



May 2017

IMPROPER PAYMENTS

Additional Guidance
Could Provide More
Consistent
Compliance
Determinations and
Reporting by
Inspectors General

GAO Highlights

Highlights of [GAO-17-484](#), a report to the Ranking Member, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

Fiscal year 2015 marked the fifth year of the implementation of IPERA, which requires IGs to annually assess and report on whether executive branch agencies complied with six IPERA criteria related to the estimation of improper payments. Improper payments have been estimated to total over \$1.2 trillion government-wide from 2003 through 2016.

This report examines (1) the extent to which the 24 CFO Act agency IGs reported that agencies complied with the six IPERA criteria for fiscal years 2011 through 2015 and the programs reported as noncompliant for 3 or more consecutive years; (2) the extent to which the IGs reported that they performed optional procedures during their fiscal year 2015 reviews; and (3) the number and status of the IGs' fiscal years 2011 through 2015 IPERA compliance review recommendations. To conduct this work, GAO analyzed the IGs' fiscal years 2011 through 2015 IPERA compliance reports and corroborated the findings with OMB and all 24 CFO Act agencies and their IGs.

What GAO Recommends

GAO recommends that the (1) Director of OMB coordinate with CIGIE to develop and issue guidance, either jointly or independently, to specify what procedures should be conducted as part of the IGs' IPERA compliance determinations and (2) Department of Agriculture submit a proposal to Congress, as required in response to 3 years of IPERA noncompliance. In response to the draft report, OMB had no comments and CIGIE stated that it would coordinate with OMB. Also, the Department of Agriculture concurred with the recommendation to it.

View [GAO-17-484](#). For more information, contact Beryl H. Davis at (202) 512-2623 or davisbh@gao.gov

May 2017

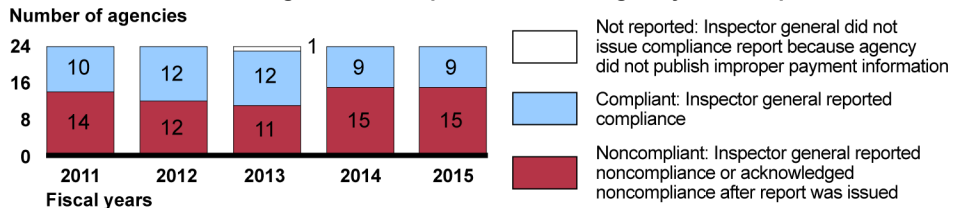
IMPROPER PAYMENTS

Additional Guidance Could Provide More Consistent Compliance Determinations and Reporting by Inspectors General

What GAO Found

Five years after the implementation of the Improper Payments Elimination and Recovery Act of 2010 (IPERA), 15 of the 24 Chief Financial Officers Act of 1990 (CFO Act) agencies were reported by their inspectors general (IG) as noncompliant under IPERA for fiscal year 2015. The programs associated with these 15 agencies accounted for \$132 billion (or about 96 percent) of the reported \$136.7 billion government-wide improper payment estimate for fiscal year 2015. In addition, the inconsistent IG compliance determinations in the IGs' fiscal year 2015 IPERA compliance reports may present potentially misleading information. Specifically, certain IGs reported compliance based on the presence or absence of the required analysis or reporting, regardless of whether the IGs identified flaws, whereas certain other IGs reported agencies as noncompliant based on their performance of some degree of evaluative procedures to determine whether the analysis or reporting that the agency produced was substantively adequate. While the severity of the IGs' findings may have resulted in the IGs reporting noncompliance for some agencies, similar findings were identified for both the compliant and noncompliant agencies. IPERA and Office of Management and Budget (OMB) guidance does not specify what, if any, evaluative procedures should be conducted as part of the IGs' compliance determinations. The Council of the Inspectors General on Integrity and Efficiency (CIGIE), which represents the IGs, has also not issued such guidance.

Number of Chief Financial Officers Act Agencies Compliant and Noncompliant under IPERA for Fiscal Years 2011 through 2015, as Reported/Acknowledged by Their Inspectors General



Source: GAO analysis of Inspector General Improper Payments Elimination and Recovery Act of 2010 (IPERA) compliance reports from fiscal years 2011 through 2015. | GAO-17-484

IGs reported programs at 7 agencies as noncompliant for 3 or more consecutive years as of the end of fiscal year 2015 and, as a result, were required to submit certain information to Congress. However, the Department of Agriculture had not submitted the required information, despite prior recommendations from its IG and GAO. When agencies do not submit the required information, Congress may lack the information necessary to effectively monitor the implementation of IPERA and take action to address problematic programs in a timely manner.

The IGs' IPERA compliance reviews serve a key function: to reasonably assure that federal dollars are not misspent and that improper payment estimates are accurate, reliable, and complete. To that end, 20 of the 24 IGs reported in their fiscal year 2015 IPERA compliance reports that they also performed one or more optional procedures, which included evaluating the accuracy and completeness of their agencies' reporting. The IGs made 425 recommendations in their fiscal years 2011 through 2015 IPERA compliance reports, and 320 of these recommendations were closed as of December 31, 2016.

