 2014.

<sup>20</sup>HHS estimates the CHIP improper payment rate through its Payment Error Rate Measurement (PERM) program. HHS's PERM program uses a 17-state, 3-year rotation for estimating CHIP improper payments. The national CHIP improper payment rate includes findings from the most recent three cycle measurements so that all 50 states and the District of Columbia are reflected in one rate. The national fiscal year 2019 CHIP improper payment rate is based on measurements conducted in fiscal years 2017, 2018, and 2019.

<sup>21</sup>A phaseout refers to the gradual reduction of a tax credit that a taxpayer is eligible for as the taxpayer's income approaches the limit to qualify for that credit. A taxpayer's income that exceeds the upper limit is ineligible for the credit.

prosthetics to veterans who have experienced the loss or permanent impairment of a body part or function. The items VA provides include those worn by the veteran, such as an artificial limb or hearing aid; those that improve accessibility, such as ramps and vehicle modifications; and devices surgically placed in the veteran, such as hips and pacemakers. In general, veterans enrolled in the VA health care system with a medical need for a prosthetic service or item are eligible; however, additional eligibility criteria for certain services or items may apply.

PSAS officials in VA's central office provide overall administration of VA's provision of prosthetic items, including allocating funding among various networks, monitoring spending, and establishing and monitoring mechanisms to evaluate the agency's performance. PSAS processes prescriptions and provides the prescribed items to individual veterans. PSAS government credit card holders, typically at VA medical centers, perform administrative actions—such as obtaining additional information from the prescribing clinician, obtaining price quotes from contractors, and creating purchase orders—to process prescriptions. PSAS also has staff who provide clinical services to veterans, such as evaluating prosthetic needs and designing and fitting artificial limbs.

VA first reported an improper payment estimate for PSAS in fiscal year 2017. In its fiscal year 2019 AFR, VA reported an improper payment estimate of approximately \$60 million, or 2.1 percent of PSAS outlays of \$2.9 billion.<sup>22</sup>

### Old Age, Survivors, and Disability Insurance Program

The Social Security Administration's (SSA) Old Age, Survivors, and Disability Insurance program (OASDI), collectively referred to as Social Security, provides cash benefits to eligible U.S. citizens and residents. OASDI is financed largely on a pay-as-you-go basis. Specifically, OASDI payroll taxes, paid each year by current workers, are primarily used to pay benefits provided during that year to current beneficiaries.

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<sup>22</sup>VA based its PSAS improper payment estimates reported in the fiscal year 2019 AFR on fiscal year 2018 information. According to VA's fiscal year 2019 AFR, in fiscal year 2018, PSAS implemented a corrective action to increase the purchase authority of durable medical equipment and supplies from \$3,500 to \$10,000. This action, along with VHA's multiple corrective actions outlined in the AFR, reduced PSAS's improper payments significantly.

OASDI consists of two separate insurance programs that SSA administers under the Social Security Act. Old Age and Survivors Insurance (OASI) provides benefits to retired workers, their families, and survivors of deceased workers. The monthly benefit amount depends on a worker's earnings history and the age at which he or she chooses to begin receiving benefits, along with other factors. Benefits are paid to workers who meet requirements for the time they have worked in covered employment—that is, jobs through which they have paid Social Security taxes. Disability Insurance (DI) provides cash benefits to working-age adults who are unable to work because of long-term disability. SSA generally considers individuals to have a disability if (1) they cannot perform work that they did before and cannot adjust to other work because of their medical condition(s) and (2) their disability has lasted or is expected to last at least 1 year or is expected to result in death. Further, individuals must have worked and paid into the program for a minimum period of time to qualify for benefits. To ensure that only beneficiaries who remain disabled continue to receive benefits, SSA is required to conduct periodic continuing disability reviews in certain circumstances.

SSA first reported an improper payment estimate for OASDI in fiscal year 2004. In its fiscal year 2019 AFR, SSA reported an improper payment estimate of approximately \$2.7 billion, or 0.3 percent of OASDI program outlays of \$948 billion.<sup>23</sup>

### Supplemental Security Income Program

SSA's Supplemental Security Income (SSI) is a federal income supplement program funded by general tax revenues (not Social Security taxes). The program provides payments to low-income aged, blind, and disabled persons—both adults and children—who also meet financial

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<sup>23</sup>SSA based OASDI improper payment estimates reported in its fiscal year 2019 AFR on fiscal year 2018 information. According to SSA's fiscal year 2019 AFR, the DI overpayment improper payment rates for fiscal years 2016 through 2018 were significantly higher than the OASI overpayment improper payment rates. In 2016, we reported on issues regarding the quality of SSA's identification of DI overpayments and recommended that to improve transparency in reporting processing errors, SSA should provide additional information on the margins of error or confidence intervals and clearly identify any limitations in its findings on overpayment information provided to Congress and the public. See GAO, *Disability Insurance: SSA Could Do More to Prevent Overpayments or Incorrect Waivers of Beneficiaries*, [GAO-16-34](#) (Washington, D.C.: Oct. 29, 2015). Subsequent to our 2016 report, SSA took certain actions to address our recommendations; however, we are continuing to monitor SSA's efforts in this area.

eligibility requirements. For adults, a disability is defined as the inability to engage in any substantial gainful activity because of any medically determinable physical or mental impairment(s) that can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than 12 months.<sup>24</sup> To ensure that only recipients who remain disabled continue to receive benefits, SSA is required to conduct periodic continuing disability reviews in certain circumstances.

To be eligible to receive monthly SSI payments, the adult individual's (or married couple's) or child's (and parent's) monthly countable income has to be less than the monthly federal SSI benefit amount.<sup>25</sup> The amount of the monthly SSI payment is then determined based on the countable income. In most cases, countable income received in the current month affects the SSI payment amount 2 months later. Furthermore, countable resources<sup>26</sup>—such as financial institution accounts—must not exceed the maximum allowable threshold. While recipients are required to report changes in their income and financial resources, SSA also conducts periodic redeterminations to verify that recipients are still eligible for SSI.

SSA first reported an improper payment estimate for SSI in fiscal year 2004. In its fiscal year 2019 AFR, SSA reported an improper payment

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<sup>24</sup>For children, disability means having a medically determinable physical or mental impairment that causes marked and severe functional limitations and that can be expected to cause death or has lasted or can be expected to last for a continuous period of not less than 12 months.

<sup>25</sup>SSA defines countable income as the amount of income left over after (1) eliminating from consideration all items that are not income and (2) applying all appropriate exclusions to the items that are income. Countable income is determined on a calendar month basis and is to be subtracted from the maximum federal benefit to determine eligibility and to compute monthly payment amounts. For child recipients, there is a complex formula for determining how much of the parent's income is deemed to the child to determine eligibility, including factoring in other child siblings living in the same household.

<sup>26</sup>SSA defines countable resources as cash and other personal property, as well as any real property, that an adult or child recipient (or his/her spouse or parent, respectively) owns, has the authority to convert to cash (if not already cash), and is not legally restricted from using for his/her support and maintenance. After applying all appropriate exclusions, the individual (adult or child recipient) resource amount is \$2,000 and a couple's resource amount is \$3,000. For child recipients, total countable resources for parents is \$2,000 for one parent living in the same household and \$3,000 for both parents living in the same household.

estimate of approximately \$5.5 billion, or 9.7 percent of SSI program outlays of \$56.9 billion.<sup>27</sup>

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## Selected Agencies Generally Used Improper Payment Estimation Methodology Results as the Basis for Identifying Root Causes of Improper Payments

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### Five Out of Six Agencies Used Improper Payment Estimation Methodology Results as the Basis for Identifying Root Causes of Selected Programs' Improper Payments

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We found that five out of six agencies—USDA, Education, HHS, VA, and SSA—used the results of their improper payment estimation methodologies as the basis for identifying the root causes of improper payments for the selected programs we reviewed. Specifically, the agencies generally used a two-step process to identify root causes of improper payments. First, the agencies reviewed a sample of payments to identify which payments were improper and to establish an improper payment rate. Second, the agencies analyzed the improper payment results to determine the causes of error.<sup>28</sup> Further details on each agency's process are provided below.

- **USDA:** According to USDA's fiscal year 2018 AFR, FNS used SNAP's Quality Control System to identify improper payments and determine improper payment rates for fiscal year 2018. According to agency officials, SNAP improper payment root causes occur at the state level. According to agency officials, as required by the Food and Nutrition Act of 2008 and subsequent program regulations, FNS requires states to conduct root cause analyses and develop corrective action plans because of the unique circumstances in each state owing to flexibilities under statute and regulations. SNAP's Quality Control

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<sup>27</sup>SSA based its SSI improper payment estimates reported in the fiscal year 2019 AFR on fiscal year 2018 information.

<sup>28</sup>We did not assess the reliability or reasonableness of agencies' estimation methodologies as part of this work.

system uses a two-tier approach to report improper payments. In the first tier, each month, state agencies follow federal sampling requirements to select samples of households that participated in SNAP in their states and conduct quality control reviews to determine whether each selected household was eligible and received the right amount of benefits.<sup>29</sup> In the second tier of the process, Federal SNAP staff select a subsample of the state data for review to confirm the validity of the states' findings. Federal SNAP staff use that subsample data to aggregate the root cause information at a nationwide level in order to categorize the data into the OMB root cause categories for fiscal year 2018 reporting.<sup>30</sup>

- **Education:** According to Education's fiscal year 2018 AFR, Education conducted a risk-based, nonstatistical sample and estimation methodology, which OMB approved, to estimate Pell Grant and Direct Loan improper payment rates for fiscal year 2018 reporting.<sup>31</sup> As part of this estimation process, Education analyzed identified improper payments to determine improper payment root causes.
- **HHS:** According to HHS's fiscal year 2018 AFR, HHS estimated the CHIP improper payment rate for fiscal year 2018 reporting through the Payment Error Rate Measurement (PERM) program. CHIP improper payment root causes were identified at both the agency and state levels. Specifically, to determine improper payment root causes at the agency level, HHS analyzed the issues identified during the PERM review and identified primary drivers of the national PERM rate for CHIP. HHS also provided improper payment results to each state and required them to conduct more in-depth state-level root cause analyses as part of developing their corrective action plans.
- **VA:** According to VA's fiscal year 2018 AFR, VA conducted a statistical sample and estimation methodology to estimate the PSAS improper payment rate for fiscal year 2018 reporting. VA then analyzed the improper payments identified during testing to determine improper payment root causes.

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<sup>29</sup>According to USDA's fiscal year 2018 AFR, states selected statistical samples each month using one of the FNS-approved probability designs.

<sup>30</sup>In fiscal year 2019, USDA started reporting sub-root causes to provide an additional breakdown of the improper payments included in OMB root cause categories.

<sup>31</sup>According to Education's fiscal year 2019 AFR, Education implemented a statistically valid methodology in fiscal year 2019 to improve the accuracy of its improper payment estimates.

- **SSA:** According to SSA's fiscal year 2018 AFR, SSA conducts stewardship reviews each fiscal year to estimate the improper payment rates for OASDI and SSI.<sup>32</sup> Although SSA considers the stewardship review data sufficient to provide statistically reliable data on the overall payment accuracy of OASDI and SSI, SSA considered deficiency data from the most recent 5 years of stewardship reviews to determine improper payment root causes for each program for its fiscal year 2018 reporting.

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### Treasury Used 2006 through 2008 Tax Year Data to Identify Reported Root Causes of Fiscal Year 2018 EITC Improper Payments

Treasury identified the root causes of EITC improper payments for fiscal year 2018 reporting based on the most recent detailed 3-year EITC compliance study IRS conducted, using data from tax years 2006 through 2008.<sup>33</sup> IRS officials acknowledged that using older data creates additional potential for error; however, they stated that IRS is only able to conduct in-depth compliance studies on major refundable income tax credits, including EITC, on a rotating basis.

