U.S. GOVERNMENT ACCOUNTABILITY OFFICE
441 G St. N.W.
Washington, DC 20548

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Congressional Addressees

Improper Payments: Inspector General Reporting of Agency Compliance under the Improper Payments Elimination and Recovery Act

Improper payments—such as duplicate or erroneous payments, payments to ineligible recipients, or payments for ineligible services—have been a long-standing challenge of the federal government and have annually totaled billions of dollars.[1] For fiscal year 2013, federal agencies reported an estimated $105.8 billion in improper payments, a decrease of $1.3 billion from the prior year revised estimate of $107.1 billion.[2] Based on our review of Office of Management and Budget (OMB) data, the $105.8 billion estimate was attributable to 84 programs across 18 agencies (see enc. I).[3] Five programs accounted for approximately $82.9 billion, or 78 percent of the total improper payments estimate in fiscal year 2013 (see enc. II for a list of the five programs with the largest estimates for fiscal years 2011 through 2013).

Fiscal year 2013 marked the 10th year of implementation of the Improper Payments Information Act of 2002 (IPIA),[4] as well as the 3rd year of implementation of the Improper Payments Elimination and Recovery Act of 2010 (IPERA).[5] IPIA requires executive branch agencies to annually identify programs and activities susceptible to significant improper payments, estimate the amount of improper payments, and report these estimates along with actions planned or taken to reduce them. IPERA expanded on IPIA and added new requirements toward ensuring

[1]An improper payment is defined as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts. Office of Management and Budget guidance also instructs agencies to report as improper payments any payments for which insufficient or no documentation was found. It is important to note that reported improper payment estimates may or may not represent a loss to the government.

[2]In their fiscal year 2013 performance and accountability reports or agency financial reports, three federal agencies updated their fiscal year 2012 improper payment estimates to reflect changes since issuance of their fiscal year 2012 reports. These updates decreased the government-wide improper payment estimate for fiscal year 2012 from $107.7 billion to $107.1 billion.

[3]The18 agencies that reported improper payment estimates included 16 agencies covered by this review as well as the Federal Communications Commission and the Railroad Retirement Board. This $105.8 billion estimate does not include the Department of Defense's Defense Finance and Accounting Service Commercial Pay program because of concerns regarding the reliability of its improper payment estimate. See GAO, *DOD Financial Management: Significant Improvements Needed in Efforts to Address Improper Payment Requirements*, GAO-13-227 (Washington, D.C.: May 13, 2013). The government-wide improper payment estimate for fiscal year 2013 including this program was $105.9 billion.

[4]Pub. L. No. 107-300 (Nov. 26, 2002).

[5]Pub. L. No. 111-204 (July 22, 2010).

that agencies perform risk assessments for all programs, publish corrective action plans to reduce improper payments, and meet planned improper payment reduction targets and error rates. Subsequent to IPERA, the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) was enacted to further enhance improper payments requirements and give agencies additional tools to address improper payments.[6]

IPERA calls for executive agencies' offices of inspector general (OIG) to annually determine whether their respective agencies are in compliance with six specific IPERA criteria. OMB, which is directed by statute to provide guidance to executive agencies on the estimation and reporting of improper payments, has also asked the OIGs to assess compliance with one additional criterion, which calls for agencies to report on their efforts to recapture improper payments.[7] In total, for fiscal years 2011 through 2013, the OIGs were required to annually assess and report on their respective agencies' compliance with the following seven criteria:[8]

- publish an annual financial statement and accompanying materials in the form and content required by OMB—typically a performance and accountability report (PAR) or agency financial report (AFR)—for the most recent fiscal year and post that report on the agency website;
- conduct a risk assessment for each specific program or activity that conforms with IPIA as amended;
- publish estimates of improper payments for all programs and activities identified as susceptible to significant improper payments under the agency's risk assessment;[9]
- publish corrective action plans for programs and activities assessed to be at risk for significant improper payments;
- publish and meet annual reduction targets for all programs and activities assessed to be at risk for significant improper payments;
- report a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published; and
- report on efforts to recapture improper payments.

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[6]Pub. L. No. 112-248 (Jan. 10, 2013). IPERIA amended IPIA by requiring OMB to annually identify a list of high-priority federal programs for greater oversight and review by agency OIGs. IPERIA also established the Do Not Pay Initiative. This initiative requires federal agencies to conduct procedures to determine program and award eligibility prior to the release of funds and includes a thorough review of available databases to assist in determining eligibility.

[7]Office of Management and Budget, ***Issuance of Revised Parts I and II to Appendix C of OMB Circular A-123***, OMB Memorandum No. M-11-16 (Washington, D.C.: Apr. 14, 2011), was the OMB guidance in effect for fiscal year 2013. In October 2014, OMB issued new guidance for improper payments in Memorandum No. M-15-02, *Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments*. This new guidance, effective for fiscal year 2014 reporting, changes certain requirements, such as the reporting period for OIG IPERA reports, and also eliminated the need for OIGs to assess whether the agency has reported on efforts to recapture improper payments.

[8]For purposes of this report, we will refer to all seven criteria as IPERA criteria.

[9]Per OMB guidance, the annual estimate of improper payments reported in the PAR or AFR should coincide with the fiscal year being reported, to the extent possible. Agencies may utilize a different 12-month reporting period if it has been approved by OMB. For example, some agencies may have used fiscal year 2012 information in their fiscal year 2013 agency PARs or AFRs.

Some of these criteria are not applicable to agencies that determine through risk assessments that none of their programs or activities are susceptible to significant improper payments.[10] Per OMB guidance, effective for fiscal years 2011 through 2013, an OIG was required to issue a report on its assessment of compliance with these seven criteria, as applicable, within 120 days of the publication of the agency's annual PAR or AFR.[11]

Objective, Scope, and Methodology

In light of congressional interest in agency efforts to estimate, reduce, and recover improper payments, we performed our work under the authority of the Comptroller General to assist Congress with its oversight responsibilities.[12] The objective of this review is to provide information on compliance with the seven IPERA criteria discussed above for the 24 agencies that are subject to the Chief Financial Officers Act of 1990 (CFO Act),[13] as reported in their OIGs' IPERA reports. Although IPERA requirements apply to the head of each executive agency, we reviewed only those agencies designated as CFO Act agencies because these agencies represented over 99 percent of total government-wide improper payments reported in fiscal year 2013.

To address our objective, we reviewed the agencies' fiscal year 2013 OIG IPERA reports, which were the most current available at the time of our work, and summarized information related to their compliance with IPERA criteria and identified common findings and related causes for improper payments as reported by the OIGs. We also reviewed the agencies' fiscal year 2012 and 2011 OIG IPERA reports and compared agencies' compliance with each IPERA criterion over the first 3 years following the law's enactment, as reported by the OIGs. Our work did not include validating or retesting the data or methodologies used by the OIGs in coming to their conclusions. We also obtained and summarized OMB and agencies' data on improper payment estimates by agency program (see encs. I through III). We conducted our work from April 2014 to December 2014 in accordance with all sections of GAO's Quality Assurance Framework that are relevant to our objectives. The framework requires that we plan and perform the engagement to obtain sufficient and appropriate evidence to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for any findings and conclusions in this product.