Contents

Letter		1
	Background	4
	Over Half of the CFO Act Agencies Continue to Be Reported as Noncompliant under IPERA, but the IGs' Compliance Determinations for Fiscal Year 2015 Were Inconsistent	7
	Majority of CFO Act Agency IGs Reported Performing One or More Optional Procedures during Their Fiscal Year 2015 IPERA Compliance Reviews	24
	CFO Act Agency IGs Made About 400 Recommendations in Their Fiscal Years 2011 through 2015 IPERA Compliance Reports, and More Than 100 Recommendations Remain Open as of December 31, 2016	27
	Conclusions	33
	Recommendations for Executive Action	33
	Agency Comments	34
Appendix I	Objectives, Scope, and Methodology	36
Appendix II	CFO Act Agencies Reported as Noncompliant under IPERA by IGs for Fiscal Year 2015	40
Appendix III	CFO Act Agencies and Programs Reported as Noncompliant under IPERA by Their IGs for Fiscal Year 2015	42
Appendix IV	Reported Improper Payment Estimates by Agency and Program/Activity for Fiscal Year 2015	45
Appendix V	Optional Procedures Performed by the IGs during Their Fiscal Year 2015 IPERA Compliance Reviews	52

Appendix VI	Fiscal Years 2011 through 2015 Compliance Results and the Status of the IGs' Recommendations	55
Appendix VII	Reported Improper Payment Estimates by Agency and Program/Activity for Fiscal Year 2016	61
Appendix VIII	Comments from the Council of the Inspectors General on Integrity and Efficiency	67
Appendix IX	Comments from the Department of Homeland Security Office of Inspector General	68
Appendix X	Comments from the Department of Housing and Urban Development	69
Appendix XI	Comments from the Department of Housing and Urban Development Office of Inspector General	70
Appendix XII	Comments from the Department of the Treasury	72
Appendix XIII	Comments from the Social Security Administration	74
Appendix XIV	GAO Contact and Staff Acknowledgments	75

Tables

Table 1: IGs' Originally Reported Fiscal Year 2015 Noncompliance Results for the CFO Act Agencies and Potential Noncompliance Results if Consistently Based on Pass/Fail Determinations or Evaluative Procedures	22
Table 2: CFO Act Agencies' Programs That IGs Reported as Noncompliant under IPERA for Fiscal Year 2015	42
Table 3: Reported Improper Payment Estimates by Agency and Program/Activity for Fiscal Year 2015	45
Table 4: Summary of Optional Procedures the IGs Reported That They Performed during Their Fiscal Year 2015 IPERA Compliance Reviews	52
Table 5: Status of Recommendations Made in the IGs' Fiscal Years 2011 through 2015 IPERA Compliance Reports, as of December 31, 2016	55
Table 6: Reported Improper Payment Estimates by Agency and Program/Activity for Fiscal Year 2016	61

Figures

Figure 1: Overview of Inspector General Procedures That Are Required and Optional Related to Improper Payment Reporting	7
Figure 2: The Number of CFO Act Agencies Compliant and Noncompliant under IPERA for Fiscal Years 2011 through 2015, as Reported/Acknowledged by Their IGs	8
Figure 3: CFO Act Agencies' Overall IPERA Compliance for Fiscal Years 2011 through 2015, as Reported/Acknowledged by Their IGs	9
Figure 4: Programs at CFO Act Agencies That Accounted for the Total Reported Fiscal Year 2015 Improper Payment Estimates	10
Figure 5: CFO Act Agency Programs Noncompliant under IPERA for 3 Consecutive Years or More, as Reported by Their IGs, as of Fiscal Year 2015	12
Figure 6: CFO Act Agencies' IPERA Compliance by IPERA Criteria for Fiscal Years 2011 through 2015, as Reported/Acknowledged by Their IGs	14
Figure 7: Total Instances of Noncompliance under IPERA Criteria at CFO Act Agencies for Fiscal Years 2011 through 2015, as Reported/Acknowledged by Their IGs	15

Figure 8: Number of CFO Act Agency IGs That Reported Performing Optional Procedures during Their Fiscal Year 2015 IPERA Compliance Reviews	24
Figure 9: Number of Improper Payments Recommendations Included in the CFO Act Agency IGs' Fiscal Years 2011 through 2015 IPERA Compliance Reports	28
Figure 10: Number and Status of Improper Payment-Related Recommendations Made by the CFO Act Agency Inspectors General in Their Fiscal Years 2011 through 2015 IPERA Compliance Reports, as of December 31, 2016	30
Figure 11: Summary of Noncompliant CFO Act Agencies per IPERA Criteria, as Reported/Acknowledged by the IGs, and Status of IGs' Recommendations Designed to Address Noncompliance, as of December 31, 2016	31
Figure 12: Fiscal Year 2015 CFO Act Agencies' Overall IPERA Compliance by IPERA Criteria, as Reported by Their IGs	40
Figure 13: Fiscal Year 2015 CFO Act Agencies' IPERA Compliance as Reported by Their IGs	41

Abbreviations

AFR	Agency Financial Report
CFO Act	Chief Financial Officers Act of 1990
CIGIE	Council of the Inspectors General on Integrity and Efficiency
DHS	Department of Homeland Security
DOD	Department of Defense
DOI	Department of the Interior
DOL	Department of Labor
DOT	Department of Transportation
DRAA	Disaster Relief Appropriations Act
Education	Department of Education
EPA	Environmental Protection Agency
FEMA	Federal Emergency Management Agency
FNS	Food and Nutrition Service
GSA	General Services Administration
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
IG	Inspector General
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act of 2002
NASA	National Aeronautics and Space Administration
NRC	Nuclear Regulatory Commission
NSF	National Science Foundation
OCFO	Office of Chief Financial Officer
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PAR	Performance and Accountability Report
SBA	Small Business Administration
SSA	Social Security Administration
State	Department of State
TANF	Temporary Assistance for Needy Families program
Treasury	Department of the Treasury
USDA	U.S. Department of Agriculture
VA	Department of Veterans Affairs