IRS also conducted in-depth EITC compliance studies for tax years 1997 and 1999. These studies and IRS's 2006 through 2008 compliance study, identified income misreporting and qualifying child errors as the main sources of errors.<sup>34</sup> Therefore, agency officials indicated that Treasury is comfortable with using the 2006 through 2008 data as the basis for determining the root causes of fiscal year 2018 EITC improper payments. However, Treasury has reported changes to the tax environment since 2008, including legislative revisions that may have affected taxpayer compliance behavior.<sup>35</sup> Specifically, EITC-related changes include

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<sup>32</sup>SSA's Office of Quality Review conducts stewardship reviews to verify the nonmedical elements in the OASDI and SSI programs relating to the payment accuracy, entitlement, and eligibility for benefit payments made during a sample period on a selected population.

<sup>33</sup>The EITC compliance study was dated August 2014.

<sup>34</sup>In its fiscal year 2018 AFR, Treasury identified the two primary root causes for EITC improper payments as (1) inability to authenticate eligibility—data do not exist (94 percent) and (2) program design or structural issues (6 percent).

<sup>35</sup>Department of the Treasury, Internal Revenue Service, *Compliance Estimates for the Earned Income Tax Credit Claimed on 2006-2008 Returns*, Publication 5162 (Washington, D.C.: August 2014).

expanding the credit to a third child, establishing new criteria for claiming a qualifying child, and amending the “age test” for qualifying children, among others. Furthermore, the 2006 through 2008 compliance study did not take into account the Protecting Americans from Tax Hikes Act of 2015 program integrity provisions that required tax filers to provide Form W-2 payer information to IRS for verification earlier than in previous tax years.<sup>36</sup>

Federal internal control standards state that management should use quality information to achieve the entity’s objectives.<sup>37</sup> As part of these standards, management obtains relevant data from reliable internal and external sources in a timely manner and uses quality information to make informed decisions and evaluate the entity’s performance in achieving objectives and addressing risks. Quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis. Although a specific delivery date has not been set, agency officials stated that IRS plans to conduct another in-depth EITC compliance analysis within the next 2 years. We agree with Treasury’s plan to conduct another EITC compliance analysis using more timely data. However, until Treasury conducts an EITC improper payment root cause analysis using more timely data, it will be uncertain whether identified root causes are sufficiently relevant to inform decisions and evaluate risks. Specifically, continued use of outdated information to evaluate EITC improper payments increases the risk that Treasury may not be identifying these payments’ true root causes and therefore will lack quality information needed to develop appropriate corrective actions and reduce them.

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<sup>36</sup>Protecting Americans from Tax Hikes Act of 2015, Pub. L. No. 114-113, div. Q, 129 Stat. 2242, 3040 (Dec. 18, 2015).

<sup>37</sup>[GAO-14-704G](#).

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## Most Selected Agencies Developed Corrective Actions That Correspond to Identified Root Causes of Improper Payments

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### Four Out of Six Agencies Developed Corrective Actions That Correspond to Identified Root Causes of Improper Payments for the Selected Programs

Four out of six agencies—Education, HHS, VA, and SSA—developed corrective actions that correspond to identified root causes of improper payments for the selected programs we reviewed, in accordance with OMB guidance. Specifically, we found that Education and VA developed corrective actions corresponding to each root cause of improper payments identified for fiscal year 2018 in Education’s Direct Loan and Pell Grant programs and VA’s PSAS, respectively.

In addition, HHS stated that it developed corrective actions that corresponded to the root causes it determined to be significant to CHIP improper payments for fiscal year 2018, prioritizing large dollar over smaller dollar value root cause categories.<sup>38</sup> Corrective action plans for CHIP improper payments were developed at both the agency and state levels. According to agency officials, CMS helped individual states develop and implement state-specific PERM corrective action plans to address the errors identified in each state. In addition, because each state’s errors do not necessarily represent errors that are the main drivers of the national PERM rate, CMS developed agency-level corrective action plans focused on those drivers, which typically occurred across multiple states.

We also found that SSA’s corrective actions corresponded to root causes of improper payments identified in OASDI and SSI for fiscal year 2018. However, SSA did not develop corrective actions corresponding to three

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<sup>38</sup>OMB M-18-20 allows agencies to prioritize their corrective actions in proportion to the severity of the associated amount and rate of the root cause. According to agency officials, HHS prioritized larger dollar value root cause categories rather than smaller dollar value root cause categories. Therefore, HHS did not develop a CHIP corrective action for the medical necessity root cause, which accounted for less than .01 percent of the CHIP fiscal year 2018 reported improper payment estimate. However, HHS noted in the fiscal year 2018 AFR that many of its corrective actions also addressed medical necessity.

of the six major root causes it identified for OASDI improper payments based on its stewardship review findings. Agency officials explained that SSA's corrective action development process was decentralized among the different SSA components, and therefore, there was no formalized process for components to develop corrective actions for all identified root causes. SSA has since developed a new standardized improper payment strategy and updated procedures to implement the strategy for fiscal year 2020. Although the scope of our review focused on processes in place for fiscal year 2018, we found that the updated procedures, if effectively implemented, will address our concerns because they include control activities designed to help ensure that corrective actions that SSA develops and implements correspond to the identified root causes of improper payments, as directed by OMB guidance. Specifically, the updated procedures direct SSA components to identify root causes of improper payments and develop mitigation strategies for each; conduct cost-benefit analyses for such strategies; and after considering these analyses, determine and prioritize necessary corrective actions.

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### USDA Did Not Develop Agency Corrective Actions That Correspond to Identified Root Causes of SNAP Improper Payments

In contrast to HHS, which developed both agency- and state-level corrective actions for its state-administered CHIP, USDA did not develop agency-level corrective actions corresponding to the root causes of SNAP improper payments. USDA's IPIA corrective action plan guidance directs its components, including FNS, to develop corrective actions that correspond to the identified root causes of improper payments for programs that are susceptible to significant improper payments. Instead of developing agency-level SNAP corrective actions, FNS requires the states to develop state-level corrective actions. Additionally, FNS provided technical assistance and support to the individual states to help them improve payment accuracy.<sup>39</sup> As part of this assistance, agency

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<sup>39</sup>SNAP regulations direct individual SNAP state agencies to develop corrective actions in response to the identified root causes for each state. 7 C.F.R. §§ 275.16, 275.17. In addition, FNS requires states to submit FNS Form 74A, QC-Related New Investment Plan Template, identifying targeted activities to reduce improper payments that are directly tied to a root cause analysis of what is contributing to payment errors.

officials stated that FNS regional offices provided routine formal training and guidance to the states and conducted site visits.<sup>40</sup>

According to agency officials, FNS did not develop agency-level corrective actions corresponding to the root causes of SNAP improper payments because FNS requires the states to develop individual state-level corrective actions. Additionally, because of varying root causes and the uniqueness of issues identified among the states, agency officials believe that state corrective actions may not easily aggregate to the state level. However, FNS's procedures did not include a process to analyze state-level root causes to identify similarities and develop agency-level corrective actions, if warranted, to help address them. According to agency officials, FNS has made significant improvements in the last few years regarding its controls over SNAP. The officials said that FNS has also implemented major changes in oversight in the last few fiscal years to address previously identified deficiencies among the states. While these changes may be valuable in improving agency oversight and states may have unique circumstances that could lead to varying state-identified root causes of improper payments, FNS is ultimately responsible for preventing and reducing improper payments within SNAP.

OMB guidance directs agencies to develop and implement appropriate corrective actions that respond to the root causes of improper payments to prevent and reduce them. OMB guidance also directs agencies to ensure that managers; programs; and, where applicable, states are held accountable for reducing improper payments.<sup>41</sup> Additionally, federal internal control standards state that management should establish and operate activities to monitor the internal control system and evaluate the results and remediate identified internal control deficiencies on a timely basis.<sup>42</sup> As part of these standards, management retains responsibility for monitoring the effectiveness of internal control over the assigned processes that external parties, such as state agencies, perform. Without considering similarities of root causes of SNAP improper payments

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<sup>40</sup>For example, in fiscal year 2019, the FNS Mid-Atlantic Regional Office provided formal training on corrective actions to the Delaware SNAP agency. Delaware had the highest state SNAP improper payment rate for fiscal year 2017. This training covered topics such as identifying elements of a corrective action plan, data sources and classification, root causes, crafting corrective action strategies, and monitoring and evaluating corrective actions.

<sup>41</sup>See OMB M-18-20 at 33, implementing IPPIA, § 2(d)(5), *codified as amended* at 31 U.S.C. § 3321 note, § 2(d)(5).

<sup>42</sup>[GAO-14-704G](#).

among the states, USDA will be uncertain whether developing and implementing agency-level corrective actions (in addition to state-level actions) would also help to effectively reduce them.

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### Treasury Did Not Develop Corrective Actions That Correspond to Identified Root Causes of EITC Improper Payments

Instead of developing corrective actions corresponding to the identified root causes of EITC improper payments for fiscal year 2018, Treasury addressed improper payments through IRS's compliance programs and through outreach and education efforts to taxpayers and preparers. According to agency officials, although some of the outreach efforts are indirectly related to root causes identified, it is difficult to link those efforts to the reduction of errors that result from being unable to authenticate eligibility—which Treasury considers the biggest issue in the EITC program—because of the complexity of statutory eligibility requirements. Although Treasury uses information from SSA and HHS to help IRS verify residency and relationship information for parents and children, Treasury's strategy for addressing the root causes of EITC improper payments does not include continuing efforts to identify and reach out to additional agencies to (1) determine how they verify information for certain eligibility-based programs and whether they use strategies that Treasury could adopt or (2) identify other potential data sources that could be used to verify EITC information or confirm that other data sources do not exist.<sup>43</sup> According to agency officials, such inquiries are not included because the eligibility requirements for EITC are not always the same as requirements for other government programs.

Additionally, Treasury's fiscal year 2018 AFR states that because of the nature of EITC, corrective actions implemented by IRS alone will not significantly reduce EITC improper payments. For example, according to Treasury officials, legislative changes are needed to help address certain EITC improper payments. While Treasury has made certain legislative proposals related to providing IRS greater flexibility to address

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<sup>43</sup>OMB established a Getting Payments Right initiative to (1) better understand the nature of improper payments and find actionable solutions to prevent and detect them and (2) demonstrate stewardship of taxpayer dollars by prioritizing the prevention of improper payments that result in monetary loss. To implement these goals, OMB created several strategies, including one to identify data sets and analysis techniques and obtain needed data to improve capacity to prevent and detect improper payments. Treasury is currently participating in the working group for this initiative.

correctable errors and increasing oversight of paid tax return preparers, it has not made proposals to help address EITC eligibility criteria issues. Additionally, Treasury's strategy does not include identifying and proposing legislative changes needed to help reduce EITC improper payments related to these or other issues, such as those related to the inability to authenticate taxpayer eligibility discussed above.

OMB guidance directs agencies to develop and implement appropriate corrective actions that respond to the root causes of improper payments to prevent and reduce them.<sup>44</sup> Further, federal internal control standards state that management should use quality information to achieve the entity's objectives.<sup>45</sup> As part of these standards, management designs a process that uses the entity's objectives and related risks to identify the information requirements needed to achieve the objectives and address the risks and obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. While we recognize the unique eligibility requirements for EITC, until Treasury coordinates with other agencies to identify potential strategies or data sources that may help in determining eligibility, it will be uncertain whether Treasury can leverage additional sources to help verify data. Additionally, without identifying and proposing legislative changes to help resolve such issues, Treasury will be at risk of continuing to be unable to significantly reduce EITC improper payments.

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## All Six Agencies Communicated Improper Payment Corrective Action Plan Information to Internal Stakeholders, but Several Did Not Monitor Progress or Measure Effectiveness

All six agencies responsible for the programs we reviewed communicated with internal agency stakeholders regarding their improper payment corrective action plan information, in accordance with OMB guidance and federal internal control standards. However, as shown in table 3, three of the four agencies—Education, HHS, and SSA—that developed corrective actions corresponding to the identified root causes either did not establish

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<sup>44</sup>OMB M-18-20.