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[10]Pursuant to an amendment made to IPIA by section 4 of IPERIA, for fiscal year 2013, a program is considered susceptible to significant improper payments if its risk assessment determines that the program's improper payments may have exceeded (1) both 2.5 percent of program outlays and $10 million of all program activity during the fiscal year or (2) $100 million regardless of the percentage. For fiscal year 2014, the threshold is potential improper payments exceeding (1) both 1.5 percent of program outlays and $10 million or (2) $100 million regardless of the percentage.

[11]OMB Memorandum No. M-11-16.

[12]For Comptroller General's authority, see 31 U.S.C. § 717(b)(1).

[13]The CFO Act, Pub. L. No. 101-576 (Nov. 15, 1990), 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.

CFO Act Agencies' Reported Compliance with IPERA Criteria

OIG IPERA Reporting for Fiscal Year 2013

For fiscal year 2013, OIGs for 13 of the 24 CFO Act agencies reported that their agencies complied with all of the IPERA criteria that were applicable to their agencies. As shown in figure 1, the OIGs for 10 agencies reported that their agencies did not satisfy at least one of the specified criteria, and the OIG for the National Science Foundation (NSF) did not issue a report, stating that NSF was not required to report improper payment data in its fiscal year 2013 PAR.

Figure 1: Fiscal Year 2013 CFO Act Agencies' Compliance under IPERA as Reported by Their OIGs

Agency	Published PAR/AFR	Conducted risk assessment	Published estimate	Published corrective action plan	Published and met reduction targets	Reported an estimate below 10%	Reported on recovery efforts	Total non-compliance
Agency for International Development[a]	✓	✓	N/A	✓	✓	✓	✓	0
Department of Agriculture	✓	✓	✗	✓	✗	✗	✓	3
Department of Commerce	✓	✓	N/A	N/A	N/A	N/A	✓	0
Department of Defense	✓	✓	✓	✓	✗	✓	✓	1
Department of Education	✓	✓	✓	✓	✓	✓	✓	0
Department of Energy	✓	✓	N/A	N/A	N/A	N/A	✓	0
Department of Health and Human Services	✓	✓	✗	✗	✗	✗	✓	4
Department of Homeland Security	✓	✓	✓	✓	✓	✓	✓	0
Department of Housing and Urban Development	✓	✓	✓	✗	✗	✓	✗	3
Department of the Interior	✓	✓	N/A	N/A	N/A	N/A	✓	0
Department of Justice	✓	✓	N/A	N/A	N/A	N/A	✓	0
Department of Labor[b]	✓	✓	✓	✓	✗	NR	✓	1
Department of State	✓	✓	N/A	N/A	N/A	N/A	✓	0
Department of Transportation	✓	✓	✓	✓	✗	✓	✓	1
Department of the Treasury	✓	✓	✓	✓	✗	✗	✓	2
Department of Veterans Affairs	✓	✓	✓	✓	✗	✗	✓	2
Environmental Protection Agency	✓	✓	✓	✓	✓	✓	✓	0
General Services Administration	✓	✓	✓	✓	✓	✓	✓	0
National Aeronautics and Space Administration	✓	✓	N/A	N/A	N/A	N/A	✓	0
National Science Foundation[c]	NR	NR	NR	NR	NR	NR	NR	No report issued
Nuclear Regulatory Commission	✓	✓	✓	✓	✓	✓	✓	0
Office of Personnel Management	✓	✓	✓	✓	✓	✓	✓	0
Small Business Administration[d]	✓	NR	✓	✓	✗	✗	✓	2
Social Security Administration	✓	✓	✓	✓	✗	✓	✓	1

✓ **Yes:** OIG reported compliance ✗ **No:** OIG reported noncompliance **N/A** **Not applicable:** Agency programs did not meet the risk-susceptible threshold and therefore were not required to comply with this criterion **NR** **Nonreporting:** OIG IPERA report did not specify if agency complied with IPERA criteria or OIG did not issue an IPERA report

AFR: Agency financial report **CFO:** Chief financial officer **IPERA:** Improper Payments Elimination and Recovery Act of 2010 **OIG:** Office of inspector general
PAR: Performance and accountability report

[a]The Agency for International Development (USAID) OIG reported that USAID's fiscal year 2013 risk assessment process did not identify any programs or activities that exceeded IPERA threshold requirements for significant improper payments. Since USAID did not identify programs with significant improper payments, it was not required to comply with the IPERA criteria to publish an estimate, prepare corrective actions, publish and meet reduction targets, or report error rates less than 10 percent. However, in its fiscal 2013 AFR, USAID included information on programs susceptible to "erroneous payments," and the OIG classified these areas in its report as "compliant" with IPERA.

[b]The Department of Labor OIG did not conclude on whether the agency complied with the requirement to report a gross improper payments rate of less than 10 percent. The OIG stated that the agency reported an improper payment rate of 9.32 percent for its Unemployment Insurance (UI) program, but used a methodology that reduced the reported improper payments by the amount of subsequent recoveries. The OIG stated that this methodology understated the actual improper payment rate and noted that without this netting of recoveries against overpayments, the UI improper payment rate would have been 11.50 percent. Although the methodology was approved by OMB in fiscal year 2013, guidance under IPERIA will require agencies to discontinue netting recoveries beginning in fiscal year 2014.

[c]The National Science Foundation (NSF) OIG did not issue an IPERA report for fiscal year 2013. The OIG stated in its IPERA report for fiscal year 2012 that NSF's risk assessment did not identify any programs that met the threshold for reporting improper payments, and that OMB had approved a 3-year cycle for conducting risk assessments. Although NSF did not identify risk-susceptible programs, the OIG evaluated NSF's improper payments process for fiscal year 2012 and issued a report with findings and recommendations. The OIG informed us that NSF stated in its corrective action plan to address the 2012 OIG audit findings that it would perform a comprehensive improper payment internal control review that will take 2 years and had decided, after consulting with OMB, that it would not report IPERA data in its fiscal year 2013 AFR. The OIG stated that as a result of NSF's decision, and after consulting with OMB, it decided to not issue a fiscal year 2013 IPERA report on NSF's compliance with the PAR/AFR publication or the reporting of recovery activities criteria, and notified Congress accordingly.

[d]The Small Business Administration (SBA) OIG did not report on the agency's compliance with conducting a risk assessment. However, the SBA OIG later confirmed that there were no new programs or activities requiring risk assessments, as reported in the agency's fiscal year 2013 AFR, and that it agreed with the agency's approach of waiting 3 years before performing another assessment. Since SBA did not perform a risk assessment in 2013, the OIG did not report information related to compliance for this criterion in its IPERA report.