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May 31, 2017

The Honorable Claire McCaskill
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

Dear Senator McCaskill:

Improper payments—payments that should not have been made or were made in incorrect amounts—have been estimated to total over \$1.2 trillion government-wide from fiscal year 2003 through fiscal year 2016.¹ Specifically, for fiscal year 2003, 27 agency programs reported estimated improper payments totaling \$35 billion, and by fiscal year 2016, 112 agency programs reported estimated improper payments totaling \$144.3 billion.² The focus of this review is fiscal year 2015, and for that year 122 agency programs reported estimated improper payments totaling \$136.7 billion. It is important to note that these estimates themselves may not be accurate, reliable, or complete, as we have reported that the federal government is unable to determine the full extent of improper payments and to reasonably assure that actions are taken to reduce them. In addition, certain inspectors general (IG) have reported issues with agencies' reported improper payment estimates because of

¹Under the Improper Payments Information Act of 2002, Pub. L. No. 107-300, 116 Stat. 2350 (Nov. 26, 2002), *codified as amended at* 31 U.S.C. § 3321 note, certain agencies were required to start reporting improper payment estimates beginning for fiscal year 2003. 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. Office of Management and Budget (OMB) 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 improper payment totals are estimated and may or may not represent a loss to the government.

²The improper payment estimates for fiscal years 2015 and 2016 exclude the Department of Defense's Defense Finance and Accounting Service (DFAS) Commercial Pay program. Although OMB included this program in its government-wide improper payment estimate for both years, because of continuing GAO concerns based on audit findings in a 2013 report regarding the reliability of its improper payment estimate, the DFAS Commercial Pay estimate was excluded from GAO's calculations. 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 estimates for fiscal years 2015 and 2016 are detailed in apps. IV and VII.

insufficient sampling methods and flawed estimation methodologies were used to calculate and report improper payment estimates. Fiscal year 2015 marked the fifth year of the implementation of the Improper Payments Elimination and Recovery Act of 2010 (IPERA), which, among other things, requires federal agencies' IGs to annually assess and report on whether the agencies under their jurisdiction complied with the six criteria listed in IPERA.³ The IGs' annual IPERA compliance reports serve a key function: to reasonably assure that federal dollars are not misspent and that improper payment estimates are accurate, reliable, and complete. The reports also provide Congress with information on agencies' efforts to address improper payments. These reports are the focus of this review. We previously reported on agency compliance under IPERA for fiscal years 2013 and 2014, as reported by the IGs.⁴

This audit was conducted to summarize agencies' compliance under IPERA for fiscal year 2015, as reported by their IGs in fiscal year 2016, as well as provide compliance trends for the past 5 years. Specifically, this report discusses the following:

1. A summary of IPERA compliance determinations by the IGs for the 24 agencies listed in the Chief Financial Officers Act of 1990, as amended (CFO Act),⁵ including the extent to which the agencies complied with the criteria listed in IPERA for fiscal years 2011 through 2015 as reported by their IGs; the criteria and programs the IGs concluded were responsible for agency noncompliance and the number of programs that were reported as noncompliant for 3 or more consecutive years as of fiscal year 2015; and the extent to which the responsible agencies submitted the required information to Congress.

³At the start of our audit, fiscal year 2015 was the most current reporting year for which inspectors general issued compliance reports as required by section 3 of the IPERA, Pub. L. No. 111-204, 124 Stat. 2224 (July 22, 2010), *codified at* 31 U.S.C. § 3321 note. Fiscal year 2016 IPERA compliance reports were due in May 2017.

⁴GAO, *Improper Payments: Inspector General Reporting of Agency Compliance under the Improper Payments Elimination and Recovery Act*, [GAO-15-87R](#) (Washington, D.C.: Dec. 9, 2014), and *Improper Payments: CFO Act Agencies Need to Improve Efforts to Address Compliance Issues*, [GAO-16-554](#) (Washington, D.C.: June 30, 2016).

⁵The CFO Act, Pub. L. No. 101-576, 104 Stat. 2838 (Nov. 15, 1990), established, among other things, 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. The CFO Act agencies accounted for over 99 percent of the government-wide improper payment estimate in fiscal year 2015.

-
2. The extent to which the IGs reported that they performed optional procedures during their fiscal year 2015 reviews, as outlined in Office of Management and Budget (OMB) guidance.
 3. The extent to which the IGs' fiscal years 2011 through 2015 IPERA compliance reports included recommendations and the status of these recommendations as of December 31, 2016, and for the open recommendations associated with noncompliant agencies, the extent to which the recommendations were designed to address agencies' noncompliance with one or more of the six IPERA criteria.

To determine the number of CFO Act agencies (hereafter referred to as agencies) and programs that were reported as compliant or noncompliant under IPERA, including those reported as noncompliant for 3 or more consecutive years as of fiscal year 2015, we reviewed the fiscal years 2011 through 2015 reports prepared by the IGs at the 24 agencies and summarized their findings and conclusions. We selected these 24 agencies because they represented over 99 percent of the government-wide improper payment estimate in fiscal year 2015. To determine if agencies submitted the required information to Congress to address consecutive reported noncompliance, we interviewed officials from the Offices of Chief Financial Officer at relevant agencies and reviewed supporting documentation. Additionally, we reviewed the improper payments information reported in the agencies' fiscal years 2015 and 2016 agency financial reports (AFR) or performance and accountability reports (PAR) to determine the total improper payment estimate reported for the 24 agencies.⁶ To determine the extent to which the IGs performed any optional procedures as outlined in OMB guidance, we reviewed the IGs' fiscal year 2015 reports. In addition, to determine the number and status of the IGs' recommendations, we reviewed the IGs' fiscal years 2011 through 2015 IPERA compliance reports and obtained recommendation status information from the IGs. Additionally, we reviewed and categorized the IGs' open recommendations, as of December 31, 2016, to determine whether the IGs associated with the 15 noncompliant agencies had recommended actions designed to address the agencies' noncompliance with one or more of the six IPERA criteria. Finally, we corroborated our findings with OMB and all 24 CFO Act agencies and their IGs.

