

GAO Highlights

Highlights of [GAO-16-60](#), a report to congressional requesters

Why GAO Did This Study

For many countries, remittances represent a large and stable source of foreign currency. Remittances have received increasing attention from policymakers as the volume of funds transferred has increased over the years. Despite the global significance of remittances, much remains unknown about the actual volume of remittances and the methods used to remit them. GAO was asked to study the potential effects of a fine on certain remitters and estimates of U.S. remittances. GAO examined (1) the potential effects of a fine on remitters unable to provide proof of legal immigration status, and (2) BEA's remittance estimate and the extent to which its revised estimation methodology met government-wide policies and best practices. GAO constructed a hypothetical scenario analysis to show the uncertainty associated with the effects of a fine. GAO interviewed, among others, BEA, International Monetary Fund and World Bank officials, and researchers. GAO also analyzed BEA's estimate of U.S. remittances and documentation of its methodologies.

What GAO Recommends

GAO recommends that BEA conduct analyses to improve the reliability of its estimate and follow established policies for documenting its methods and analyses. BEA agreed to implement the recommendations but disagreed that its estimates are unreliable and not adequately documented. GAO disagrees and maintains that BEA's revised estimation model produces unreliable estimates and BEA could not provide adequate documentation of its methodology.

View [GAO-16-60](#). For more information, contact Alicia Puente Cackley at (202) 512-8678 or cackleya@gao.gov.

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INTERNATIONAL REMITTANCES

Actions Needed to Address Unreliable Official U.S. Estimate

What GAO Found

The Remittance Status Verification Act of 2015, S. 79, would require remittance transfer providers to request that all senders of remittances to recipients outside the United States provide proof of their legal status under U.S. immigration laws and impose a fine on those unable to provide such proof. The funds collected would be submitted to the Consumer Financial Protection Bureau (CFPB) to pay for its administrative and enforcement costs in carrying out the act, and any remaining funds would be used to pay expenses related to border protection. The fine may raise money for border protection, but the exact amount is unknown and would depend on several factors, including

- the dollar amount of remittances sent by those without legal status,
- changes in remitter behavior due to the fine, such as using unregulated transfer methods, and
- CFPB's administrative and enforcement costs to carry out the act.

The first two factors above affect the volume of remittances that would be subject to a fine. The third factor affects the amount of net revenue from the fine remaining for border protection. Finally, remittance transfer providers told GAO that the fine could have consequences for them, including potentially disproportionate costs for small providers.

The Bureau of Economic Analysis (BEA) estimated that remittances from the United States were approximately \$40 billion in 2014. However, BEA's methodology for estimating remittances is not consistent with government-wide policies and guidance on statistical practices or with BEA's own best practices and thus produces unreliable estimates. GAO identified several weaknesses in BEA's estimation methodology, illustrated by the following examples.

- BEA failed to use appropriate methodology that addressed questionable aspects of the data, such as missing information and measurement problems. This is inconsistent with National Research Council of the National Academies of Science guidelines for federal statistical agencies and government-wide policies.
- BEA also calibrated the output of the new model to match the estimate produced by BEA's previous model. BEA did this because according to officials the new model produced substantially lower results than BEA had previously estimated. In a 2006 report GAO had questioned the reliability of BEA's previous model; as a result BEA's actions raise further concerns about the reliability of the new model's results.

Moreover, BEA could not provide adequate, transparent documentation underlying its methodology or reviews of its methods and data. According to BEA officials, BEA did not adhere to its own best practices for changing its methodology because they did not consider the remittance estimate to be influential information. However, BEA's estimate is influential, as it is cited by national and international organizations and in some cases is incorporated into the estimates of these organizations, including the World Bank.