Source: Fiscal year 2013 agencies' OIG IPERA reports. | GAO-15-87R

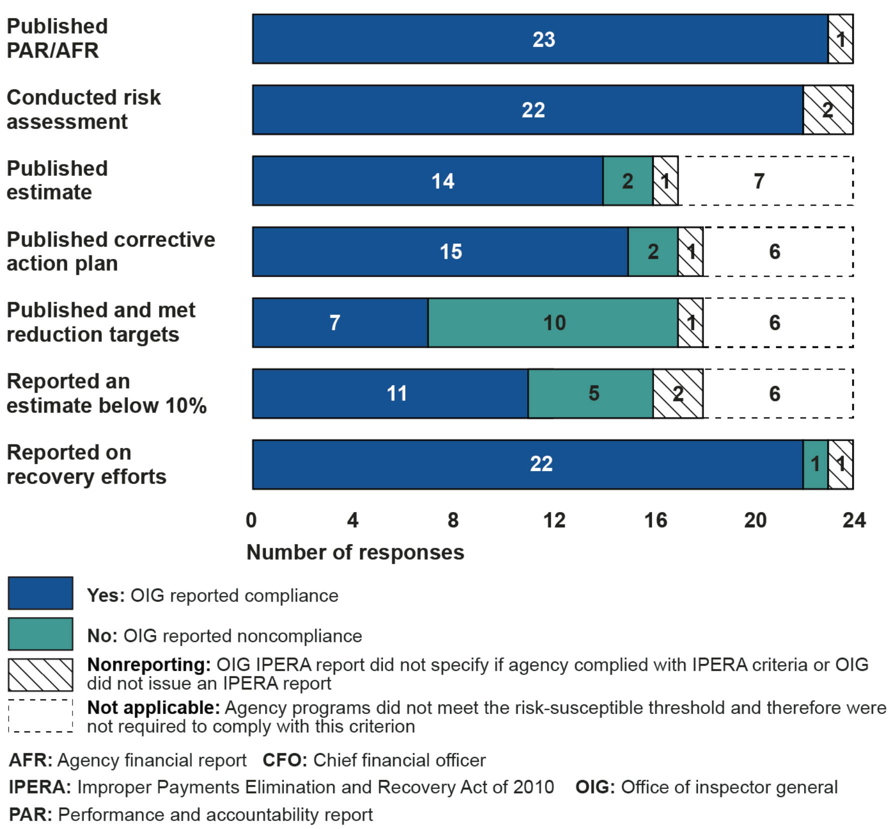
IPERA and OMB guidance do not require agencies' OIGs to use a specific method or format for evaluating and reporting on compliance with IPERA criteria. The OIGs varied widely in the reporting formats and levels of detail used to document and report on agency compliance under

IPERA. The OIG IPERA reports we reviewed for fiscal year 2013 ranged from brief reports that indicated the agencies' compliance under IPERA in one paragraph to extensive reports with information on how the OIGs evaluated improper payment methodologies, reliability issues, and other factors.

Common Areas of Noncompliance and Related Reported Causes

Fiscal year 2013 OIG IPERA reports showed that most CFO Act agencies reported on improper payments in their PARs or AFRs, conducted program risk assessments, and reported on actions to recover improper payments. However, the OIGs reported that many agencies did not meet planned reduction targets or achieve and report gross improper payment error rates below 10 percent.[14] Figure 2 summarizes CFO Act agencies' reported compliance by IPERA criterion for fiscal year 2013.

Figure 2: Fiscal Year 2013 CFO Act Agencies' Overall Compliance by IPERA Criterion, as Reported by Their OIGs



Source: Fiscal year 2013 agencies' OIG IPERA reports. | GAO-15-87R

The most common area where OIGs found agencies noncompliant with the IPERA criteria was in publishing and meeting annual improper payment reduction targets, which 10 CFO Act agencies did not meet. Although 9 of these agencies published improper payment reduction

[14] "Error rate" refers to a program's estimated annual improper payments as a percentage of that program's annual expenditures. To comply with IPERA criteria, agencies should report improper payment error rates below 10 percent.

targets, an additional agency that was required to publish its target did not, and none of these 10 succeeded in meeting their targets for fiscal year 2013. The OIGs reported that factors affecting compliance with this requirement included the programs' structures and continued challenges with supporting documentation.[15] For example, the Department of Health and Human Services (HHS)[16] and the Department of Agriculture (USDA)[17] OIGs reported that administrative and documentation errors prevented these agencies from meeting their reduction targets; the Department of Housing and Urban Development (HUD) OIG reported errors and system limitations, among others, as impediments to HUD achieving its reduction targets;[18] and the Department of Transportation (DOT) OIG reported payments for ineligible goods and services, incorrect payment calculations, and payments made with insufficient supporting documentation as challenges that prevented the agency from meeting its annual reduction target.[19] Other reported reasons agencies did not meet reduction targets were inadequacies with, and changes in, sampling and estimating methodologies.

The second most common noncompliance finding reported by the OIGs was the agencies' inability to achieve and report improper payment error rates below 10 percent. According to the OIGs' IPERA reports, 5 CFO Act agencies reported an improper payment error rate of 10 percent or higher for at least one of their programs or activities. The OIGs cited various reasons their agencies provided for not being able to comply with this criterion. Some reported as causes the complexities in the structure of the programs and the lack of documentation, which prevented accurate authentication and verification of eligible recipients. For example, the USDA OIG reported that USDA's School Breakfast and National School Lunch programs' high error rates of about 25 and 16 percent, respectively, were caused in part by authentication and verification errors.[20] The Small Business Administration's (SBA) OIG reported that the main impediment to reducing SBA's improper payment error rate was incomplete documentation,

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[15]Beginning in fiscal year 2011, according to OMB's guidance—OMB Circular No. A-136, *Financial Reporting Requirements*, revised October 21, 2013, and OMB Memorandum No. M-11-16—agencies were required to classify the root causes of estimated improper payments into three general categories for reporting purposes: (1) documentation and administrative errors, (2) authentication and medical necessity errors, and (3) verification errors. While some agencies generally reported some description of the causes of improper payments for their respective programs in their fiscal year 2013 AFRs, many agencies did not use the three categories to classify the types of errors.

[16]Department of Health and Human Services, Office of Inspector General, *U.S. Department of Health and Human Services Met Many Requirements of the Improper Payments Information Act of 2002 But Did Not Fully Comply for Fiscal Year 2013*, A-17-14-52000 (Washington, D.C.: April 2014).

[17]Department of Agriculture, Office of Inspector General, *Improper Payments Elimination and Recovery Act of 2010 Compliance Review for Fiscal Year 2013*, Audit No. 50024-0005-11 (Washington, D.C.: Apr. 15, 2014).

[18]Department of Housing and Urban Development, Office of Inspector General, *U.S. Department of Housing and Urban Development Compliance with the Improper Payments Elimination and Recovery Act of 2010*, 2014-FO-0004 (Washington, D.C.: Apr. 15, 2014).

[19]Department of Transportation, Office of Inspector General, *Accuracy and Reliability of DOT's Improper Payment Reporting Can Be Improved*, FI-2014-037 (Washington, D.C.: Apr. 15, 2014).

