

GAO Highlights

Highlights of [GAO-15-209](#), a report to the Committee on Appropriations, House of Representatives

Why GAO Did This Study

DRAA provided approximately \$50 billion in supplemental appropriations, before sequestration, to 19 federal agencies for expenses related to Hurricane Sandy and other purposes. DRAA deemed all programs and activities receiving appropriations under the act as susceptible to significant improper payments, making such appropriations subject to improper payment estimation requirements established in law and through OMB guidance.

GAO was asked to review agencies' efforts to estimate improper payments for expenses related to Hurricane Sandy. For DRAA funds, this report (1) describes how selected agencies estimated and reported improper payments and (2) determines the extent to which selected agencies developed policies and procedures for estimating improper payments. GAO reviewed the Departments of Homeland Security, Housing and Urban Development, and Transportation; the U.S. Army Corps of Engineers; and the Small Business Administration, which collectively received most of the DRAA funds. GAO reviewed sampling plans, evaluated agencies' policies and procedures, and conducted interviews with officials at these agencies and OMB.

What GAO Recommends

GAO is making recommendations to four of the five agencies to either develop or revise their policies and procedures for estimating improper payments for DRAA funds. These four agencies generally agreed with GAO's recommendations and cited plans for implementing them.

View [GAO-15-209](#). For more information, contact Beryl H. Davis at (202) 512-2623 or davisbh@gao.gov.

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DISASTER RELIEF

Agencies Need to Improve Policies and Procedures for Estimating Improper Payments

What GAO Found

The five agencies GAO reviewed used a variety of approaches to estimate and report improper payments related to Disaster Relief Appropriations Act, 2013 (DRAA) funding, in accordance with Office of Management and Budget (OMB) guidance. Specifically, these agencies, which received approximately 94 percent of the \$50 billion provided by DRAA, used various approaches regarding the following:

- **Estimate presentation.** Some agencies reported separate estimates for DRAA funding, while others developed one combined improper payment estimate that also included non-DRAA funding.
- **Estimate methodology.** Agencies used statistical sampling methodologies, used alternative (nonstatistical) sampling methodologies, or tested 100 percent of DRAA-funded payments to estimate improper payments for DRAA funding.
- **Time period of estimate.** Agencies used different time periods (or sampling windows) of the underlying transactions that were tested to develop improper payment estimates, such as October 2012 through September 2013 or April 2013 through March 2014.

The five agencies GAO reviewed had developed policies and procedures to guide their processes for estimating improper payments for 21 of 22 programs. However, GAO found that the agencies' policies and procedures did not address all key requirements from relevant laws, guidance, and *Standards for Internal Control in the Federal Government*. For example, GAO found the following:

- Ten of the 22 programs did not have policies and procedures that included key quality assurance procedures, such as reconciliations, to validate that the populations of transactions were complete and accurate before selecting the samples used to estimate improper payments. *Standards for Internal Control in the Federal Government* states that control activities, such as reconciliations, are an integral part of an entity's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results.
- Fourteen of the 22 programs did not have policies and procedures that included a requirement to maintain sufficient documentation to support their improper payment estimates as required by OMB guidance. *Standards for Internal Control in the Federal Government* also states that internal controls and all transactions and other significant events need to be clearly documented, and that the documentation should be readily available for examination and properly managed and maintained.

During the audit, one of the five agencies addressed the deficiencies that GAO identified. If key requirements for estimating improper payments are not documented in policies and procedures, agencies face an increased risk that their estimation processes as designed will not comply with the provisions of relevant laws and regulations or consistently produce reliable estimates that can help agencies improve stewardship of taxpayer dollars.