<sup>45</sup>[GAO-14-704G](#).

planned completion dates, monitor the progress, or measure the effectiveness of their corrective actions.<sup>46</sup> In fact, we found that VA was the only agency that measured the effectiveness of each corrective action for the selected program (PSAS) that we reviewed. As previously discussed, USDA and Treasury did not develop agency corrective actions corresponding to the identified root causes of improper payments for their selected programs and therefore did not establish planned related completion dates, monitor progress, or measure the effectiveness of such corrective actions.

**Table 3: Agency Monitoring and Evaluation of Improper Payment Corrective Action Plans for Selected Programs**

Agency	Program	Did agency communicate information to appropriate internal stakeholders?	Did agency establish planned completion dates?	Did agency annually monitor progress?	Did agency annually measure effectiveness?
Department of Agriculture	Supplemental Nutrition Assistance Program	yes	N/A	N/A	N/A
Department of Education	William D. Ford Federal Direct Loan	yes	yes	yes	no
	Pell Grant	yes	yes	yes	no
Department of Health and Human Services <sup>a</sup>	Children's Health Insurance Program	yes	no	yes	no
Department of the Treasury	Earned Income Tax Credit	yes	N/A	N/A	N/A
Department of Veterans Affairs	Prosthetic and Sensory Aids Service	yes	yes	yes	yes
Social Security Administration <sup>b</sup>	Old Age, Survivors, and Disability Insurance	yes	no	no	no
	Supplemental Security Income	yes	no	no	no

Legend: N/A = not applicable as the agency did not have corrective action plans corresponding to identified root causes of improper payments for the selected programs.

Source: GAO analysis of agencies' corrective action plan documentation and procedures for the selected programs. | GAO-20-336

Note: The Department of Agriculture (USDA) did not develop agency-level corrective action plans. Rather, USDA's Food and Nutrition Service instructed individual states to develop state-level corrective action plans.

<sup>46</sup>As part of our review, we did not evaluate whether selected programs met their planned completion dates. Additionally, we did not evaluate whether selected programs' corrective actions, if properly implemented, would be effective in reducing improper payments.

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<sup>a</sup>The Department of Health and Human Services did not have documented procedures for its corrective action plan process.

<sup>b</sup>At the time of our review, the Social Security Administration (SSA) had not established planned completion dates or monitored the progress of its corrective actions. However, SSA procedures to be implemented for fiscal year 2020 include control activities to help ensure that it establishes planned completion dates and monitors the progress of its corrective actions.

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## Selected Agencies Have Processes in Place to Communicate with Internal Stakeholders regarding Corrective Action Plan Information

All six agencies we reviewed communicated information regarding the selected programs' corrective action plans to internal stakeholders, consistent with OMB guidance and federal internal control standards. OMB M-18-20 directs agencies to ensure that managers, accountable officers (including the agency head), and program officials are held accountable for reducing improper payments. Additionally, federal internal control standards state that management should internally communicate the necessary quality information to achieve the entity's objectives. As part of these standards, management communicates quality information down, across, up, and around reporting lines to all levels of the entity. We found that the six agencies communicated information, at least annually, to such internal stakeholders, including the relevant agency head, chief financial officer (CFO), and program managers. For example, some selected agencies—Education, HHS, VA, and SSA—provided briefings to the agency head and the CFO's office regarding the status of the selected program's improper payment corrective action activities during fiscal year 2019 for the corrective actions reported for fiscal year 2018. USDA and Treasury required their components to annually submit deliverables to the office of the CFO and coordinate accordingly with the Office of the Secretary as part of their fiscal year 2018 AFR reporting process.

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## Two Agencies Established Planned Completion Dates for the Selected Programs' Corrective Actions

We found that two of the six agencies we reviewed—Education and VA—established planned completion dates for the selected programs' corrective actions. Two agencies—HHS and SSA—did not consistently establish planned completion dates for all the selected programs' corrective actions, as required by IPIA. Two agencies—USDA and Treasury—did not develop agency corrective actions corresponding to the identified root causes of improper payments for their selected programs and therefore did not establish planned completion dates for such

corrective actions. Further details on each agency's process are provided below.

- **USDA:** As previously discussed, FNS did not develop corrective actions at the agency level to address SNAP's root causes of improper payments and, as a result, did not have planned completion dates for such corrective actions.<sup>47</sup> However, in the event that FNS develops agency-level corrective actions, USDA's IPIA corrective action plan guidance includes a directive for each corrective action to have an estimated completion date.
- **Education:** Education established planned completion dates for all Direct Loan and Pell Grant corrective actions that were not legislative proposals. For example, in fiscal year 2018, Education did not report a planned completion date for Federal Student Aid's (FSA) corrective action related to proposed legislative changes, as the timeline for the legislative process is subject to external factors outside of Education's control.<sup>48</sup>
- **HHS:** HHS did not consistently establish planned completion dates for agency-level CHIP corrective actions.<sup>49</sup> According to agency officials, most agency-level CHIP corrective actions are unlikely to have completion dates because the work is ongoing.<sup>50</sup> We agree with HHS's determination that establishing completion dates for ongoing corrective actions was not relevant. HHS provided a spreadsheet of CHIP's corrective actions, which included a column of target completion dates. However, this column was not consistently filled out for actions that were not considered either ongoing or voluntary state processes. HHS officials stated that although HHS has a process for its improper payment corrective action plans, this process is not documented in formal policies and procedures. Instead, HHS uses

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<sup>47</sup>A SNAP regulation, 7 C.F.R. § 275.17, directs states to establish an expected completion date to eliminate each deficiency identified in their corrective action plans. FNS requires states to submit FNS Form 74A, QC-Related New Investment Plan Template, which includes timelines for implementing planned activities.

<sup>48</sup>FSA, an office of Education, is the largest provider of student financial aid for education beyond high school in the United States. FSA provides student financial assistance in the form of grants, loans, and work-study funds.

<sup>49</sup>CMS guidance directs states to determine planned completion dates for each of their state-level corrective actions.

<sup>50</sup>According to agency officials, some of CHIP's ongoing corrective actions are optional services that states may elect to take advantage of, but are not obligated to, such as CMS making site visits to the states to provide outreach and education.

OMB guidance as its policies and procedures. Lack of formally documented policies and procedures may have contributed to the inconsistencies in HHS establishing planned completion dates for agency-level CHIP corrective actions.

- **Treasury:** As previously discussed, instead of developing corrective actions to address root causes of EITC improper payments, Treasury addressed improper payments through IRS’s compliance programs and through outreach and education efforts to taxpayers and preparers. According to agency officials, Treasury did not establish planned completion dates for its compliance programs and outreach efforts because these activities were ongoing in nature and completed every year as part of IRS operations. We agree with Treasury’s determination that establishing completion dates for EITC ongoing compliance activities was not relevant. In the event that Treasury develops corrective actions for EITC improper payments, Treasury’s corrective action plan guidance includes a directive for each corrective action to have an estimated completion date.
- **VA:** VA established relevant planned completion dates for each PSAS corrective action. In addition, each task associated with each corrective action had a planned completion date.
- **SSA:** SSA did not consistently establish relevant completion dates for each OASDI and SSI corrective action. For example, SSA’s corrective action plans included sections for “target completion.” However, based on our review, these sections were not filled out consistently. According to agency officials, the process for developing and implementing its corrective actions was inconsistent because of SSA’s decentralized corrective action plan process. As previously discussed, SSA developed a new standardized improper payment strategy that if effectively implemented will address these concerns. Specifically, SSA’s procedures to implement this strategy include control activities designed to help ensure that the agency establishes planned completion dates for each corrective action, as required by IPIA.

IPIA requires agencies to report on the planned or actual completion date of each action taken to address root causes of improper payments. Federal internal control standards state that management should design control activities to achieve objectives and respond to risks and implement control activities through policies.<sup>51</sup> Further, federal internal control standards state that management should remediate identified internal control deficiencies on a timely basis. As part of these standards,

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<sup>51</sup>[GAO-14-704G](#).

management monitors the status of remediation efforts so that they are completed on a timely basis. Additionally, federal internal control standards state that management should implement its control activities through policies. Without documented policies and procedures for its improper payment corrective action plan process, including the establishment of planned completion dates, HHS lacks assurance that corrective action plan–related activities will be performed consistently. Additionally, without planned completion dates, HHS cannot demonstrate that it is effectively implementing and completing corrective actions timely and therefore cannot ensure that they will help reduce improper payments.

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### Two Agencies Currently Do Not Have a Documented Process in Place to Monitor the Progress of Implementing the Selected Programs' Corrective Actions

Three of the four agencies—Education, HHS, and VA—that developed corrective actions corresponding to the identified root causes monitored the progress of the selected programs' corrective actions, in accordance with OMB guidance. However, HHS's process was not documented in policies and procedures. SSA did not monitor the progress for all relevant OASDI and SSI corrective actions but has since implemented policies and procedures to monitor such progress. USDA did not develop corrective actions at the agency level that corresponded to the identified root causes of improper payments for SNAP and therefore did not monitor the progress of such corrective actions. In addition, USDA's corrective action plan guidance does not direct the agency to monitor the progress of its corrective actions. Although Treasury did not have corrective actions that corresponded to the root cause of improper payments, it did monitor the progress of its compliance and outreach efforts that are intended to help reduce EITC improper payments. Further details on each agency's process are provided below.

- **USDA:** As previously discussed, FNS did not develop corrective actions at the agency level to address SNAP's root causes of improper payments and, as a result, did not monitor the progress of such corrective actions.<sup>52</sup> In addition, USDA's IPIA corrective action

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<sup>52</sup>SNAP regulations, 7 C.F.R. §§ 275.16, 275.17, require individual states to develop corrective action plans. FNS's *National Management Evaluation/Financial Management Review Guidance* directs FNS staff to monitor state-level corrective actions each month or semiannually through the use of an automated management system.

plan guidance does not direct the agency to monitor the progress of its corrective actions. Without agency-level corrective actions to address the root causes of SNAP improper payments and a documented process to monitor the progress of implementing such agency-level corrective actions, USDA may miss opportunities to reduce SNAP improper payments.

- **Education:** Education monitored the progress of implementing each Direct Loan and Pell Grant corrective action. We found that Education maintained a spreadsheet to track the implementation status of each corrective action annually. Specifically, the status of each corrective action was updated to either “complete” or “open” for the annually recurring and long-term, multiyear corrective actions. The actions marked as “complete” had actual completion dates. Actions that Education considered ongoing, such as needed updates to help clarify verification requirements to the “Question and Answer” section of FSA’s website, were updated as “not applicable.”
- **HHS:** HHS monitored the progress of implementing each of its agency-level CHIP corrective actions. Specifically, HHS tracked the progress of implementing the corrective actions in a spreadsheet that included status updates for each agency-level corrective action. Agency officials stated that this information was updated approximately two to three times each fiscal year through an online interface; however, this process was not documented in policies and procedures. Without a properly documented process and related control activities, HHS is at increased risk that it may not consistently monitor the progress of CHIP corrective actions and has less assurance that such actions are implemented and completed timely.
- **Treasury:** Treasury did not develop corrective actions that corresponded to the root causes of EITC improper payments and, as a result, did not monitor the progress of such corrective actions. However, Treasury did monitor its compliance programs and outreach efforts that are intended to help reduce EITC improper payments during fiscal year 2018.
- **VA:** VA monitored the progress of implementing each PSAS corrective action. Specifically, we found that VA monitored the progress for each corrective action each month by calculating a completion percentage based on the status of tasks associated with each corrective action.
- **SSA:** SSA did not monitor the progress of implementing each OASDI and SSI corrective action. According to agency officials, the monitoring of corrective actions was inconsistent and evaluation of

corrective actions was limited because of SSA's decentralized corrective action plan process. As previously discussed, SSA developed a new standardized improper payment strategy that if effectively implemented will address these concerns. Specifically, SSA's procedures to implement this strategy include control activities designed to help ensure that the agency monitors the progress of its corrective actions, as directed by OMB guidance.