⁶An AFR is a report on an agency's end of fiscal year financial position that includes, but is not limited to, financial statements, notes on the financial statements, and a report of the independent auditor. A PAR is an AFR combined with an annual performance report, which includes information on an agency's efforts to achieve goals during the past fiscal year.

We conducted this performance audit from June 2016 to May 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Appendix I provides additional information on our scope and methodology.

Background

In November 2002, Congress passed and the President signed the Improper Payments Information Act of 2002 (IPIA), which was later amended by IPERA and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA).⁷ The amended legislation requires executive branch agencies to (1) review all programs and activities and identify those that may be susceptible to significant improper payments (commonly referred to as a risk assessment), (2) publish improper payment estimates for those programs and activities that the agency identified as being susceptible to significant improper payments, (3) implement corrective actions to reduce improper payments and set reduction targets, and (4) report on the results of addressing the foregoing requirements.⁸

In addition to the agencies' identifying programs and activities that are susceptible to significant improper payments, OMB also designates as high-priority the programs with the most egregious cases of improper payments. Specifically, OMB is required by IPERIA to annually identify a list of high-priority federal programs in need of greater oversight and review. In general, OMB has implemented this requirement by designating high-priority programs based on a threshold of \$750 million in estimated improper payments for a given fiscal year.

⁷Pub. L. No. 112-248, 126 Stat. 2390 (Jan. 10, 2013).

⁸For fiscal year 2014 and beyond, "significant improper payments" are defined as gross annual improper payments in a program that may have exceeded either (1) 1.5 percent of program outlays and \$10 million or (2) \$100 million (regardless of the improper payment rate). The Disaster Relief Appropriations Act, 2013, Pub. L. No. 113-2, div. A, § 904(b), 127 Stat. 4, 17 (Jan. 29, 2013), required that all programs receiving funds appropriated by that act be deemed susceptible to significant improper payments, which consequently requires the agencies responsible for these programs to estimate improper payments, implement corrective actions, and report on their results for these programs.

IPERA calls for executive agencies' IGs to annually determine and report on whether their respective agencies complied with the following six criteria:⁹

- publish a report in the form and content required by OMB—typically an AFR or a PAR—for the most recent fiscal year, and post that report on the agency website;
- conduct a program-specific risk assessment for each program or activity;¹⁰
- publish improper payment estimates for all programs and activities deemed susceptible to significant improper payments under the agency's risk assessment;
- publish corrective action plans for those 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; and
- report a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was published.

IPERA states that if an IG reports that an agency is not in compliance with any of the IPERA criteria for 1 fiscal year, the agency head must submit a plan to appropriate congressional committees and OMB describing the actions that the agency will take to come into compliance. If an agency is found noncompliant with respect to the same program for 2 consecutive years, IPERA directs OMB to review the program and determine if additional funding would help bring the program into compliance and, if so, directs the agency to use any available reprogramming or transfer authority, or request further reprogramming or transfer authority from Congress, to aid in the program's remediation efforts. For programs determined to be noncompliant for more than 3 consecutive years, IPERA requires the agency to submit to Congress within 30 days of the IG's report either (1) a reauthorization proposal for the program or (2) proposed statutory changes necessary to bring the

⁹These requirements are outlined in section 3 of IPERA.

¹⁰Risk assessments were required for all programs in fiscal year 2011 and must be performed at least once every 3 fiscal years thereafter.

program or activity into compliance.¹¹ Because the legal requirement to report to Congress is triggered by the IG reporting noncompliance, rather than the noncompliance itself, agencies are not subject to the congressional reporting requirement until their IGs report their determinations. In addition, as we previously reported, when agencies determine that reauthorization or statutory changes are not considered necessary to bring the programs into compliance, the agencies should state so in their letters to Congress.

Furthermore, IPERIA requires the IGs at agencies with OMB-designated high-priority programs to perform additional procedures. OMB also provides guidance, in OMB Circular No. A-123, Appendix C (OMB M-15-02),¹² to the IGs regarding their annual IPERA compliance reports. This guidance restates the statutory requirements and adds procedures that the IGs are encouraged to adopt at their discretion during their annual IPERA reviews (hereafter referred to as optional procedures).¹³ It is important to note that some of the optional procedures outlined in OMB guidance are similar to those required for programs designated by OMB as high-priority; however, whether to perform such procedures for non-high-priority programs is up to the IGs.¹⁴ Figure 1 details the IGs' required and optional procedures.

¹¹While IPERA states that these procedures are required of agencies with more than 3 consecutive years of noncompliance findings by their IGs, OMB's guidance instructs agencies with 3 or more years of consecutive noncompliance to take these steps, thereby including those agencies with exactly 3 years of consecutive reported noncompliance.

¹²Office of Management and Budget, *Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments*, OMB Memorandum No. M-15-02 (Washington, D.C.: October 2014).

