



Highlights of [GAO-13-227](#), a report to congressional requesters

## Why GAO Did This Study

DOD reported \$1.1 billion in improper payments for fiscal year 2011, which marked the eighth year of implementation of IPIA, as well as the first year of implementation of IPERA. IPIA required executive branch agencies to annually identify programs and activities susceptible to significant improper payments, estimate the amount of improper payments for such programs and activities, and report these estimates along with actions taken to reduce them. IPERA amended IPIA and expanded requirements for recovering overpayments across a broad range of federal programs.

GAO was asked to review the progress DOD has made to identify, estimate, and reduce improper payments. GAO's objective was to review the extent to which DOD has implemented key provisions of IPIA, IPERA, and OMB guidance. GAO reviewed improper payment requirements; analyzed agency financial reports, internal guidance and plans, and sampling methodologies; and interviewed cognizant officials. The scope for this engagement was DOD's reported improper payment information for fiscal year 2011 and DOD's plans and actions to estimate commercial pay improper payments for fiscal year 2012.

## What GAO Recommends

GAO is making 10 recommendations to improve DOD's processes to identify, estimate, reduce, recover, and report on improper payments. DOD concurred with 9 and partially concurred with 1 of the recommendations and described its plans to address them.

View [GAO-13-227](#). For more information, contact Asif A. Khan at (202) 512-9869 or [khana@gao.gov](mailto:khana@gao.gov).

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## DOD FINANCIAL MANAGEMENT

### Significant Improvements Needed in Efforts to Address Improper Payment Requirements

## What GAO Found

The Department of Defense (DOD) did not adequately implement key provisions of the Improper Payments Information Act of 2002 (IPIA) and the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and Office of Management and Budget (OMB) requirements for fiscal year 2011. Most important, GAO found that DOD's improper payment estimates reported in its fiscal year 2011 *Agency Financial Report* were neither reliable nor statistically valid because of long-standing and pervasive financial management weaknesses and significant deficiencies in the department's procedures to estimate improper payments. For example, DOD did not

- have key quality assurance procedures in place, such as reconciliations, to validate the completeness and accuracy of the populations used to estimate improper payments;
- develop appropriate sampling methodologies for estimating improper payments;
- produce a statistical estimate for its largest program, Defense Finance and Accounting Service (DFAS) commercial pay; and
- maintain key documentation supporting its reported improper payment estimates.

Also, GAO found significant deficiencies in DOD's policies and procedures to address other key improper payment requirements for fiscal year 2011. Specifically, DOD did not

- perform a required risk assessment to identify those programs susceptible to significant improper payments,
- have procedures to identify root causes of improper payments and develop related corrective actions,
- conduct recovery audits for any of its programs or determine that these audits would not be cost effective, and
- have procedures to ensure that its annual improper payment and recovery audit reporting is complete, accurate, and in compliance with IPERA and OMB reporting requirements.

DOD has taken some actions since fiscal year 2011, such as reporting a statistical estimate for Defense Finance and Accounting Service commercial pay and issuing revised Financial Management Regulation chapters on improper payments and recovery audits. However, until the department takes action to correct the deficiencies GAO found related to identifying, estimating, reducing, recovering, and reporting improper payments and thereby fulfills legislative requirements and implements related guidance, it remains at risk of continuing to make improper payments and wasting taxpayer funds.