OMB guidance directs agencies to measure the progress of each individual corrective action annually.<sup>53</sup> Federal internal control standards state that management should establish and operate activities to monitor the internal control system and evaluate the results and remediate identified internal control deficiencies on a timely basis.<sup>54</sup> As part of these standards, management monitors the status of remediation efforts so that they are completed on a timely basis. Additionally, federal internal control standards state that management should implement its control activities through policies. Without monitoring the progress of its corrective actions, USDA cannot demonstrate that it is effectively implementing and completing its corrective actions timely and therefore cannot ensure that they will contribute to a reduction in improper payments. Further, unless HHS documents its process in policies and procedures, it will lack assurance that the progress of its corrective actions is monitored consistently and that such actions are implemented and completed timely.

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### One Out of Six Agencies Measured the Effectiveness of Corrective Actions for the Selected Programs

We found that one out of six agencies we reviewed—VA—measured the effectiveness of the selected programs' corrective actions, including the establishment of reduction targets in accordance with OMB guidance. Education, HHS, and SSA did not measure the effectiveness of their corrective actions for the selected programs. In addition, USDA and Treasury did not develop agency corrective actions corresponding to the identified root causes of improper payments for their selected programs and therefore did not measure the effectiveness of such corrective actions. Further details on each agency's process are provided below.

- **USDA:** As previously discussed, FNS did not develop agency-level corrective actions to address root causes of SNAP improper

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<sup>53</sup>OMB M-18-20.

<sup>54</sup>[GAO-14-704G](#).

payments. Instead, FNS provided technical assistance and support to the individual states. According to agency officials, FNS cannot link each technical assistance initiative it provides to the states to the effect these efforts have on reducing payment integrity errors, as the technical assistance provided to the states can vary significantly. Additionally, USDA's IPIA corrective action plan guidance did not include direction for the agency to measure the effectiveness of its corrective actions. Without agency-level corrective actions to address the root causes of SNAP improper payments and a documented process to measure the effect that agency actions have on improper payments, USDA will be unable to demonstrate whether such actions are effective in reducing improper payments and may risk continuing ineffective actions.

In addition, as permitted by OMB, USDA did not establish a reduction target for SNAP improper payments because it lacked a sufficient baseline to accurately project future improper payment rates.<sup>55</sup> USDA plans to reestablish reduction targets for fiscal year 2021 reporting.<sup>56</sup>

- **Education:** Education's policies and procedures state that to measure the effectiveness of the corrective actions, FSA solicits input from the corrective action owner, including, among other items, whether measuring and monitoring of the effectiveness of the corrective action has been established and a description of anecdotal evidence available to confirm the effectiveness of the corrective action. However, based on the procedures, it is unclear how the corrective action owners will conduct this analysis to demonstrate effectiveness. Education provided an example of communication to a corrective action owner requesting, among other items, that the corrective action owner (1) confirm that existing actions are focused on the true root causes of the improper payments and are actually

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<sup>55</sup>FNS did not have documented procedures that direct states to establish reduction targets. However, in accordance with SNAP regulations, a 6 percent or greater improper payment rate is considered a deficiency requiring corrective action by the state agency, and state agencies that fail to achieve improper payment rate goals are subject to liability. 7 C.F.R. §§ 275.16, 275.23. Additionally, SNAP regulations require states to continue corrective actions until all deficiencies have been reduced substantially or eliminated; however, it is unclear how the states conduct this assessment to measure effectiveness of corrective actions. 7 C.F.R. § 275.17.

<sup>56</sup>USDA's fiscal year 2018 and 2019 AFRs state that uncertainty created by variables affecting the integrity of the improper payment rate did not allow for accurate future reduction target rate projections. The fiscal year 2019 AFR states that FNS instituted a revised process that strengthens the integrity of the improper payment rate and plans to establish a baseline next year that takes into account additional information that the new process will provide.

reducing improper payments and (2) verify that existing corrective actions are achieving the intended purposes and results. Education officials informed us that although these items were discussed in stakeholder meetings, FSA was unable and did not attempt to quantify the direct effect of any one corrective action on the improper payment estimates.

Education's fiscal year 2018 AFR states that FSA does not attempt to quantify the reduction of the improper payment estimates in terms of percentage or amount due to Pell Grant and Direct Loan corrective actions. It further states that quantifying of results is not feasible because Education uses a nonstatistical alternative estimation methodology. However, according to Education's fiscal year 2019 AFR, Education implemented a statistical estimation methodology for the fiscal year 2019 estimates. Education believes that the new methodology will allow FSA to better measure the effectiveness of corrective actions over time as FSA collects a baseline of statistically valid improper payment estimates. According to agency officials, FSA is currently refining its process for measuring the effectiveness of corrective actions based on its new statistical estimation methodology. However, until Education revises and documents its process to include measuring the direct effect that its Pell Grant and Direct Loan corrective actions have on improper payments, it will be unable to demonstrate whether the corrective actions are effective in reducing the associated improper payments and may risk continuing ineffective actions.

As part of its overall payment integrity reporting in fiscal year 2018, Education established program-wide reduction targets for Pell Grant and Direct Loan. However, according to agency officials, because it used an OMB-approved nonstatistical methodology, Education's confidence in using these results to establish reduction targets for the upcoming fiscal year was limited. Specifically, Education's fiscal year 2018 AFR states that imprecision and volatility in the improper payment estimates continue to limit its ability to establish accurate out-year reduction targets. Therefore, for fiscal years 2016 through 2018, Education set the upcoming fiscal year reduction targets to match the current fiscal year reported improper payment rate for each program.<sup>57</sup> According to agency officials, Education plans to consider

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<sup>57</sup>Fiscal year 2016 was the first year Pell Grant and Direct Loan program estimates were reported using the OMB-approved alternative sampling and estimation methodology.

the feasibility of setting meaningful reduction targets moving forward with its new statistical methodology.<sup>58</sup>

- **HHS:** HHS did not measure the effectiveness of its corrective actions for CHIP improper payments. In addition, as discussed above, HHS does not have formal documented policies and procedures for its improper payment corrective action plan process.<sup>59</sup> According to agency officials, establishing a one-to-one relationship between specific corrective actions and resulting changes in the improper payment rates is difficult because of the complexity of factors involved that lead to them. However, until HHS develops and implements a documented process to measure the effect that CHIP corrective actions have on improper payments, it will be unable to demonstrate whether the corrective actions are effective in reducing the associated improper payments and may risk continuing ineffective actions.

As permitted by OMB's implementing guidance, HHS did not establish a program-wide reduction target for CHIP improper payments for fiscal years 2019 or 2020, and does not anticipate setting one for 2021 because it lacks a sufficient baseline to accurately project future improper payment rates. According to agency officials, HHS plans to establish a CHIP reduction target for fiscal year 2022 reporting.<sup>60</sup>

- **Treasury:** Treasury did not develop specific corrective actions to address root causes of EITC improper payments, so it could not measure the effectiveness of its corrective actions. Agency officials recognized that the current actions on their own will be unable to significantly reduce the amount of EITC improper payments. As approved by OMB, Treasury did not establish a program-wide

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<sup>58</sup>According to Education's fiscal year 2019 AFR, Education set modest reduction targets for Pell Grant and Direct Loan for 0.01 percent below the fiscal year 2019 improper estimates.

<sup>59</sup>Although not documented in policies and procedures, CMS requires states to include how they plan to measure the effectiveness of each corrective action in the state corrective action plan template.

<sup>60</sup>For fiscal years 2015 through 2018, HHS did not estimate the eligibility component of its PERM improper payment program. In fiscal year 2019, HHS resumed the eligibility component and reported an updated national eligibility improper payment estimate, based on 2019 estimated eligibility improper payment rates for 17 states, and the 2014 rates for 34 states that were not estimated. According to agency officials, all states will have an eligibility estimate by 2021 and this will allow HHS to establish a sufficient baseline in fiscal year 2021 to report a reduction target for fiscal year 2022. Additionally, according to agency officials, although states are not directed to establish a reduction target, CMS sets reduction targets for each state.

reduction target for EITC improper payments for fiscal year 2018 reporting.<sup>61</sup> However, Treasury set a reduction target for EITC improper payments in its fiscal year 2019 AFR, per OMB guidance.<sup>62</sup>

- **VA:** VA has documented procedures in place to measure the effectiveness of its corrective actions for PSAS improper payments. As part of this process, VA set reduction targets and timelines for reducing the errors associated with each corrective action. VA maintained a timeline spreadsheet showing the corrective action reduction targets by year and the percentage of improper payments it expects to be reduced once each corrective action is fully implemented. VA updated the spreadsheet at the end of fiscal year 2019 with the current results of the effectiveness measure for corrective actions reported in fiscal year 2018. In addition, VA also set a program-wide reduction target for PSAS improper payments.
- **SSA:** SSA did not measure the effectiveness of its corrective actions for OASDI and SSI improper payments. According to agency officials, SSA did not have procedures to collect the necessary data and therefore was unable to measure the effectiveness of its corrective actions. SSA's procedures for its new standardized improper payment strategy (discussed above) direct responsible components to define the metrics and information necessary to evaluate the corrective actions and to determine if the actions are effectively reducing improper payments. However, it is still unclear which metrics will be used to determine the effect that OASDI and SSI corrective actions have on the corresponding root causes to demonstrate effectiveness. Until SSA develops and implements a documented process to measure the effect that the OASDI and SSI corrective actions have on improper payments, it will be unable to demonstrate whether the corrective actions are effective in reducing the associated improper payments and may risk continuing ineffective actions.

As part of its overall payment integrity reporting in fiscal year 2018, SSA established program-wide reduction targets for both programs. However, some of SSA's reduction targets have remained constant

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<sup>61</sup>According to agency officials, Treasury had an exemption from OMB that allowed it to report supplemental measures in lieu of reduction targets for EITC. In fiscal year 2018, OMB updated its guidance and phased out supplemental measures. Therefore, Treasury will no longer report supplemental measures in lieu of reduction targets for fiscal year 2019 and beyond.

<sup>62</sup>Treasury set EITC's fiscal year 2020 reduction target to the fiscal year 2019 improper payment rate.

since fiscal year 2004 reporting.<sup>63</sup> Agency officials stated that although SSA believes OASDI's payment accuracy rate is exceptionally high, if SSA's mitigation strategies help decrease improper payments, it would consider changing the reduction target.<sup>64</sup> For SSI, agency officials stated that SSA believes that SSI's program complexity and reliance on self-reporting have made meeting the current accuracy goal challenging. Agency officials further stated that if planned mitigation strategies help decrease improper payments, SSA would consider changing the SSI reduction target.

OMB guidance directs agencies to measure the effectiveness of each individual corrective action annually. Agencies may measure the effectiveness of corrective actions by assessing the results of actions taken to address the root causes, such as the performance and outcomes of these processes. In addition, OMB guidance states that for long-term, multiyear corrective actions, agencies should identify annual benchmarks used to demonstrate the initial effect on improper payment prevention and reduction. For corrective actions already in place, agencies should be able to describe how they evaluate these actions' effectiveness and the results. Federal internal control standards state that management should establish and operate activities to monitor the internal control system and evaluate the results.<sup>65</sup> As part of these standards, management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Additionally, federal internal control standards state that management should implement its control activities through policies. Unless USDA, Education, HHS, and SSA develop and implement a process that clearly links corrective actions to effectively addressing improper payments, they will be uncertain whether the actions are actually reducing improper payments and the agencies may risk continuing ineffective actions.

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<sup>63</sup>Fiscal year 2004 was the first year that SSA reported improper payment estimates for OASDI and SSI, in accordance with IPIA. SSA's reduction target for OASDI improper payments, both underpayments and overpayments, has remained the same since fiscal year 2004 reporting. While SSA's reduction target for SSI overpayments has only remained the same since fiscal year 2017 reporting, the reduction target for SSI underpayments has remained the same since fiscal year 2004 reporting.