¹³OMB plays a key role in overseeing the implementation of laws related to improper payment reporting. Specifically, OMB is directed by statute to provide guidance to federal agencies on estimating, reporting, reducing, and recovering improper payments.

¹⁴IGs have general authority to conduct audits, investigations, and other oversight procedures related to their agencies' operations, including improper payments estimation and reporting. IGs are expected to prioritize their discretionary work based on a strategic planning process that takes into consideration requests from external stakeholders such as OMB where applicable. Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Federal Offices of Inspector General* (2012).

Figure 1: Overview of Inspector General Procedures That Are Required and Optional Related to Improper Payment Reporting

IG procedures	Applicable to agency programs that are		Required/ optional per
	OMB-designated high-priority programs	Low risk and susceptible to significant improper payments	
1. Determine and report compliance with six IPERA criteria	✓	✓	IPERA
2. Review the agency's program-specific risk assessment(s)	✓	✓	IPIA (as amended by IPERIA)
3. Review the quality of the agency's improper payment estimate(s) and methodology	✓	✓	
4. Review the oversight or financial controls to identify and prevent improper payments	✓	✓	
5. Evaluate the accuracy and completeness of agency reporting	✓	✓	OMB Circular A-123, Appendix C (OMB M-15-02)
6. Evaluate the agency's performance in recapturing improper payments	✓	✓	
7. Determine if the corrective action plans are robust and focused on the appropriate root causes of improper payments, effectively implemented, and prioritized within the agency, to allow the agency to meet its reduction target(s)	✓	✓	

- ✓ Procedure is required
- ✓ Procedure is optional

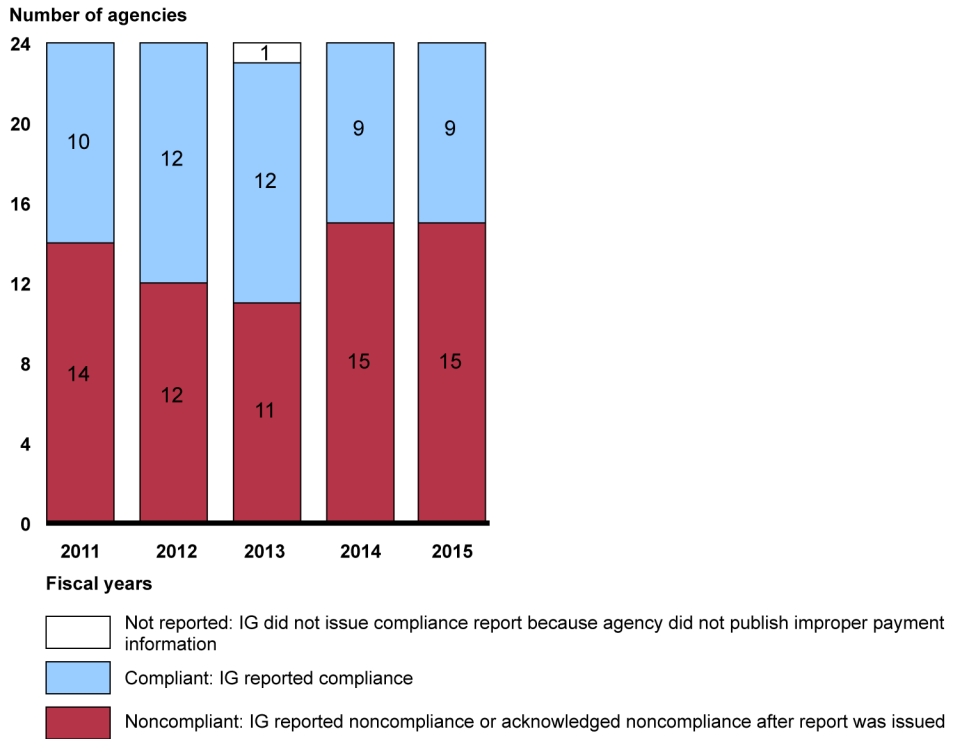
IPERA - Improper Payments Elimination and Recovery Act of 2010 IPERIA - Improper Payments Elimination and Recovery Improvement Act of 2012
 IPIA - Improper Payments Information Act of 2002 OMB - Office of Management and Budget

Sources: IPIA, IPERA, and OMB. | GAO-17-484

Over Half of the CFO Act Agencies Continue to Be Reported as Noncompliant under IPERA, but the IGs' Compliance Determinations for Fiscal Year 2015 Were Inconsistent

Five years after the implementation of IPERA, 15 of the 24 agencies were reported as noncompliant under IPERA for fiscal year 2015. Although the number of agencies reported as noncompliant improved in fiscal years 2012 and 2013, decreasing to 12 and 11 agencies, respectively, IGs collectively reported an increase in agency noncompliance to 15 agencies in fiscal years 2014 and 2015. However, as discussed later in this report, we found that the IGs' compliance determinations for fiscal year 2015 were not based on a consistent government-wide approach. Figure 2 summarizes the number of agencies noncompliant under IPERA each year since fiscal year 2011, as reported by their IGs.