[20]Department of Agriculture, Office of Inspector General, *Improper Payments Elimination and Recovery Act of 2010 Compliance Review for Fiscal Year 2013*. USDA's OIG reported that USDA used results from a school year 2005 study to develop its current formulas to estimate improper payment rates for its School Breakfast and National School Lunch programs and that this affected the reliability of the estimates.

such as loan applications, especially in times of major disasters, such as Hurricane Sandy.[21] Finally, the Department of the Treasury (Treasury) OIG reported that the complexity of the tax law was a barrier to reducing the improper payment error rate for the Internal Revenue Service's Earned Income Tax Credit program.[22]

Other areas where agencies did not all comply with IPERA criteria according to the OIG IPERA reports included publishing improper payment estimates for risk-susceptible programs and publishing corrective action plans. OIG reports indicated that 2 agencies' remediation plans were incomplete and ineffective and did not properly target the root causes for improper payments. Two OIGs also reported that their agencies used incorrect sampling methodologies to calculate the improper payment estimates or did not publish improper payment estimates for their programs. For example, the USDA OIG reported that USDA's Federal Crop Insurance Corporation did not have an adequate sampling methodology to estimate its improper payments because it excluded significant payments, such as premium subsidies and indemnities below certain thresholds. Further, according to the HHS OIG, HHS did not publish estimates for its Temporary Assistance for Needy Families (TANF) program because it is a state-administered program and HHS asserts that statutory limitations prohibit it from requiring states to collect the information needed to perform an improper payment measurement.[23]

Reported Changes in Compliance since IPERA Enactment

According to OIG IPERA reports, agencies have shown overall improvement in reporting and addressing improper payments in the 3 years since IPERA was enacted in 2010. For example, in fiscal year 2011, the OIGs reported that 18 of the 24 CFO Act agencies had conducted risk assessments for all risk-susceptible programs; in fiscal year 2013, the OIGs reported that 22 agencies conducted the required assessments. Another area of improvement was agencies' reporting of their efforts to recover overpayments; in fiscal year 2013, the OIGs reported that 22 agencies reported on their efforts to recover improper payments, as compared to 15 agencies in fiscal year 2011.

Although the OIGs have reported improvements by some agencies in certain areas over the 3-year period, the OIGs for several agencies have not reported agency improvements in meeting planned reduction targets or lowering improper payment error rates to less than 10 percent.[24] For example, according to the OIG reports, USDA's School Breakfast and Lunch programs, Treasury's Earned Income Tax Credit program, and SBA's Disaster Assistance Loans program

[21]Small Business Administration, Office of Inspector General, *SBA's Progress in Complying with the Improper Payments Elimination and Recovery Act*, 14-11 (Washington, D.C.: Apr. 10, 2014).

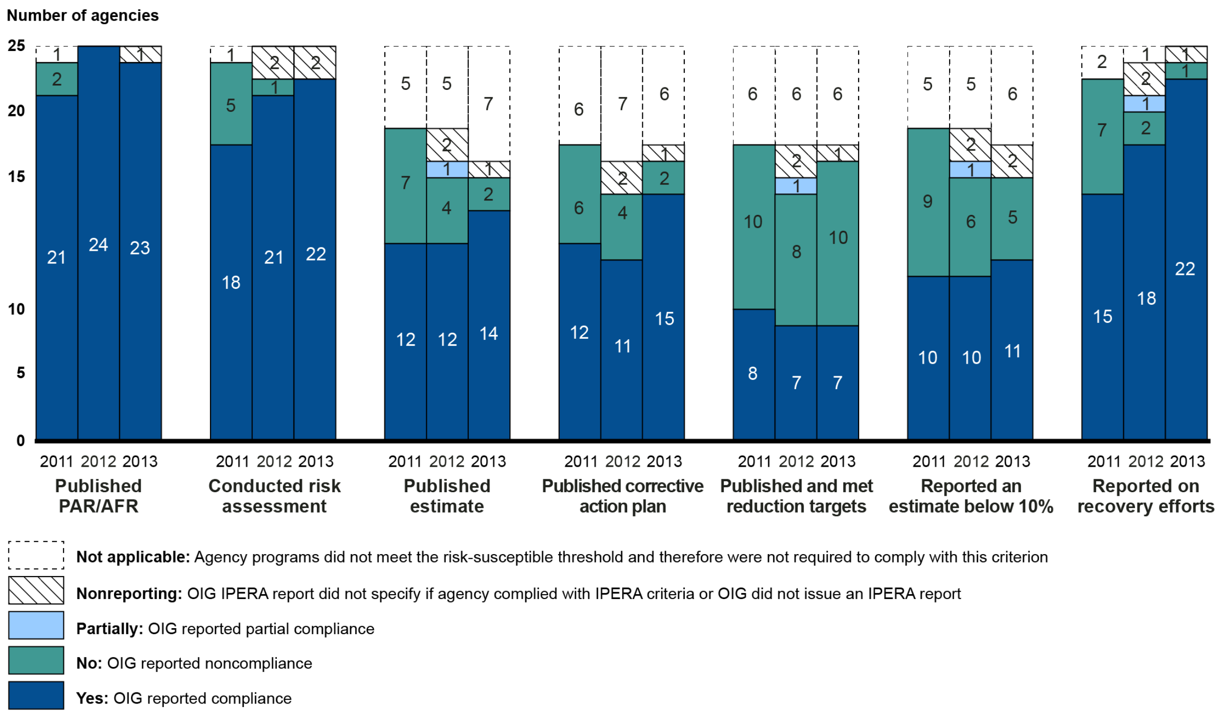
[22]Department of the Treasury, Office of Inspector General, *The Department of the Treasury Was Not in Compliance With the Improper Payments Elimination and Recovery Act for Fiscal Year 2013*, OIG-14-032 (Washington, D.C.: Apr. 15, 2014).

[23]HHS points to section 417 of the Social Security Act of 1935, as amended, which provides that no federal employee or officer may regulate the conduct of states under the part of the act containing the TANF laws except to the extent expressly provided in that part. *See* 42 U.S.C. § 617. In its March 2012 report on the Department's compliance with improper payment reporting, the HHS OIG recommended that the Department develop an improper payment estimate for the TANF program and, if necessary, seek statutory authority to require state participation in such a measurement. The HHS OIG stated that in subsequent reports, the OIG has continued to emphasize this recommendation but the recommendation remains unimplemented.

[24]See enc. III for a complete list of all programs that exceeded a 10 percent error rate from fiscal year 2011 through 2013.

have not met planned reduction targets for the past 3 fiscal years, and their reported error rates have been among the highest reported error rates in the government, ranging from 16 to 28 percent for the past 3 fiscal years. Figure 3 shows the prevalence of reported compliance by criterion from fiscal year 2011 through fiscal year 2013.