<sup>64</sup>In its fiscal year 2019 AFR, SSA reported a 99.72 percent proper payment rate for OASDI payments made in fiscal year 2018. However, as noted previously, DI overpayment improper payment rates for fiscal years 2016 through 2018 were significantly higher than the OASI overpayment improper payment rates. For example, in its 2019 AFR, SSA reported an overpayment rate of 1.2 percent for DI and of .07 percent for OASI in fiscal year 2018.

<sup>65</sup>[GAO-14-704G](#).

Further, unless these processes are documented in policies and procedures, agencies will lack assurance that the effectiveness of their corrective actions is measured consistently.

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## Conclusions

Developing corrective action plans that respond to identified root causes of improper payments is a critical component in government-wide efforts to reduce improper payments. Agency processes to monitor the progress and measure the effectiveness of such plans are also essential to evaluating their efforts to address improper payments. However, certain agencies have not effectively taken these steps for the selected programs we reviewed.

For example, USDA and Treasury have not developed agency-wide corrective actions that correspond to the identified root causes of improper payments in their SNAP and EITC programs, respectively, that would better position these agencies to reduce and prevent them. Also, HHS lacks important information to monitor its efforts to address CHIP improper payments because it does not consistently establish planned completion dates for agency-level corrective actions. Additionally, USDA, Education, HHS, and SSA do not have sufficient processes in place to measure the effectiveness of corrective actions to address improper payments for the selected programs we reviewed. Unless agencies develop corrective action plans that correspond to the root causes of improper payments and implement processes to effectively monitor progress and measure their effectiveness, their ability to ensure that their actions will reduce improper payments will be limited.

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## Recommendations for Executive Action

We are making the following seven recommendations—one each to Education, HHS, and SSA and two each to USDA and Treasury.

The Administrator of FNS should develop and implement a process, documented in policies and procedures, to analyze SNAP state-level root causes to identify potential similarities among the states and develop and implement SNAP agency-level corrective actions, if appropriate, to help address them. (Recommendation 1)

The Secretary of Agriculture should revise USDA's procedures to include processes for monitoring the progress and measuring the effectiveness of improper payment corrective actions. The process for measuring the effectiveness of corrective actions should clearly demonstrate the effect USDA's corrective actions have on reducing improper payments.

(Recommendation 2)

The Secretary of Education should revise and document Education's process for measuring the effectiveness of its corrective actions based on its new statistical estimation methodology for Direct Loan and Pell Grant improper payments. This process should clearly demonstrate the effect Education's corrective actions have on reducing improper payments.

(Recommendation 3)

The Secretary of Health and Human Services should document in policies and procedures HHS's improper payment corrective action plan process. As part of these procedures, HHS should include processes for (1) establishing planned completion dates, (2) monitoring the progress of implementing corrective actions, and (3) measuring the effectiveness of improper payment corrective actions. The process for measuring the effectiveness of corrective actions should clearly demonstrate the effect HHS's corrective actions have on reducing improper payments.

(Recommendation 4)

The Secretary of the Treasury should determine whether Treasury's current improper payment root cause analysis provides sufficiently relevant information that can be used as a basis for proposed corrective actions in reducing EITC improper payments and, if not, update the analysis using more timely data to ensure their reliability for identifying root causes of EITC improper payments. (Recommendation 5)

The Secretary of the Treasury should update Treasury's strategy for addressing the root causes of EITC improper payments to include (1) coordinating with other agencies to identify potential strategies and data sources that may help in determining EITC eligibility and (2) determining whether legislative changes are needed, and developing proposals as appropriate, to help reduce EITC improper payments, such as those related to the inability to authenticate taxpayer eligibility.

(Recommendation 6)

The Commissioner of SSA should develop and implement a process, documented in policies and procedures, to measure the effectiveness of SSA's corrective actions for OASDI and SSI improper payments. This

process should clearly demonstrate the effect SSA's corrective actions have on reducing improper payments. (Recommendation 7)

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## Agency Comments and Our Evaluation

We provided a draft of this report for comment to OMB, USDA, Education, HHS, Treasury, VA, SSA, and the Council of the Inspectors General on Integrity and Efficiency (CIGIE). We received written comments from five agencies—USDA, Education, HHS, VA, and SSA—which are reproduced in appendixes I through V and summarized below. The Assistant Director of Treasury's Risk and Control Group also provided comments in an email, which are summarized below. Treasury, HHS, VA, and SSA also provided technical comments, which we incorporated as appropriate. CIGIE and OMB liaisons informed us that CIGIE and OMB had no comments on the report.

In its written comments, USDA stated that it generally agrees with our findings and recommendations. USDA stated that FNS has agency-level corrective actions that correspond to the identified root causes and establishes planned completion dates, monitors the progress, and measures the effectiveness of SNAP's corrective actions. However, USDA officials did not provide documentation or other information supporting such agency-level corrective actions and efforts. Rather, as discussed in our report, FNS provides technical assistance and support to the states to help them improve payment accuracy and requires them to develop state-level corrective actions. Because FNS's initiatives do not address specific root causes, we continue to believe that USDA does not have agency-level corrective actions that correspond to the identified root causes of SNAP improper payments.

In regard to our recommendation to FNS to develop and implement a process to analyze SNAP state-level root causes and take other related actions, FNS stated that it already has an existing process and recommended that we revise our recommendation to indicate that its existing process should be formalized. In our report, we acknowledge that under statutory requirements and program regulations, FNS requires the states to identify the root causes and develop corrective actions that address them. However, USDA did not provide any evidence that FNS analyzes the states' root causes to identify similarities and develop corrective actions at the agency level. Therefore, we continue to believe that our recommendation to FNS to develop and implement this process

is valid to help ensure that it develops corrective actions at the agency level, if appropriate, and to help reduce improper payments within SNAP.

In regard to our recommendation to revise USDA's procedures, USDA stated that it will develop a proposed action plan to revise its procedures for monitoring the progress and measuring the effectiveness of improper payment corrective actions and the revised process will focus on the impact corrective actions have on the corresponding root causes of improper payments. The actions USDA described, if implemented effectively, would address our recommendation.

In its written comments, Education neither concurred nor disagreed with our recommendation, stating that FSA will continue to evaluate and refine its processes to measure corrective actions and the effectiveness of these actions. Further, Education stated that FSA's measurement of corrective action effectiveness and root cause identification will gain additional precision as FSA collects annual improper payment data and builds upon the new baseline of statistically valid improper payment estimates. Education stated that FSA annually measures the overall effectiveness of its corrective action plans collectively against the improper payment reduction targets, rather than measuring the effectiveness of each individual corrective action. However, as discussed in our report, OMB guidance directs agencies to measure the effectiveness of each individual corrective action annually. We continue to believe that our recommendation to Education is valid to help ensure that Education's corrective actions are effective in reducing improper payments.

In its written comments, HHS stated that it does not concur with our recommendation. Specifically, HHS stated that the portion of our recommendation providing that HHS's process for measuring the effectiveness of corrective actions should clearly demonstrate their impact on the corresponding root causes of improper payments is operationally impossible and not required by OMB guidance. We acknowledge that given the unique circumstances across federal agencies concerning improper payments, OMB guidance provides some flexibility for how agencies are to measure the effectiveness of their corrective actions. However, if agencies' corrective actions are effective, they should ultimately reduce improper payments. Without being able to demonstrate whether corrective actions are effective in reducing the associated improper payments, agencies will be uncertain if their actions are actually reducing improper payments and may risk continuing ineffective actions. While we acknowledge that OMB guidance does not explicitly require

agencies to demonstrate the impact corrective actions have on the corresponding root causes of improper payments, agencies are required to analyze the root causes of improper payments and develop corrective actions to reduce improper payments. As such, we clarified this portion of our recommendation to indicate that HHS's process should clearly demonstrate the effect corrective actions have on reducing improper payments, to better align with the purpose of corrective action plans. We also made this revision to our recommendations to USDA, Education, and SSA.

In its written comments, VA stated that PSAS supported improper payments statutory requirements by completing annual audit reviews, identifying root causes, and developing a national program action plan to reduce improper payments. VA also stated that PSAS reduced improper payments from 39.7 percent in fiscal year 2018 to 2.1 percent in fiscal year 2019 and continues to make improvements through enhanced audit reviews and consultation with PSAS sites.

In its written comments, SSA stated that it concurs with our recommendation and will determine the most cost-effective strategies to remediate the underlying causes of payment errors and monitor, measure, and revise the strategies as needed. The actions SSA described, if implemented effectively, would address our recommendation.

In emailed comments, the Assistant Director of Treasury's Risk and Control Group neither concurred nor disagreed with our recommendations. In regard to our recommendation to update its strategy for addressing root causes of EITC improper payments, Treasury stated that each year it indicates in its corrective action plan that IRS will continue to work with Treasury to develop legislative proposals that will improve refundable credit compliance and reduce erroneous payments. Treasury also stated that its fiscal year 2020 budget request included two legislative proposals that may improve refundable credit compliance and reduce erroneous payments and that both proposals have been in the President's Budget for several years now. We acknowledge these legislative proposals in our report, and note that although Treasury has made certain legislative proposals, it has not made proposals to specifically help address EITC eligibility criteria issues. Additionally, as noted in the report, Treasury's strategy does not include identifying and proposing additional legislative changes needed to help reduce EITC improper payments. Therefore, we continue to believe that our recommendation to Treasury is valid to help ensure that Treasury

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addresses EITC eligibility issues, which Treasury identifies as the primary root cause for EITC improper payments.

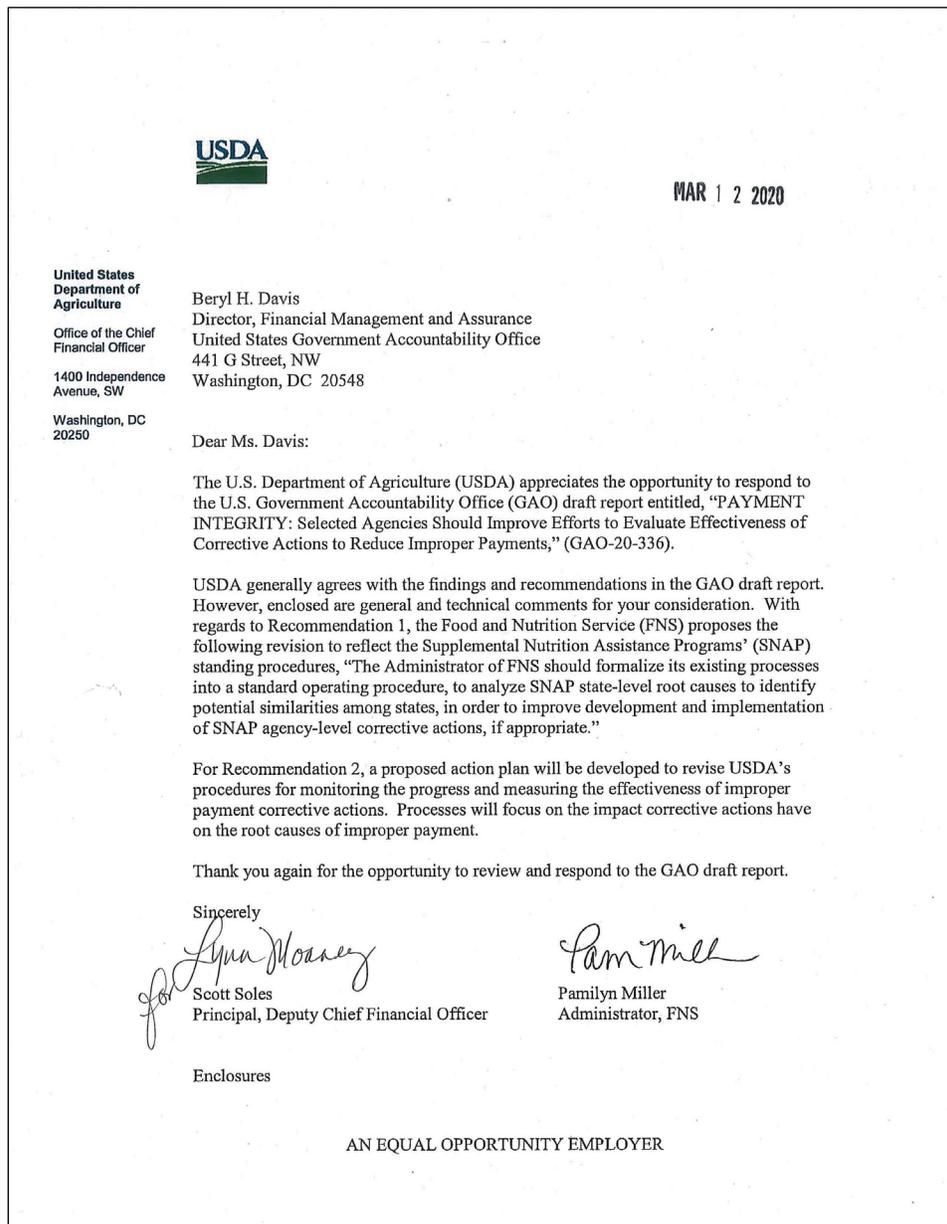
We are sending copies of this report to the appropriate congressional committees, the Director of the Office of Management and Budget, the Secretary of Agriculture, the Secretary of Education, the Secretary of Health and Human Services, the Secretary of the Treasury, the Secretary of Veterans Affairs, the Commissioner of the Social Security Administration, and other interested parties. In addition, this report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact me at (202) 512-2623 or [davisbh@gao.gov](mailto:davisbh@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix VI.