Figure 2: The Number of CFO Act Agencies Compliant and Noncompliant under IPERA for Fiscal Years 2011 through 2015, as Reported/Acknowledged by Their IGs



CFO Act - Chief Financial Officers Act of 1990 IG - inspector general

IPERA - Improper Payments Elimination and Recovery Act of 2010

Source: GAO analysis of IPERA compliance reports for fiscal years 2011 through 2015. | GAO-17-484

We found that noncompliance frequently stretched across multiple years. For instance, 14 of the 15 agencies were noncompliant in fiscal years 2014 and 2015. In addition, 9 of the 15 noncompliant agencies in fiscal year 2015 have been reported as noncompliant since IPERA was implemented—for 5 consecutive years. Figure 3 details the 24 agencies’ overall compliance under IPERA, as reported by their IGs, for fiscal years 2011 through 2015.

Figure 3: CFO Act Agencies' Overall IPERA Compliance for Fiscal Years 2011 through 2015, as Reported/Acknowledged by Their IGs

Agency	Fiscal year					Number of years reported as noncompliant
	2011	2012	2013	2014	2015	
Department of Agriculture	X	X	X	X	X	5
Department of Commerce	✓	✓	✓	✓	✓	0
Department of Defense	✓	X	X	X	X	4
Department of Education	✓	✓	✓	X	X	2
Department of Energy	X	✓	✓	✓	✓	1
Department of Health and Human Services	X	X	X	X	X	5
Department of Homeland Security	X	X	X	X	X	5
Department of Housing and Urban Development	✓	✓	X	X	X	3
Department of the Interior	X	✓	✓	X	X	3
Department of Justice	✓	✓	✓	✓	✓	0
Department of Labor	X	X	X	X	X	5
Department of State	X	✓	✓	✓	✓	1
Department of Transportation	X	X	X	X	X	5
Department of the Treasury	X	X	X	X	X	5
Department of Veterans Affairs	X	X	X	X	X	5
Environmental Protection Agency	✓	X	✓	✓	✓	1
General Services Administration	✓	✓	✓	X	X	2
National Aeronautics and Space Administration	X	✓	✓	✓	✓	1
National Science Foundation (NSF)	✓	X	NR ^a	X	✓	2
Nuclear Regulatory Commission	✓	✓	✓	✓	✓	0
Office of Personnel Management	X	✓	✓	✓	X	2
Small Business Administration	X	X	X	X	X	5
Social Security Administration (SSA)	X	X ^b	X	X	X	5
U.S. Agency for International Development	✓	✓	✓	✓	✓	0
Total not reported	0	0	1	0	0	
Total compliant agencies	10	12	12	9	9	
Total noncompliant agencies	14	12	11	15	15	

✓ Compliant: IG reported compliance

X Noncompliant: IG reported noncompliance or acknowledged noncompliance after report was issued

NR Not reported: IG did not issue compliance report because agency did not publish improper payment information

CFO Act - Chief Financial Officers Act of 1990

IG - inspector general

IPERA - Improper Payments Elimination and Recovery Act of 2010

Source: GAO analysis of CFO Act agencies' IG IPERA reports for fiscal years 2011 through 2015. | GAO-17-484

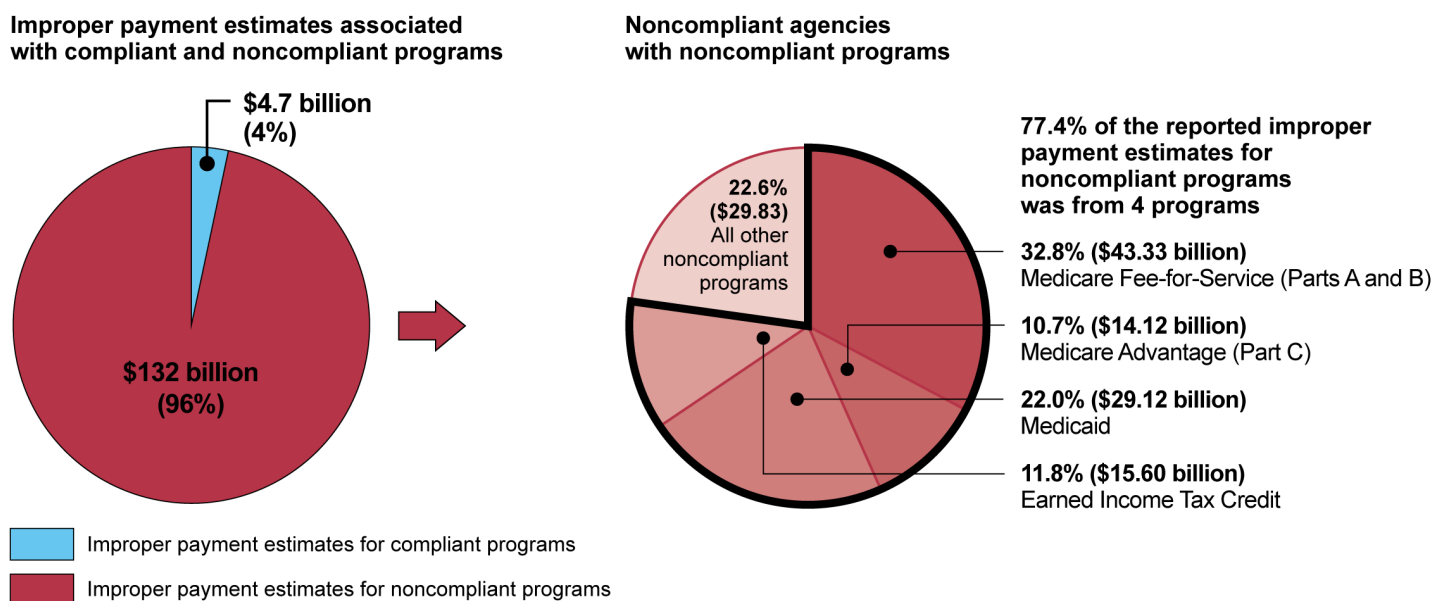
^aThe NSF IG did not issue an IPERA compliance report for fiscal year 2013 because NSF did not publish improper payment data in its fiscal year 2013 agency financial report.