Figure 3: CFO Act Agency Compliance under IPERA, as Reported by Their OIGs (Fiscal Years 2011-2013)



AFR: Agency financial report **CFO:** Chief financial officer **IPERA:** Improper Payments Elimination and Recovery Act of 2010 **OIG:** Office of inspector general
PAR: Performance and accountability report

Source: OIG IPERA reports for fiscal years 2011, 2012, and 2013. | GAO-15-87R

IPERA includes consequences for agencies whose OIGs find noncompliance with any of the six statutory criteria.[25] If a program is found to be noncompliant in a fiscal year, the agency must submit a plan to Congress describing the actions that the agency will take to bring the program into compliance. If a program is found to be noncompliant for 2 consecutive fiscal years, and if OMB determines that additional funding would help the agency improve in this regard, steps may be taken to transfer or request that funding. Agencies for which OIGs have found programs to be noncompliant with IPERA for 3 consecutive years must submit to Congress a reauthorization proposal for each noncompliant program or activity or any proposed statutory changes they deem necessary to bring the program or activity into compliance. This is the third year of IPERA's implementation, and certain programs have been found to be noncompliant all 3 years. Therefore, agencies will be required to develop reauthorization proposals or propose statutory changes necessary to bring these programs or activities into compliance.

[25]The seventh criterion added by OMB—reporting on recovery auditing activities—does not trigger the statutory consequences for noncompliance.

Concluding Observations

According to OIG IPERA reports, agencies have made improvements in estimating and reporting improper payments since IPERA was enacted. However, many agencies are still reporting large improper payment estimates and error rates.

As we have previously reported, many agencies are in the process of assessing program designs and implementing or refining preventive controls, such as validation of eligibility, predictive analytic tests, and training programs, to help decrease improper payments.[26] Although strong preventive controls remain the frontline defense against improper payments, agencies also need effective detection techniques to quickly identify and recover those overpayments that do occur. The fiscal year 2013 OIG reports included numerous recommendations aimed at providing agencies with the tools necessary to address the causes for their improper payments and IPERA noncompliance issues.

Agency Comments

We provided a draft of this report to the Director of OMB and the Inspectors General of all 24 CFO Act agencies. OMB provided written comments, reproduced in enclosure IV, that highlighted initiatives to reduce improper payments, which it considers a key priority. The Offices of Inspector General for 22 of the CFO Act agencies provided comments via email. In addition, the Offices of Inspector General for the Social Security Administration and the General Services Administration provided written comments, which are reproduced in enclosures V and VI, respectively. All of the Inspectors General generally agreed with the information presented in this report. The Offices of Inspector General for the Departments of Education, Health and Human Services, Labor, and Veterans Affairs; the National Science Foundation; the Small Business Administration, and the Social Security Administration also provided technical comments that were incorporated, as appropriate.

We are sending copies of this report to the appropriate congressional committees. We will also send copies to the Director, Office of Management and Budget, and all CFO Act agencies' offices of inspector general. In addition, the report is available at no charge on the GAO website at http://www.gao.gov.

[26]See GAO, *Improper Payments: Government-Wide Estimates and Reduction Strategies*, GAO-14-737T (Washington, D.C.: July 9, 2014).

If you or your staff have any questions about this report, please contact me at (202) 512-2623 or 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 members who made major contributions to this report include Elizabeth Martinez (Assistant Director) and Bruce David.

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Director
Financial Management and Assurance

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Chairman
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United States Senate

The Honorable Darrell Issa
Chairman
Committee on Oversight and Government Reform
House of Representatives

The Honorable John L. Mica
Chairman
The Honorable Gerald E. Connolly
Ranking Member
Subcommittee on Government Operations
Committee on Oversight and Government Reform
House of Representatives

Enclosure I: Reported Improper Payment Estimates by Agency and Program/Activity for Fiscal Year 2013

		Reported by agencies in PARs/AFRs for FY 2013		
Agency/reporting program		Improper payment estimate	Error rate	Outlays
CFO Act agencies				
Department of Health and Human Services		**$65,289,000,000**		**$800,659,000,000**
1	Medicare Fee-for-Service (Parts A and B)	$36,033,000,000	10.10%	$357,397,000,000
2	Medicare Advantage (Part C)	$11,767,000,000	9.50%	$123,696,000,000
3	Medicare Prescription Drug Benefit (Part D)	$2,091,000,000	3.70%	$57,056,000,000
4	Medicaid	$14,376,000,000	5.80%	$246,931,000,000
5	Children's Health Insurance Program	$646,000,000	7.10%	$9,065,000,000
6	Foster Care	$70,000,000	5.30%	$1,326,000,000
7	Child Care Development Fund	$306,000,000	5.90%	$5,188,000,000
Department of the Treasury		**$14,450,000,000**		**$60,300,000,000**
8	Earned Income Tax Credit	$14,450,000,000	24.00%	$60,300,000,000
Social Security Administration		**$6,783,000,000**		**$823,711,000,000**
9	Old Age, Survivors & Disability Insurance	$2,448,000,000	0.32%	$770,300,000,000
10	Supplemental Security Income	$4,335,000,000	8.12%	$53,411,000,000
Department of Labor		**$6,230,810,000**		**$69,783,000,000**
11	Unemployment Insurance	$6,225,000,000	9.32%	$66,788,000,000
12	Workforce Investment Act	$5,810,000	0.19%	$2,995,000,000
Department of Agriculture		**$6,162,000,000**		**$115,025,000,000**
13	Supplemental Nutrition Assistance Program	$2,553,000,000	3.42%	$74,639,000,000
14	Federal Crop Insurance Corporation Program Fund	$566,000,000	5.23%	$10,828,000,000
15	Marketing Assistance Loan Program	$8,000,000	0.34%	$2,344,000,000
16	Wildland Fire Suppression Management	$0	0.00%	$835,000,000
17	Rental Assistance Program	$20,000,000	1.79%	$1,108,000,000
18	Farm Security & Rural Investment Act Programs	$158,000,000	6.93%	$2,277,000,000
19	Child and Adult Care Food Program, Family Day Care Homes — Tiering Decisions	$10,000,000	1.09%	$917,000,000
20	Conservation Reserve Program	$6,000,000	0.38%	$1,651,000,000
21	Miscellaneous Disaster Programs	$24,000,000	3.78%	$655,000,000
22	Noninsured Assistance Program	$13,000,000	5.23%	$256,000,000
23	Special Supplemental Nutrition Program for Women, Infants, and Children	$198,000,000	4.38%	$4,520,000,000
24	National School Lunch Program	$1,774,000,000	15.69%	$11,304,000,000
25	School Breakfast Program	$831,000,000	25.26%	$3,290,000,000
26	Milk Income Loss Contract Program	$1,000,000	0.17%	$401,000,000
Department of Education		**$1,843,700,000**		**$160,376,000,000**
27	Pell Grants	$731,000,000	2.26%	$32,338,000,000
28	Direct Loan	$1,056,000,000	1.03%	$102,497,000,000