Beryl H. Davis  
Director  
Financial Management and Assurance

# Appendix I: Comments from the Department of Agriculture



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Text of Appendix I: Comments from the Department of Agriculture

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MAR 12, 2020

United States Department of Agriculture  
Office of the Chief Financial Officer  
1400 Independence Avenue, SW  
Washington, DC 20250

Beryl H. Davis  
Director, Financial Management and Assurance United States Government  
Accountability Office 441 G Street, NW  
Washington, DC 20548

Dear Ms. Davis:

The U.S. Department of Agriculture (USDA) appreciates the opportunity to respond to the U.S. Government Accountability Office (GAO) draft report entitled, "PAYMENT INTEGRITY: Selected Agencies Should Improve Efforts to Evaluate Effectiveness of Corrective Actions to Reduce Improper Payments;" (GAO-20-336).

USDA generally agrees with the findings and recommendations in the GAO draft report. However, enclosed are general and technical comments for your consideration. With regards to Recommendation 1, the Food and Nutrition Service (FNS) proposes the following revision to reflect the Supplemental Nutrition Assistance Programs' (SNAP) standing procedures, "The Administrator of FNS should formalize its existing processes into a standard operating procedure, to analyze SNAP state-level root causes to identify potential similarities among states, in order to improve development and implementation of SNAP agency-level corrective actions, if appropriate."

For Recommendation 2, a proposed action plan will be developed to revise USDA's procedures for monitoring the progress and measuring the effectiveness of improper payment corrective actions. Processes will focus on the impact corrective actions have on the root causes of improper payment.

Thank you again for the opportunity to review and respond to the GAO draft report.

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**Appendix I: Comments from the Department of  
Agriculture**

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Sincerely,

Principal, Deputy Chief Financial Officer

Enclosures

Pamilyn Miller Administrator, FNS

# Appendix II: Comments from the Department of Education



February 26, 2020

Ms. Melissa Emrey-Arras  
 Director, Education, Workforce, and Income Security Issues  
 United States Government Accountability Office  
 Washington, D.C. 20548

Dear Ms. Emrey-Arras:

Thank you for providing the U.S. Department of Education (Department) with the opportunity to respond to the draft Government Accountability Office (GAO) report, "Payment Integrity: Selected Agencies Should Improve Efforts to Evaluate Effectiveness of Corrective Actions to Reduce Improper Payments" (GAO-20-336) (hereinafter "report"). We appreciate your acknowledgement in the report that Federal Student Aid (FSA) has policies and procedures in place to establish and monitor improper payment-related corrective action plans (CAPs). The report notes that FSA implemented procedures to establish CAPs that address the root causes of improper payments for the risk-susceptible Pell Grant (Pell) and Direct Loan (DL) programs. In addition, the report states that the Department reported these CAPs and associated due dates in the Department's FY 2018 and FY 2019 Agency Financial Reports (AFRs).

The report acknowledges that FSA implemented in FY 2019 a statistically valid and rigorous estimation methodology. The new methodology resulted in a substantial reduction in FY 2019 Pell and DL program estimated improper payments, as shown in the following table:

**FY 2019 Improper Payment Estimates for Risk-Susceptible Programs**  
 (Dollars in Billions)

Program Name	FY 2019		FY 2018		FY19 vs FY18	FY19 vs FY18
	Improper Payment Rate	Improper Payment Amount	Improper Payment Rate	Improper Payment Amount	Improper Payment Rate Variance	Improper Payment Amount Variance
Direct Loan Program	0.52%	\$ .5	3.99 %	\$3.8	-3.47 percentage points	(\$3.3)
Pell Grant Program	2.23 %	\$ .6	8.15 %	\$2.3	-5.92 percentage points	(\$1.7)
Aggregate/Blended	0.93 %	\$1.1	4.95 %	\$6.1	-4.02 percentage points	(\$4.9)

In accordance with our comments on the Statement of Facts provided to GAO on December 17, 2019, we recommend clarifying language that states consistently, throughout the report, that FSA does

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measure the overall effectiveness of its improper payment CAPs. As cited in the report, FSA measures the effectiveness of its CAPs collectively each year against the improper payment reduction targets, rather than measuring the effectiveness of each individual CAP. In addition, FSA identifies opportunities to modify existing CAPs or create new CAPs to achieve the established reduction targets for the Pell and DL programs. Therefore, we recommend deletion of the last sentence in the carryover paragraph on page 30 of the report that reads “*However, until Education revises and documents its process to include measuring the direct impact or effect that its Pell Grant and Direct Loan corrective actions have on the corresponding root causes, it will be unable to demonstrate whether the corrective actions are effective in reducing the associated improper payments, and may risk continuing ineffective actions.*” While we annually assess our corrective actions and now have new data to improve CAP tracking and measurement, we find existing CAPs remain effective in mitigating the risk of improper payments.

As also noted in the report, FSA develops CAPs to address the root causes of improper payments. Our implementation of a statistically valid improper payment estimation methodology provides FSA with school-specific data that improves our ability to determine root causes and the CAPs needed to address them. For example, misreported income is the primary cause of improper payments in the Pell program, comprising 77 percent of the estimated Pell improper payments. The *Fostering Undergraduate Talent by Unlocking Resources for Education (FUTURE) Act*<sup>1</sup> enacted in December 2019 will allow FSA to obtain income data directly from the Internal Revenue Service. When fully implemented, this will substantially reduce improper payments caused by misreported income.

The report includes one recommendation addressed to the Department. That recommendation and the Department’s response are below:

**Recommendation 3:** The Secretary of Education should revise and document its process for measuring the effectiveness of its corrective actions based on its new statistical estimation methodology for Direct Loan and Pell Grant improper payments. This process should clearly demonstrate the impact Education’s corrective actions have on the corresponding root causes of improper payments.

**Response:** As noted above, FSA measures the overall effectiveness of its corrective actions against the improper payment reduction targets to address Pell and DL program improper payments. FSA will continue to evaluate and refine its processes to measure corrective actions and the effectiveness of each of these actions. FSA’s measurement of the effectiveness of corrective actions and identification of root causes will gain additional precision as FSA collects annual improper payment data and builds upon the new baseline of statistically valid improper payment estimates.

<sup>1</sup> The Fostering Undergraduate Talent by Unlocking Resources for Education (FUTURE) Act, Pub. L. No. 116-91 (Dec. 19, 2019).

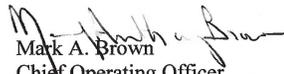
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**Appendix II: Comments from the Department  
of Education**

Page 3

The Department of Education remains committed to reducing improper payments in the Pell and DL programs.

Sincerely,

  
Mark A. Brown  
Chief Operating Officer  
Federal Student Aid

Text of Appendix II: Comments from the Department of Education

Page 1

February 26, 2020

Ms. Melissa Emrey-Arras  
 Director, Education, Workforce, and Income Security Issues United States  
 Government Accountability Office Washington, D.C. 20548

Dear Ms. Emrey-Arras:

Thank you for providing the U.S. Department of Education (Department) with the opportunity to respond to the draft Government Accountability Office (GAO) report, "Payment Integrity: Selected Agencies Should Improve Efforts to Evaluate Effectiveness of Corrective Actions to Reduce Improper Payments" (GAO-20-336) (hereinafter "report"). We appreciate your acknowledgement in the report that Federal Student Aid (FSA) has policies and procedures in place to establish and monitor improper payment-related corrective action plans (CAPs). The report notes that FSA implemented procedures to establish CAPs that address the root causes of improper payments for the risk-susceptible Pell Grant (Pell) and Direct Loan (DL) programs. In addition, the report states that the Department reported these CAPs and associated due dates in the Department's FY 2018 and FY 2019 Agency Financial Reports (AFRs).

The report acknowledges that FSA implemented in FY 2019 a statistically valid and rigorous estimation methodology. The new methodology resulted in a substantial reduction in FY 2019 Pell and DL program estimated improper payments, as shown in the following table:

FY 2019 Improper Payment Estimates for Risk-Susceptible Programs (Dollars in Billions)

Program Name	Improper Payment Rate FY 2019	Improper Payment Amount FY 2019	Improper Payment Rate FY 2018	Improper Payment Amount FY 2018	Improper Payment Rate Variance FY19 vs FY18	Improper Payment Amount Variance FY19 vs FY18
Direct Loan Program	0.52%	\$ .5	3.99 %	\$3.8	-3.47 percentage points	(\$3.3)

**Appendix II: Comments from the Department of Education**

Pell Grant Program	2.23%	\$ .6	8.15 %	\$2.3	-5.92 percentage points	(\$1.7)
Aggregate/Blended	0.93%	\$1.1	4.95 %	\$6.1	-4.02 percentage points	(\$4.9)

In accordance with our comments on the Statement of Facts provided to GAO on December 17, 2019, we recommend clarifying language that states consistently, throughout the report that FSA does

Page 2

measure the overall effectiveness of its improper payment CAPs. As cited in the report, FSA measures the effectiveness of its CAPs collectively each year against the improper payment reduction targets, rather than measuring the effectiveness of each individual CAP. In addition, FSA identifies opportunities to modify existing CAPs or create new CAPs to achieve the established reduction targets for the Pell and DL programs. Therefore, we recommend deletion of the last sentence in the carryover paragraph on page 30 of the report that reads "However, until Education revises and documents its process to include measuring the direct impact or effect that its Pell Grant and Direct Loan corrective actions have on the corresponding root causes, it will be unable to demonstrate whether the corrective actions are effective in reducing the associated improper payments, and may risk continuing ineffective actions." While we annually assess our corrective actions and now have new data to improve CAP tracking and measurement, we find existing CAPs remain effective in mitigating the risk of improper payments.

As also noted in the report, FSA develops CAPs to address the root causes of improper payments. Our implementation of a statistically valid improper payment estimation methodology provides FSA with school-specific data that improves our ability to determine root causes and the CAPs needed to address them. For example, misreported income is the primary cause of improper payments in the Pell program, comprising 77 percent of the estimated Pell improper payments. The Fostering Undergraduate Talent by Unlocking Resources for Education (FUTURE) Act1 enacted in December 2019 will allow FSA to obtain income data directly from the Internal Revenue Service. When fully implemented, this will substantially reduce improper payments caused by misreported income.

The report includes one recommendation addressed to the Department. That recommendation and the Department's response are below:

**Recommendation 3:**

The Secretary of Education should revise and document its process for measuring the effectiveness of its corrective actions based on its new statistical estimation methodology for Direct Loan and Pell Grant improper payments. This process should clearly demonstrate the impact Education's corrective actions have on the corresponding root causes of improper payments.