^bThe SSA IG reported for fiscal year 2012 that the agency was compliant under IPERA criteria, but we noted that its Supplemental Security Income program failed to meet its reported reduction target for that year and in fiscal year 2011. The SSA IG concurred with this finding but does not plan to

reissue its fiscal year 2012 IPERA compliance report to state a conclusion of noncompliance or its fiscal year 2011 report to state that the agency missed its reduction target. SSA was already reported noncompliant in fiscal year 2011 based on other criteria.

The IGs associated with the 15 noncompliant agencies reported that a total of 52 programs were responsible for identified instances of noncompliance in fiscal year 2015.¹⁵ As shown in figure 4, the noncompliant programs accounted for a reported \$132 billion in fiscal year 2015 estimated improper payments, which is approximately 96 percent of the \$136.7 billion government-wide reported estimate.¹⁶

Figure 4: Programs at CFO Act Agencies That Accounted for the Total Reported Fiscal Year 2015 Improper Payment Estimates



CFO Act - Chief Financial Officers Act of 1990 IG - inspector general IPERA - Improper Payments Elimination and Recovery Act of 2010
 Source: GAO analysis of CFO Act agencies' IG IPERA reports for fiscal year 2015. | GAO-17-484

¹⁵App. III contains a list of the 52 noncompliant programs at CFO Act agencies and the specific IPERA criteria that IGs reported contributed to the programs' noncompliance for fiscal year 2015.

¹⁶App. IV details the fiscal year 2015 improper payment estimates for all programs at CFO Act agencies, including the 52 programs that the IGs reported as noncompliant.

Seven Agencies Were Reported as Noncompliant for 3 Consecutive Years or More, as of Fiscal Year 2015, and One Agency Did Not Provide Congress with the Required Information

Seven agencies were reported as noncompliant for 3 or more consecutive years as of the end of fiscal year 2015, representing 12 programs. IPERA requires agencies that have been deemed noncompliant for consecutive years to take certain actions. Specifically, according to IPERA and OMB guidance, if a program is found to be noncompliant by an agency's IG for 3 or more consecutive years, the agency must submit to Congress within 30 days of such determination a reauthorization proposal for each noncompliant program or any proposed statutory changes it deems necessary to bring the program into compliance. OMB guidance also states that agencies should share these proposals or plans with their respective IGs.

For the 7 agencies that had noncompliant programs for 3 or more consecutive years as of the end of fiscal year 2015, as reported by their IGs, we found that 6 agencies submitted the required information to Congress. The remaining agency, the U.S. Department of Agriculture (USDA), had not submitted the required information to Congress, despite our prior recommendation, as well as USDA IG recommendations, to do so. Specifically, 5 USDA programs were reported as noncompliant for at least 3 consecutive years as of fiscal year 2015. Four of these programs were noncompliant for 5 consecutive years, and 1 was noncompliant for 3 consecutive years. Figure 5 lists the 7 agencies and the 12 programs that were noncompliant for 3 or more consecutive years, as reported by their IGs.¹⁷

¹⁷The Department of Homeland Security (DHS) also had programs that were noncompliant for 3 or more consecutive years; however, DHS's IG did not originally report the programs as noncompliant. Although the DHS IG subsequently reissued its IPERA compliance reports to reflect determinations of noncompliance, OMB advised DHS to take the actions required under IPERA in response to 1 year of noncompliance for fiscal year 2014. Therefore, as of the end of fiscal year 2015, these programs would have been reported as noncompliant for 2 consecutive years. See [GAO-16-554](#).

Figure 5: CFO Act Agency Programs Noncompliant under IPERA for 3 Consecutive Years or More, as Reported by Their IGs, as of Fiscal Year 2015

Agency	Program	Consecutive years noncompliant as of fiscal year 2015	Required information submitted to address consecutive years of noncompliance
Department of Agriculture	School Breakfast Program	5	X
	National School Lunch Program	5	X
	Special Supplemental Nutrition Program for Women, Infants, and Children	5	X
	Child and Adult Care Food Program	5	X
	Farm Security and Rural Investment Act Program	3	X
Department of Defense (DOD)	DOD Travel Pay	4	✓
Department of Health and Human Services	Temporary Assistance for Needy Families	5	✓
	Medicare Fee-for-Service	4	✓
Department of Labor	Unemployment Insurance	5	✓
Department of the Treasury	Earned Income Tax Credit	5	✓
Small Business Administration	7(a) Loan Guaranty Approvals	4	✓
Social Security Administration	Supplemental Security Income	5	✓

✓ Submitted the required information to address consecutive years of noncompliance

X Did not submit the required information to address consecutive years of noncompliance

CFO Act - Chief Financial Officers Act of 1990 IG - inspector general IPERA - Improper Payments Elimination and Recovery Act of 2010

Source: GAO analysis of CFO Act agencies' IG IPERA reports for fiscal years 2011 through 2015. | GAO-17-484

USDA's Office of Chief Financial Officer (OCFO) informed us that some of the delays for issuing the letter were caused by the office's need to meet with OMB to determine how best to satisfy the requirements. For example, according to the USDA OCFO, OCFO met with OMB in June 2014, and OMB advised USDA OCFO that proposed statutory changes were not needed and that a letter to Congress was acceptable to satisfy the requirements. However, almost 3 years later, USDA has still not