Agency/reporting program		Reported by agencies in PARs/AFRs for FY 2013 Improper payment estimate	Error rate	Outlays
29	Family Federal Education Loan Program	$0	0.00%	$10,817,000,000
30	Title I - Grants to States[a]	$56,700,000	0.39%	$14,724,000,000
Department of Housing and Urban Development		**$1,324,000,000**		**$30,949,038,000**
31	Public Housing/Rental Assistance	$1,324,000,000	4.30%	$30,949,038,000
Department of Veterans Affairs		**$1,074,040,000**		**$72,436,000,000**
32	Compensation	$321,100,000	0.67%	$48,181,000,000
33	Pension	$92,430,000	1.75%	$5,268,000,000
34	Education-Chapter 33	$0	0.00%	$8,769,000,000
35	Education-Chapter 1606	$480,000	0.33%	$146,000,000
36	Education-Chapter 1607	$390,000	0.44%	$88,000,000
37	Vocation Rehabilitation and Employment	$2,150,000	0.27%	$786,000,000
38	Non-VA Care Fee	$429,070,000	9.64%	$4,447,000,000
39	State Home Per Diem Grants	$135,230,000	15.94%	$848,000,000
40	Supplies and Materials	$2,530,000	0.11%	$2,230,000,000
41	Civilian Health and Medical Program of the Department of Veterans Affairs	$20,920,000	2.26%	$924,000,000
42	Beneficiary Travel	$69,740,000	9.32%	$749,000,000
Department of Defense		**$1,064,880,000**		**$615,760,000,000**
43	Military Retirement Benefits	$19,900,000	0.04%	$56,600,000,000
44	Military Health Benefits	$67,600,000	0.32%	$20,500,000,000
45	Military Pay	$286,600,000	0.29%	$98,700,000,000
46	Civilian Pay	$96,400,000	0.17%	$57,000,000,000
47	Department of Defense Travel Pay	$474,800,000	6.50%	$7,300,000,000
48	Defense Finance and Accounting Service Commercial Pay[b]	$117,300,000	0.03%	$352,600,000,000
49	U.S. Army Corps of Engineers Travel Pay	$2,280,000	1.43%	$160,000,000
50	U.S. Army Corps of Engineers Commercial Pay	$0	0.00%	$21,700,000,000
51	Navy Enterprise Resource Planning Commercial Pay	$0	0.00%	$1,200,000,000
Small Business Administration		**$694,400,000**		**$19,373,200,000**
52	Disaster Loan Disbursements	$121,100,000	18.40%	$659,000,000
53	7(a) Guaranty Purchases	$13,900,000	1.15%	$1,211,400,000
54	7(a) Guaranty Approvals	$510,900,000	4.60%	$10,994,500,000
55	504 Certified Development Company Guaranty Approvals	$34,400,000	0.54%	$6,386,900,000
56	Contract Disbursements	$14,100,000	11.60%	$121,400,000
Office of Personnel Management		**$352,490,000**		**$120,069,600,000**
57	Federal Employee Retirement Programs	$278,300,000	0.36%	$76,485,900,000
58	Federal Employee Health Benefit Program	$74,190,000	0.17%	$43,583,700,000
Department of Homeland Security		**$178,000,000**		**$13,767,000,000**
59	National Flood Insurance Program	$0	0.02%	$2,127,000,000

		Reported by agencies in PARs/AFRs for FY 2013		
Agency/reporting program		Improper payment estimate	Error rate	Outlays
60	Public Assistance Programs	$41,000,000	1.11%	$3,670,000,000
61	Homeland Security Grant Program	$22,000,000	1.31%	$1,699,000,000
62	Assistance to Firefighters Grants	$5,000,000	1.07%	$425,000,000
63	Detention/Enforcement and Removal Operations	$73,000,000	4.33%	$1,691,000,000
64	Disaster Relief Fund Vendor Payments	$23,000,000	3.11%	$750,000,000
65	Customs and Border Protection Custodial Refund & Drawback	$7,000,000	0.36%	$1,937,000,000
66	Federal Protective Service	$0	0.03%	$878,000,000
67	Customs and Border Protection Border Security Fencing	$0	0.01%	$173,000,000
68	Transit Security Grants Program	$7,000,000	2.06%	$328,000,000
69	Emergency Food and Shelter Program	$0	0.34%	$89,000,000
Department of Transportation		**$158,960,000**		**$57,685,000,000**
70	Federal Highway Administration Highway Planning/Construction	$82,910,000	0.20%	$41,455,000,000
71	Federal Transit Administration Formula Grants Program	$72,350,000	0.73%	$9,911,000,000
72	Federal Transit Administration Capital Investment Grants Program	$950,000	0.04%	$2,386,000,000
73	Federal Aviation Administration Airport Improvement Program	$2,750,000	0.07%	$3,933,000,000
Environmental Protection Agency		**$70,800,000**		**$3,508,000,000**
74	Clean Water State Revolving Fund	$15,600,000	0.73%	$2,150,000,000
75	Drinking Water State Revolving Fund	$55,200,000	4.06%	$1,358,000,000
General Services Administration		**$64,380,000**		**$6,781,600,000**
76	Rental of Space	$59,550,000	1.07%	$5,556,000,000
77	Purchase Card	$4,280,000	7.79%	$54,900,000
78	Building Operations Utilities	$250,000	0.06%	$400,000,000
79	Integrated Technology Service-Wide Area Network	$0	0.00%	$753,000,000
80	Other Sensitive Payments	$300,000	1.67%	$17,700,000
Agency for International Development		**$5,650,000**		**$9,423,000,000**
81	USAID Twenty Seven Programs	$5,650,000	0.06%	$9,423,000,000
Department of Commerce		N/R		N/R
Department of Energy		N/R		N/R
Department of the Interior		N/R		N/R
Department of Justice		N/R		N/R
Department of State		N/R		N/R
National Aeronautics and Space Administration		N/R		N/R
National Science Foundation		N/R		N/R
Nuclear Regulatory Commission		N/R		N/R

Non-CFO Act agencies				
Railroad Retirement Board		**$61,800,000**		**$11,347,300,000**
82	Retirement and Survivors Benefits	$61,800,000	0.54%	$11,347,300,000
Federal Communications Commission		**$59,917,000**		**$7,138,353,000**
83	Universal Service Fund - High Cost	$10,563,000	0.26%	$4,119,737,000
84	Universal Service Fund - Schools and Libraries	$49,354,000	2.21%	$2,232,284,000
85	Telecommunications Relay Services Fund	$0	0.00%	$786,332,000
Total		**$105,867,827,000**		**$2,998,092,091,000**

Legend: AFR = agency financial report; CFO Act = Chief Financial Officers Act of 1990; FY = fiscal year; NR = not reported; PAR = performance and accountability report.

Source: GAO summary of Office of Management and Budget data and agencies' data. | GAO-15-87R

[a]The Department of Education OIG stated that Education did not identify its Title I program as a program susceptible to significant improper payments in its risk assessment. However, the agency is required to include this program based on reporting requirements contained in OMB Circular A-136, *Financial Reporting Requirements*, revised October 21, 2013. Specifically, this requirement states that any programs that had been previously identified in the former Section 57 of OMB Circular No. A-11 shall continue to report improper payment estimates, unless OMB has granted relief from reporting requirements.