**Response:**

As noted above, FSA measures the overall effectiveness of its corrective actions against the improper payment reduction targets to address Pell and DL program improper payments. FSA will continue to evaluate and refine its processes to measure corrective actions and the effectiveness of each of these actions. FSA's measurement of the effectiveness of corrective actions and identification of root causes will gain additional precision as FSA collects annual improper payment data and builds upon the new baseline of statistically valid improper payment estimates.

Footnote:

1 The Fostering Undergraduate Talent by Unlocking Resources for Education (FUTURE) Act, Pub. L. No. 116-91 (Dec. 19, 2019).

Page 3

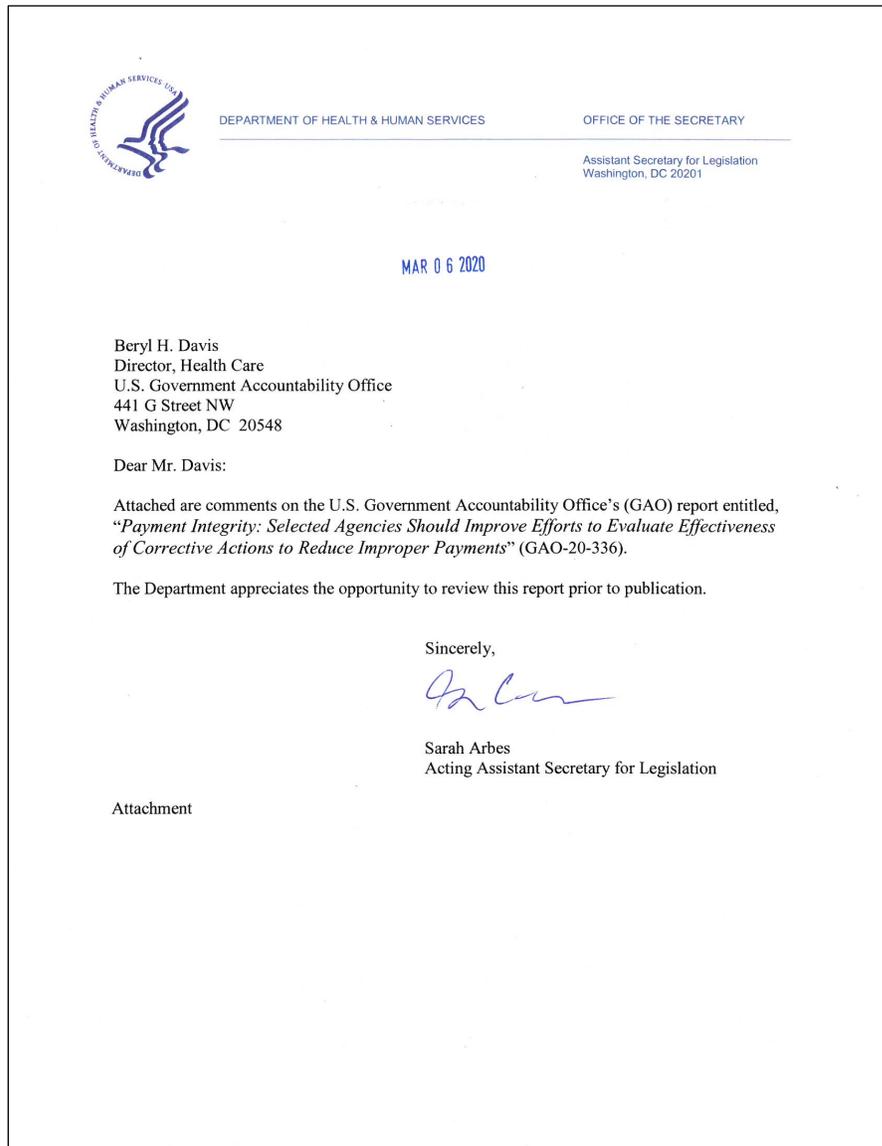
The Department of Education remains committed to reducing improper payments in the Pell and DL programs.

Sincerely,

Mark A. Brown

Chief Operating Officer  
Federal Student Aid

# Appendix III: Comments from the Department of Health and Human Services



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**Appendix III: Comments from the Department  
of Health and Human Services**

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**GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S DRAFT REPORT ENTITLED: PAYMENT INTEGRITY: SELECTED AGENCIES SHOULD IMPROVE EFFORTS TO EVALUATE EFFECTIVENESS OF CORRECTIVE ACTIONS TO REDUCE IMPROPER PAYMENTS (GAO-20-336)**

The Department of Health and Human Services (HHS) appreciates the opportunity to review and comment on this draft report. HHS is committed to strengthening program integrity and safeguarding taxpayer dollars.

The Improper Payments Information Act of 2002 (IPIA), as amended, requires federal agencies, including HHS, to review their programs and activities to identify programs that may be susceptible to significant improper payments, and for high risk programs, to estimate the amount of improper payments and develop and implement corrective actions. HHS continuously works to prevent, detect, and reduce improper payments in the Children's Health Insurance Program (CHIP) through various efforts, such as implementing HHS corrective actions and working with states to create state-specific corrective actions.

The Payment Error Rate Measurement (PERM) program measures improper payments and produces a national improper payment rate for CHIP. The improper payment rates are based on reviews of the fee-for-service, managed care, and eligibility components for CHIP in the fiscal year under review. The PERM program measures improper payment rates in one-third of states every year. The national CHIP improper payment rate includes findings from the most recent three-year cycle measurements so that all 50 states and the District of Columbia are reflected in one rate.

Through the PERM review and corrective action plan (CAP) processes, CHIP improper payment root causes are identified at the state and national level. HHS evaluates the national CHIP improper payment root causes and develops corrective actions to address each of the root causes. HHS reports the Department's CHIP corrective actions through the annual Agency Financial Report (AFR). HHS continuously assesses the effectiveness of the CHIP corrective actions and makes adjustments based on annual PERM results as well as other pertinent information, including oversight agency findings. And with the assistance of HHS, states report their CHIP corrective actions through CAPs submitted to HHS.

The GAO recommended that HHS clearly demonstrate the impact that HHS's corrective actions have on the corresponding root causes of improper payments. However, determining such a clear impact is operationally impossible. In calculating the CHIP improper payment rate HHS produces robust and valuable information that helps CMS oversee CHIP effectively at a federal level, as well as identify the areas in which each state should focus its own corrective actions. However, the factors that affect the root causes of improper payments are complex and multifaceted. For example, new state and federal laws and regulations; evolving clinical guidelines; education to providers from HHS, states, industry groups, and other stakeholders; and internal controls implemented at the state and federal level all impact root causes to varying degrees by either increasing or decreasing the improper payment rate.

Furthermore, guidance published by the Office of Management and Budget (OMB) does not require HHS to clearly demonstrate the impact HHS's corrective actions have on the corresponding root causes of improper payments. Specifically, OMB guidance states:

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**Appendix III: Comments from the Department  
of Health and Human Services**

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**GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S DRAFT REPORT ENTITLED: PAYMENT INTEGRITY: SELECTED AGENCIES SHOULD IMPROVE EFFORTS TO EVALUATE EFFECTIVENESS OF CORRECTIVE ACTIONS TO REDUCE IMPROPER PAYMENTS (GAO-20-336)**

Agencies should be able to measure the effectiveness and progress of each individual corrective action on an annual basis. Agencies **may** measure the effectiveness and progress of corrective actions by assessing the results of actions taken to address the root causes, such as the performance and outcomes of these processes.<sup>1</sup>

OMB guidance specifically grants agencies the flexibility to measure the effectiveness of corrective actions through methods other than directly assessing their impact on root causes. Given the aforementioned issues, HHS believes this flexibility is vital to oversight of CHIP and that the current processes in place are sufficient to measure HHS' success in reducing improper payments.

**GAO Recommendation**

The Secretary of Health and Human Services should document in policies and procedures its improper payment corrective action plan process. As part of these procedures, HHS should include processes for (1) establishing planned completion dates, (2) monitoring the progress of implementing corrective actions, and (3) measuring the effectiveness of improper payment corrective actions. The process of measuring the effectiveness of corrective actions should clearly demonstrate the impact HHS's corrective actions have on the corresponding root causes of improper payments.

**HHS Response**

HHS does not concur with GAO's recommendation.

As discussed above, HHS annually evaluates the national CHIP improper payment root causes and develops corrective actions to address each of the root causes. HHS reports the Department's CHIP corrective actions through the annual AFR. The information reported in the AFR, including the corrective actions taken to address the drivers of the improper payments, undergoes an HHS Office of Inspector General audit for completeness and accuracy.

In addition, as discussed above, the suggestion that HHS should clearly demonstrate the impact that HHS's corrective actions have on the corresponding root causes of improper payments is operationally impossible and not required by OMB guidance. If this portion of the recommendation were removed or modified, HHS could reevaluate concurrence with this recommendation.

HHS thanks GAO for their efforts on this issue and looks forward to working with GAO on this and other issues in the future.

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<sup>1</sup> Requirements for Payment Integrity Improvement, Appendix C, p. 32; M-18-20; Published June 26, 2018; <https://www.whitehouse.gov/wp-content/uploads/2018/06/M-18-20.pdf>

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Text of Appendix III: Comments from the Department of Health and  
Human Services

Page 1

DEPARTMENT OF HEALTH & HUMAN SERVICES  
OFFICE OF THE SECRETARY

Assistant Secretary for Legislation Washington, DC 20201

MAR 06, 2020

Beryl H. Davis Director, Health Care  
U.S. Government Accountability Office  
441 G Street NW  
Washington, DC 20548

Dear Mr. Davis:

Attached are comments on the U.S. Government Accountability Office's (GAO) report entitled, "Payment Integrity: Selected Agencies Should Improve Efforts to Evaluate Effectiveness of Corrective Actions to Reduce Improper Payments" (GAO-20-336).

The Department appreciates the opportunity to review this report prior to publication.

Sincerely,

Sarah Arbes  
Acting Assistant Secretary for Legislation

Attachment

Page 2

**GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN  
SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S DRAFT  
REPORT ENTITLED: PAYMENT INTEGRITY: SELECTED AGENCIES SHOULD**

**IMPROVE EFFORTS TO EVALUATE EFFECTIVENESS OF CORRECTIVE  
ACTIONS TO REDUCE IMPROPER PAYMENTS (GAO-20-336)**

The Department of Health and Human Services (HHS) appreciates the opportunity to review and comment on this draft report. HHS is committed to strengthening program integrity and safeguarding taxpayer dollars.

The Improper Payments Information Act of 2002 (IPIA), as amended, requires federal agencies, including HHS, to review their programs and activities to identify programs that may be susceptible to significant improper payments, and for high risk programs, to estimate the amount of improper payments and develop and implement corrective actions. HHS continuously works to prevent, detect, and reduce improper payments in the Children's Health Insurance Program (CHIP) through various efforts, such as implementing HHS corrective actions and working with states to create state-specific corrective actions.

The Payment Error Rate Measurement (PERM) program measures improper payments and produces a national improper payment rate for CHIP. The improper payment rates are based on reviews of the fee-for-service, managed care, and eligibility components for CHIP in the fiscal year under review. The PERM program measures improper payment rates in one-third of states every year. The national CHIP improper payment rate includes findings from the most recent three-year cycle measurements so that all 50 states and the District of Columbia are reflected in one rate.

Through the PERM review and corrective action plan (CAP) processes, CHIP improper payment root causes are identified at the state and national level. HHS evaluates the national CHIP improper payment root causes and develops corrective actions to address each of the root causes. HHS reports the Department's CHIP corrective actions through the annual Agency Financial Report (AFR). HHS continuously assesses the effectiveness of the CHIP corrective actions and makes adjustments based on annual PERM results as well as other pertinent information, including oversight agency findings. And with the assistance of HHS, states report their CHIP corrective actions through CAPs submitted to HHS.

The GAO recommended that HHS clearly demonstrate the impact that HHS's corrective actions have on the corresponding root causes of improper payments. However, determining such a clear impact is operationally impossible. In calculating the CHIP improper payment rate HHS produces robust and valuable information that helps CMS oversee CHIP effectively at a federal level, as well as identify the areas in which each state should focus its own corrective actions.

