



FINANCIAL MANAGEMENT

Challenges in Meeting Requirements of the Improper Payments Information Act

Highlights of [GAO-05-417](#), a report to the Chairman, Subcommittee on Government Management, Finance, and Accountability, Committee on Government Reform, House of Representatives

Why GAO Did This Study

Fiscal year 2004 marked the first year that federal agencies governmentwide were required to report improper payment information under the Improper Payments Information Act of 2002 (IPIA). The increasing scope of reporting over the past several years has demonstrated that improper payments are a significant and widespread problem in federal agencies, and in the past a limited number of agencies reported in their Performance and Accountability Reports (PAR) annual payment accuracy rates and estimated improper payment amounts.

Because of your continued interest in addressing the governmentwide improper payments issue, you asked GAO to report on (1) the extent to which agencies have performed the required assessments to identify programs and activities that are susceptible to significant improper payments and (2) the annual amount estimated for improper payments by the agencies.

What GAO Recommends

GAO is making three recommendations to the Office of Management and Budget (OMB) to help ensure successful implementation of the IPIA requirements. OMB commented that its management emphasis and inspector general oversight offer sufficient incentives to ensure agencies meet IPIA requirements.

www.gao.gov/cgi-bin/getrpt?GAO-05-417.

To view the full product, including the scope and methodology, click on the link above. For more information, contact McCoy Williams at (202) 512-6906 or williamsm1@gao.gov.

What GAO Found

The federal government made progress in identifying programs susceptible to the risk of improper payments in response to the new IPIA requirements. The fiscal year 2004 PARs for 29 of 35 federal agencies that are significant to the U.S. government's consolidated financial statements show that even with the enhanced emphasis on improper payment reporting fueled by the new legislation, 6 agencies reported that they did not perform risk assessments of all their programs.

The magnitude of the governmentwide improper payment problem is still unknown, because agencies have not yet prepared estimates of improper payments for all of their programs. In the 29 agency PARs included in GAO's fiscal year 2004 review, 17 agencies reported over \$45 billion of improper payments in 41 programs governmentwide. This represented almost a \$10 billion, or 27 percent, increase in the amount of improper payments reported by agencies in fiscal year 2003. This increase was primarily attributable to changes in the method for estimating and reporting improper payment amounts in one major program. Looking forward, future estimates are likely to trend higher because the governmentwide estimate did not include 12 programs with outlays of \$248.7 billion in fiscal year 2004 that were required to annually report improper payments under OMB Circular No. A-11 during the past 3 years. This included some of the largest risk-susceptible federal programs, such as the Department of Health and Human Services' Medicaid Program, with outlays exceeding \$175 billion annually, or the Department of Education's Title I Program, with outlays of over \$10 billion annually.

Number of Agencies and Amounts of Improper Payments Reported (Fiscal Years 1999-2004)

Fiscal year	Number of agencies reporting improper payments ^a	Reported amounts of improper payments (in billions)
1999	8	\$20.7
2000	8	\$19.6
2001	8	\$20.9
2002	7	\$19.5
2003	13	\$35.7
2004	17	\$45.4

Source: GAO.

^a Other agencies acknowledged making improper payments in their PARs but did not disclose dollar amounts.