[b]This table includes the Department of Defense's Defense Finance and Accounting Service (DFAS) Commercial Pay improper payment estimate of $117.3 million and corresponding outlays of $352.6 billion as reported by the Office of Management and Budget in fiscal year 2013. However, the reported government-wide estimate of $105.8 billion in improper payments attributable to 84 programs or activities excludes DFAS Commercial Pay because of concerns regarding the reliability of its estimate. The government-wide improper payment estimate for fiscal year 2013 including this program is $105.9 billion.

Enclosure II: Top Five Programs and Activities Reporting Largest Improper Payment Estimates for Fiscal Years 2011 through 2013

Dollars in millions

Agency	Program name	Improper payment estimate	Outlays	Improper payment error rate
FY 2013				
HHS	Medicare Fee-for-Service	$36,033	$357,397	10.1%
Treasury	Earned Income Tax Credit	$14,500	$60,300	24.0%
HHS	Medicaid	$14,376	$246,931	5.8%
HHS	Medicare Advantage (Part C)	$11,767	$123,696	9.5%
DOL	Unemployment Insurance	$6,225	$66,788	9.3%
Total		**$82,901**	**$855,112**	
Top five programs accounted for 78 percent of total estimated improper payments of $105.8 billion in programs producing estimates in FY 2013				
FY 2012				
HHS	Medicare Fee-for-Service	$29,571	$349,673	8.5%
HHS	Medicaid	$19,235	$271,011	7.1%
HHS	Medicare Advantage (Part C)	$13,100	$115,183	11.4%
Treasury	Earned Income Tax Credit	$12,600	$55,400	22.7%
DOL	Unemployment Insurance	$10,296	$90,160	11.4%
Total		**$84,802**	**$881,427**	
Top five programs accounted for 79 percent of the revised total estimated improper payments of $107.1 billion in programs producing estimates in FY 2012				
FY 2011				
HHS	Medicare Fee-for-Service	$28,810	$336,378	8.60%
HHS	Medicaid	$21,900	$269,241	8.10%
Treasury	Earned Income Tax Credit	$15,200	$64,700	23.5%
DOL	Unemployment Insurance	$13,697	$114,140	12.0%
HHS	Medicare Advantage (Part C)	$12,390	$112,215	11.0%
Total		**$91,997**	**$896,674**	
Top five programs accounted for 80 percent of the revised total estimated improper payments of $115.7 billion in programs producing estimates in FY 2011				

Legend: DOL = Department of Labor; HHS = Department of Health and Human Services; Treasury = Department of the Treasury.

Source: GAO summary of Office of Management and Budget data and agencies' data. | GAO-15-87R

Enclosure III: Agency Programs and Activities with Reported Error Rates in Excess of 10 Percent for Fiscal Years 2011 through 2013

Agency	Program	Error rate
Fiscal year 2013		
USDA	School Breakfast	25.3%
Treasury	Earned Income Tax Credit	24.0%
SBA	Disaster Assistance Loans	18.4%
VA	State Home Per Diem Grants	15.9%
USDA	School Lunch	15.7%
SBA	Contract Disbursements	11.6%
HHS	Medicare Fee-for-Service	10.1%
Fiscal year 2012		
USDA	School Breakfast	25.2%
Treasury	Earned Income Tax Credit	22.7%
SBA	Disaster Assistance Loans	17.9%
USDA	School Lunch	15.5%
VA	Fee Program	12.0%
DOL	Unemployment Insurance	11.4%
HHS	Medicare Advantage (Part C)	11.4%
Fiscal year 2011		
SBA	Disaster Assistance Loans	28.4%
USDA	School Breakfast	25.0%
Treasury	Earned Income Tax Credit	23.5%
USDA	School Lunch	16.0%
VA	State Home Per Diem Grants	13.7%
VA	Supplies and Materials	13.6%
VA	Fee Program	12.4%
DOL	Unemployment Insurance	12.0%
HHS	Child Care and Development Fund	11.2%
HHS	Medicare Advantage (Part C)	11.0%

Legend: DOL = Department of Labor; HHS = Department of Health and Human Services; SBA = Small Business Administration; Treasury = Department of the Treasury; USDA = Department of Agriculture; VA = Department of Veterans Affairs.

Source: GAO summary of Office of Management and Budget data and agencies' data. | GAO-15-87R

Enclosure IV: Comments from the Office of Management and Budget

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

November 7, 2014

THE CONTROLLER

Ms. Beryl Davis
Director
Financial Management and Assurance
U.S. Government Accountability Office

Dear Ms. Davis:

Thank you for the opportunity to review the U.S. Government Accountability Office's (GAO) draft report entitled *Improper Payments: Inspector General Reporting of Agency Compliance under the Improper Payments Elimination and Recovery Act* (GAO-15-87R). I am responding to the draft report on the behalf of the Office of Management and Budget (OMB). We appreciate GAO's work on this very important issue.

The Administration has made reducing improper payments—payments made to the wrong entity, in the wrong amount, or for the wrong reason—a key priority. Our partnership with Congress has been vital to these efforts. Enactment of the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), were both important milestones in this partnership.

We continue to use the Budget to build on congressional and Administration action to reduce improper payments. For example, the President's FY 2015 Budget includes a number of program integrity proposals aimed at reducing improper payments and improving government efficiency. In addition, we recently provided agencies with new tools in a revised OMB Circular No. A-123, Appendix C to tackle improper payments. OMB A-123, Appendix C provides guidance to agencies and Inspectors General on key improper payment activities, including risk assessments, estimating and reporting, recoveries, and compliance reviews. The enactment of IPERIA provided an opportunity for OMB to re-examine Appendix C to ensure agencies are able to more efficiently reduce their improper payment rates, while also complying with multiple legislative and administrative requirements. The goal of this overhauled version of Appendix C is to transform the improper payment compliance framework to create a more unified, comprehensive, and less burdensome set of requirements. Appendix C accomplishes the following, among other things:

- Consolidates and streamlines reporting requirements so agencies can spend less time producing compliance reports and more time focusing on game-changing solutions for achieving payment accuracy;
- Establishes new reporting categories to provide more granularity on improper payment estimates to inform more effective corrective actions and more focused strategies for reducing improper payments;
- Introduces a new internal control framework to ensure that payments are made in the right amount, to the right entity, and for the right purpose; and

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THE CONTROLLER

- Strengthens the statistical validity of agency improper payment estimates and includes payments to Federal employees in the definition of improper payments.

Combating improper payments within the Federal Government is a top priority for the Administration and we will continue to explore new and innovative ways to address the problem. Every dollar paid in error represents an unacceptable waste of public resources, and this Administration is committed to keeping up the fight to reduce waste, fraud, and abuse and continuing to attack this challenge with every tool at our disposal. I look forward to working with you, as well the Congress, as we continue to prevent and reduce improper payments. Thank you again for your draft report.