However, the factors that affect the root causes of improper payments are complex and multifaceted. For example, new state and federal laws and regulations; evolving clinical guidelines; education to providers from HHS, states, industry groups, and other stakeholders; and internal controls implemented at the state and federal level all impact root causes to varying degrees by either increasing or decreasing the improper payment rate.

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Page 3

Agencies should be able to measure the effectiveness and progress of each individual corrective action on an annual basis. Agencies may measure the effectiveness and progress of corrective actions by assessing the results of actions taken to address the root causes, such as the performance and outcomes of these processes.<sup>1</sup>

OMB guidance specifically grants agencies the flexibility to measure the effectiveness of corrective actions through methods other than directly assessing their impact on root causes. Given the aforementioned issues, HHS believes this flexibility is vital to oversight of CHIP and that the current processes in place are sufficient to measure HHS' success in reducing improper payments.

**GAO Recommendation**

The Secretary of Health and Human Services should document in policies and procedures its improper payment corrective action plan process. As part of these procedures, HHS should include processes for (1) establishing planned completion dates, (2) monitoring the progress of implementing corrective actions, and (3) measuring the effectiveness of improper payment corrective actions. The process of measuring the effectiveness of corrective actions should clearly demonstrate the impact HHS's corrective actions have on the corresponding root causes of improper payments.

**HHS Response**

HHS does not concur with GAO's recommendation.

As discussed above, HHS annually evaluates the national CHIP improper payment root causes and develops corrective actions to address each of the root causes.

HHS reports the Department's CHIP corrective actions through the annual AFR. The information reported in the AFR, including the corrective actions taken to address the drivers of the improper payments, undergoes an HHS Office of Inspector General audit for completeness and accuracy.

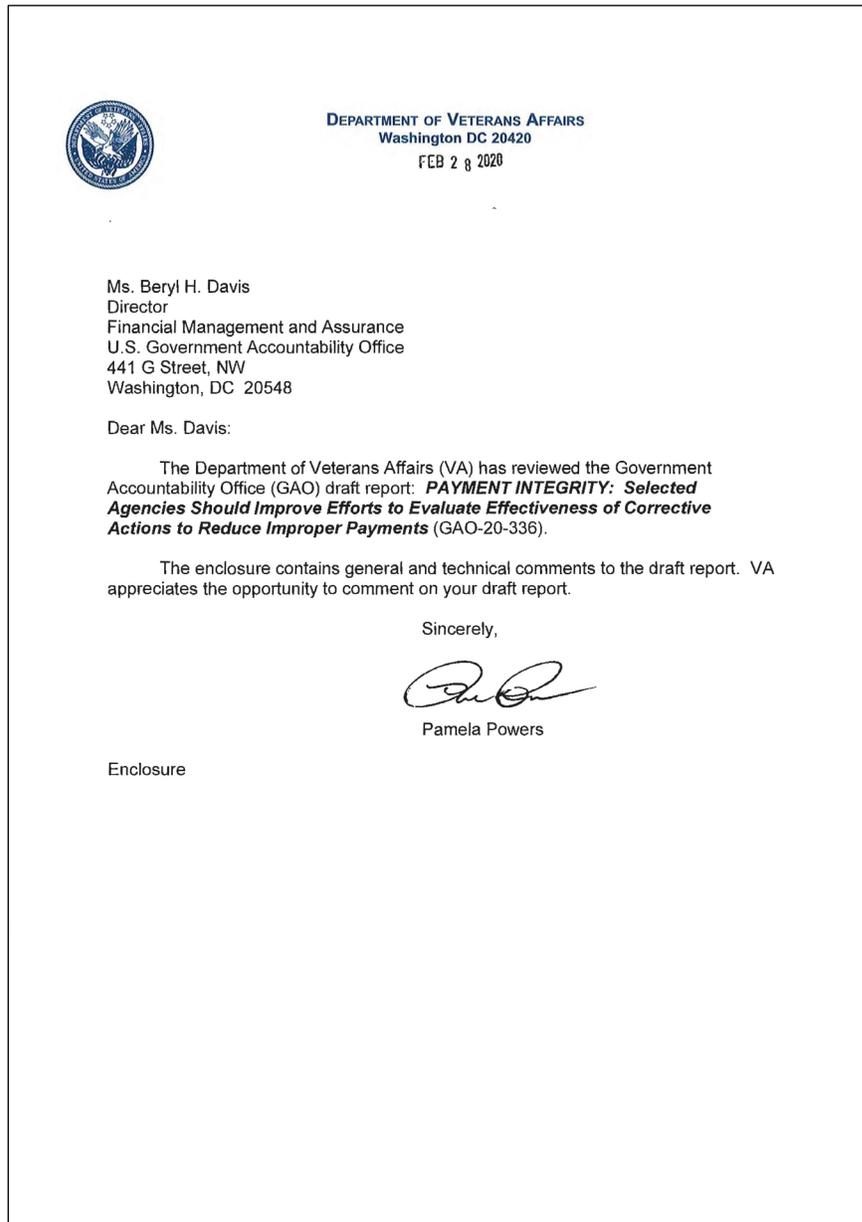
In addition, as discussed above, the suggestion that HHS should clearly demonstrate the impact that HHS's corrective actions have on the corresponding root causes of improper payments is operationally impossible and not required by OMB guidance. If this portion of the recommendation were removed or modified, HHS could reevaluate concurrence with this recommendation.

HHS thanks GAO for their efforts on this issue and looks forward to working with GAO on this and other issues in the future.

Footnote:

1 Requirements for Payment Integrity Improvement, Appendix C, p. 32; M-18-20; Published June 26, 2018; <https://www.whitehouse.gov/wp-content/uploads/2018/06/M-18-20.pdf>

## Appendix IV: Comments from the Department of Veterans Affairs



Enclosure

Department of Veterans Affairs (VA) Comments to  
Government Accountability Office (GAO) Draft Report  
***PAYMENT INTEGRITY: Selected Agencies Should Improve Efforts to Evaluate  
Effectiveness of Corrective Actions to Reduce Improper Payments***  
(GAO 20-336)

**General Comment:**

Approximately 55 percent of all Veterans treated in the Veterans Health Administration receive Prosthetic and Sensory Aids Service (PSAS) items and services annually. In Fiscal Year (FY) 2018, VA obligated \$3.3 billion and provided 21 million devices/items to 3.4 million Veterans. In FY 2019, VA obligated \$3.5 billion, providing 22 million prosthetic devices/items to 3.5 million Veterans.

PSAS supported the Improper Payment and Elimination and Recovery Act by completing annual audit reviews, identifying root causes, and developing a national program action plan to reduce improper payments.

The national PSAS action plan consisted of several initiatives, to include at least three annual national education training calls, checklists and field guidance, documentation reviews, and meetings with facility and Veterans Integrated Service Network leadership to aid in the implementation of internal controls and improved processes to promote compliance with authorizations, payments, and documentation.

PSAS reduced improper payments from 39.7 percent in FY 2018 to 2.1 percent in FY 2019 and continues to make improvements through enhanced audit reviews and consultation with PSAS sites.

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Text of Appendix IV: Comments from the Department of Veterans  
Affairs

Page 1

DEPARTMENT OF VETERANS AFFAIRS  
Washington DC 20420

FEB 28, 2020

Ms. Beryl H. Davis Director  
Financial Management and Assurance  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Ms. Davis:

The Department of Veterans Affairs (VA) has reviewed the Government  
Accountability Office (GAO) draft report: PAYMENT INTEGRITY: Selected Agencies  
Should Improve Efforts to Evaluate Effectiveness of Corrective Actions to Reduce  
Improper Payments (GAO-20-336).

The enclosure contains general and technical comments to the draft report. VA  
appreciates the opportunity to comment on your draft report.

Sincerely,

Pamela Powers

Enclosure

Page 2

Department of Veterans Affairs (VA) Comments to Government Accountability Office  
(GAO) Draft Report. PAYMENT INTEGRITY: Selected Agencies Should Improve  
Efforts to Evaluate Effectiveness of Corrective Actions to Reduce Improper  
Payments (GAO 20-336)

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**General Comment:**

Approximately 55 percent of all Veterans treated in the Veterans Health Administration receive Prosthetic and Sensory Aids Service (PSAS) items and services annually. In Fiscal Year (FY) 2018, VA obligated \$3.3 billion and provided 21 million devices/items to 3.4 million Veterans. In FY 2019, VA obligated \$3.5 billion, providing 22 million prosthetic devices/itemsto 3.5 million Veterans.

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PSAS reduced improper payments from 39.7 percent in FY 2018 to 2.1 percent in FY 2019 and continues to make improvements through enhanced audit reviews and consultation with PSAS sites.

# Appendix V: Comments from the Social Security Administration



February 24, 2020

Ms. Beryl H. Davis  
Director, Financial Management and Assurance  
United States Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Ms. Davis:

Thank you for the opportunity to review the draft report, "PAYMENT INTEGRITY: Selected Agencies Should Improve Efforts to Evaluate Effectiveness of Corrective Actions to Reduce Improper Payments" (GAO-20-336). We agree with the recommendation.

We centralized the coordination, monitoring, and evaluation of Old Age, Survivors, and Disability Insurance and Supplemental Security Income improper payment activities in 2019, and developed the Improper Payment Alignment Strategy (IPAS) to remedy improper payment issues. Through the IPAS process, we will determine the most cost-effective strategies to remediate the underlying causes of payment errors and monitor, measure, and revise the strategies as needed.

If you have any questions, please contact me at (410) 965-9704. Your staff may contact Trae Sommer, Director of the Audit Liaison Staff, at (410) 965-9102.

Sincerely,

*Stephanie Hall*  
Stephanie Hall  
Chief of Staff

SOCIAL SECURITY ADMINISTRATION BALTIMORE, MD 21235-0001

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Text of Appendix V: Comments from the Social Security Administration

Page 1

SOCIAL SECURITY  
Office of the Commissioner

February 24, 2020

Ms. Beryl H. Davis  
Director, Financial Management and Assurance  
United States Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Ms. Davis:

Thank you for the opportunity to review the draft report, "PAYMENT INTEGRITY: Selected Agencies Should Improve Efforts to Evaluate Effectiveness of Corrective Actions to Reduce Improper Payments" (GAO-20-336). We agree with the recommendation.

We centralized the coordination, monitoring, and evaluation of Old Age, Survivors, and Disability Insurance and Supplemental Security Income improper payment activities in 2019, and developed the Improper Payment Alignment Strategy (IPAS) to remedy improper payment issues. Through the IPAS process, we will determine the most cost-effective strategies to remediate the underlying causes of payment errors and monitor, measure, and revise the strategies as needed.

If you have any questions, please contact me at (410) 965-9704. Your staff may contact Trae Sommer, Director of the Audit Liaison Staff, at (410) 965-9102.

Sincerely,

Stephanie Hall Chief of Staff

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# Appendix VI: GAO Contact and Staff Acknowledgments

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## GAO Contact

Beryl H. Davis, (202) 512-2623 or [davisbh@gao.gov](mailto:davisbh@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Matthew Valenta (Assistant Director), Stephanie Adams (Auditor in Charge), William Beichner, Susanna Carlton, Virginia Chanley, Anthony Clark, Lindsay Hollup, James Kernen, and Diana Lee made key contributions to this report.

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Orice Williams Brown, Managing Director, [WilliamsO@gao.gov](mailto:WilliamsO@gao.gov), (202) 512-4400,  
U.S. Government Accountability Office, 441 G Street NW, Room 7125,  
Washington, DC 20548

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## Public Affairs

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U.S. Government Accountability Office, 441 G Street NW, Room 7149  
Washington, DC 20548

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James-Christian Blockwood, Managing Director, [spel@gao.gov](mailto:spel@gao.gov), (202) 512-4707  
U.S. Government Accountability Office, 441 G Street NW, Room 7814,  
Washington, DC 20548