Sincerely,

David Mader
Controller

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Enclosure V: Comments from the Social Security Administration Office of Inspector General

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

November 4, 2014

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

Ms. Davis,

This letter is in response to your request—dated October 24, 2014—for the Social Security Administration's (SSA) Office of the Inspector General to provide comments on the Government Accountability Office's (GAO) draft report, *Improper Payments: Inspector General Reporting of Agency Compliance under the Improper Payments Elimination and Recovery Act* (IPERA)(GAO-15-87R).

We reviewed the SSA information in the draft GAO report and found that it is reported correctly. However, as a general comment, we note that you use the phrase Fiscal Year (FY) 2013 throughout the report, but the improper payment estimates that SSA reports in its FY 2013 Agency Financial Report is actually based on FY 2012 data. Therefore, we suggest that you consider adding a note regarding this in your report.

Additionally, as a follow-up to the discussion we had on October 29th regarding the types of payments SSA includes and excludes from its improper payment estimates, please see the attachment.

If you have any questions, please contact Audit Director Judith Oliveira at (617) 565-1765.

Sincerely,

Patrick P. O'Carroll, Jr.
Inspector General

Attachment

cc:
Elizabeth Martinez
Steven L. Schaeffer
Judith Oliveira
Victoria Vetter

WEB: OIG.SSA.GOV | FACEBOOK: OIGSSA | TWITTER: @THESSAOIG | YOUTUBE: THESSAOIG
6401 SECURITY BOULEVARD | BALTIMORE, MD 21235-0001

Attachment

Background

After the *Improper Payment Act of 2002* was enacted, the Social Security Administration (SSA) and its Office of the Inspector General (OIG) had a series of discussions on what "improper payments" were and we could not come to an agreement. Basically, the OIG's position was that SSA should count everything and SSA disagreed. Therefore, we contacted the Office of Management and Budget (OMB). OMB issued guidance in August 2003—agreeing with SSA's position and specifying what types of payments SSA should include in its improper payment estimates—as shown in the Table below. OMB's guidance was specifically issued to SSA—not all Federal agencies—based on the issues SSA and its OIG raised.

Since OMB's August 2003 decision, we have requested that OMB re-visit this guidance—most recently after the *Improper Payments Elimination and Recovery Act of 2010 (IPERA)* was enacted. However, OMB has not agreed to do this.

As a result of OMB's guidance, SSA only includes certain payments in the improper payment estimates it reports in its *Performance and Accountability Report/Agency Financial Report* and other reports it is required to prepare under Executive Order 13520, *IPERA*, the *Improper Payments Elimination and Recovery Improvement Act of 2012*, etc.

Over the years, we have included the fact that, under OMB guidance, SSA does not include all types of overpayments in its improper payment estimates. For example, see the two OIG audit report links below.

1. *Overpayments in the Social Security Administration's Disability Programs* (A-01-04-24065), April 2006, see Appendix E pages E-4 and E5. http://oig.ssa.gov/sites/default/files/audit/full/pdf/A-01-04-24065.pdf

2. *SSA's Plan to Reduce Improper Payments Under Executive Order 13520, as Reported in March 2011* (A-15-11-01126), September 2011, see Appendix D. http://oig.ssa.gov/sites/default/files/audit/full/pdf/A-15-11-01126.pdf

OMB Guidance for SSA

The following table contains OMB's classification of SSA payments into one of two categories.

- Unavoidable - Payments resulting from legal or policy requirements. These payments are not considered "improper" and may still be subject to recovery. These payments are not included in SSA's improper payment estimates.

- Avoidable - Payments that should be reflected in SSA's improper payment estimate because they could be reduced through changes in administrative actions.

Attachment

Types of Payments	SSA Program	Current Status	Reason for Overpayment or Underpayment	OMB Classification
Payments following a cessation of eligibility due to a continuing disability review	DI and SSI	Not currently reflected as an error	When SSA is required by law to make payments during the appeals process, these payments are not erroneous.	Unavoidable
Payments made under the Goldberg-Kelly due-process Supreme Court decision	SSI	Reported as an unavoidable erroneous payment in the Annual Performance Plan (APP)	When due process requires that SSI payments continue, although the Agency has determined that a payment reduction or termination is in order, such payments are not erroneous.	Unavoidable
Payments made incorrectly because of program design	SSI	Reported as an unavoidable erroneous payment in the APP	The law requires that SSI payments be made on the first of the month based on projected income for that particular month. Changes in the recipient's status can occur during the month, which causes the recipient's eligibility to change. Because SSA cannot prevent the overpayment, this situation should not be reflected in the Agency's erroneous payment rate.	Unavoidable
death	OASI, DI, and SSI	Not currently reflected as an error	Dollars released after death (either electronically or in the form of a paper check) that are reclaimed by the Department of the Treasury or returned unendorsed should not be reflected in the Agency's erroneous payment rate. Conversely, payments made after death that are improperly cashed or withdrawn, and are subject to overpayment recovery, should be reported.	Unavoidable except for fraud or misuse
Non-receipt of payment	OASI, DI, and SSI	Not currently reflected as an error	Duplicate payments issued in accordance with the Robinson-Reyf Court decision are unavoidable and should not be reflected in the Agency's reports on erroneous payments. The only exception is duplicates incorrectly sent to abusers.	Unavoidable except for fraud or misuse
Payments based on medical eligibility	DI and SSI	Not currently reflected as an error	Payments are not erroneous if they are the result of a medical improvement review standard or a situation where the beneficiary would have been ineligible had the law permitted retroactive ineligibility.	Should not be included in the erroneous payment estimate
Payments made for Title II beneficiaries based on earnings estimates	DI and OASI	Not currently reflected as an error	When program design requires that the Agency make payments based on estimated earnings, these payments should not be considered erroneous.	Unavoidable

Types of Payments	SSA Program	Current Status	Reason for Overpayment or Underpayment	OMB Classification
Undetected error	OASI, DI, and SSI	Not currently reported as an error	The Agency should not reflect undetected error in its erroneous payment rate unless it has evidence that a specific type of erroneous payment was made.	Should not be included in the erroneous payment estimate
Duplicate payments to attorneys, vendors, and employees	Administrative Expense	Not currently reported as an error	Agency systems do not capture when the overpayment occurs; however, this type of error does not meet the reporting threshold.	Avoidable

Enclosure VI: Comments from the General Services Administration Office of Inspector General

Office of Inspector General
U.S. General Services Administration

TO: BERYL H. DAVIS
DIRECTOR, FINANCIAL MANAGEMENT AND ASSURANCE
GOVERNMENT ACCOUNTABILITY OFFICE

Robt C. Erickson

FROM: ROBERT C. ERICKSON, Jr.
ACTING INSPECTOR GENERAL

SUBJECT: **Draft Report – GAO-15-87R**
Improper Payments - Inspector General Reporting of Agency Compliance under the Improper Payments Elimination and Recovery Act (IPERA)

Thank you for the opportunity to provide comments regarding the subject draft GAO report. We agree with the presentation of the Office of Inspector General's conclusions regarding GSA's compliance with the IPERA requirements.

If you have any questions, please contact Theodore R. Stehney, Assistant Inspector General for Auditing at (202) 501-0374.

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(197241)

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