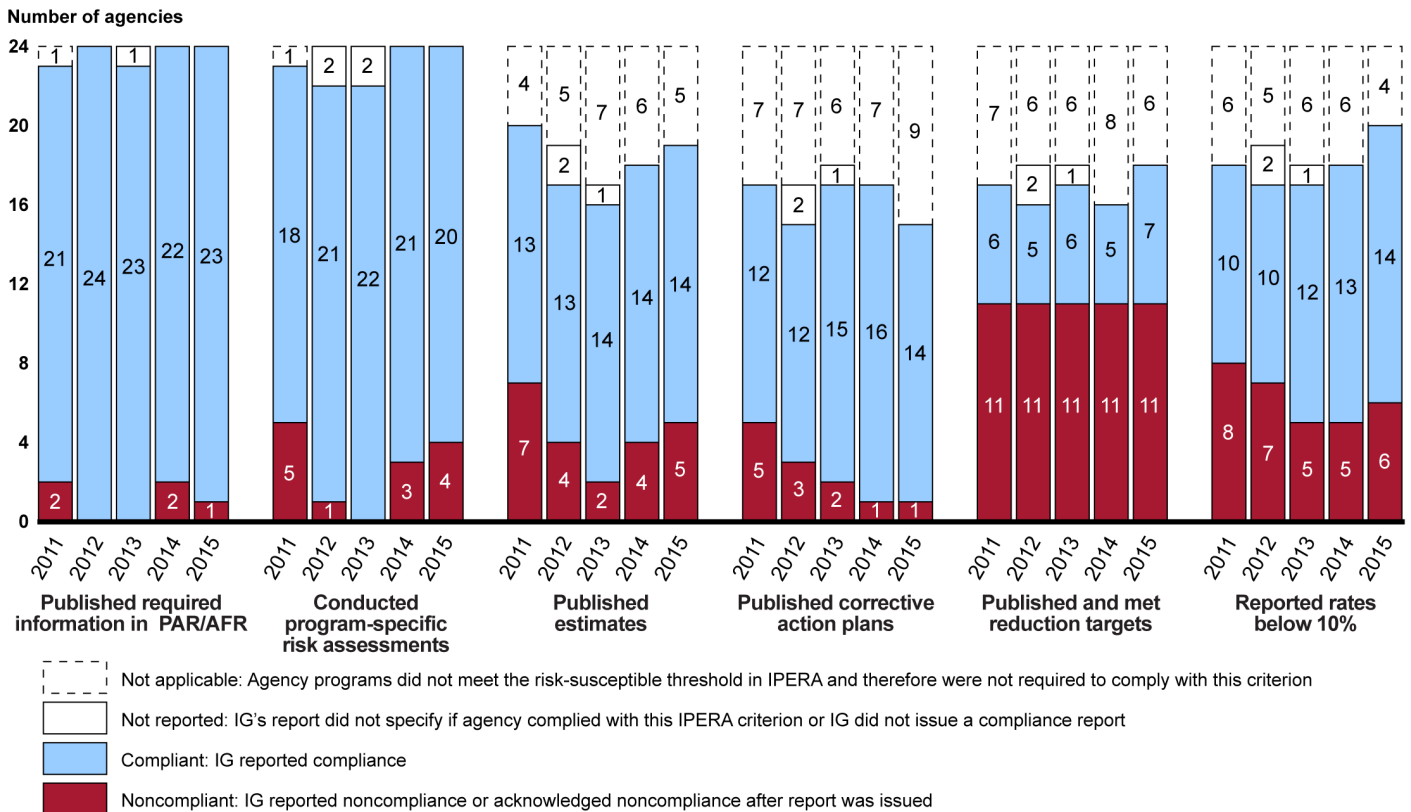
issued the letter. The USDA OCFO stated that it plans to submit the required information for all 5 programs by the end of fiscal year 2017. However, IPERA and OMB guidance calls for the information to be submitted within 30 days of the IG's reported noncompliance. Therefore, for the 4 programs that were noncompliant for 5 consecutive years, the required information should have been submitted within 30 days of the 3 consecutive years noncompliance reporting, which occurred in April 2014. We also recommended in June 2016 that USDA take the required actions for these 4 programs, and as of March 2017, our prior recommendation remains open. For the 1 remaining program, which was noncompliant for 3 consecutive years, the information was required to be submitted in June 2016. When agencies do not report the required information, Congress may lack the information necessary to monitor the implementation of IPERA and take action to address problematic programs in a timely manner.

IGs Reported Agencies' Continued Noncompliance with Several IPERA Criteria

The IGs' IPERA compliance reports showed areas where agency compliance has remained a challenge throughout the past 5 years. Specifically, as shown in figure 6, noncompliance with the IPERA criterion to publish and meet annual improper payment reduction targets has been the primary reason agencies were reported as noncompliant by their respective IGs for 5 consecutive years. For instance, for fiscal years 2011 through 2015, IGs reported that 11 agencies did not comply with this criterion. Of these 11 noncompliant agencies, 8 agencies have been noncompliant with this criterion every year since fiscal year 2011.¹⁸ While the IGs generally reported that agencies published reduction targets for applicable programs, the targets were regularly not met as the actual rates exceed the targets.

¹⁸These eight agencies were the Small Business Administration, the Social Security Administration, and the Departments of Health and Human Services, Homeland Security, Labor, Transportation, Veterans Affairs, and Agriculture.

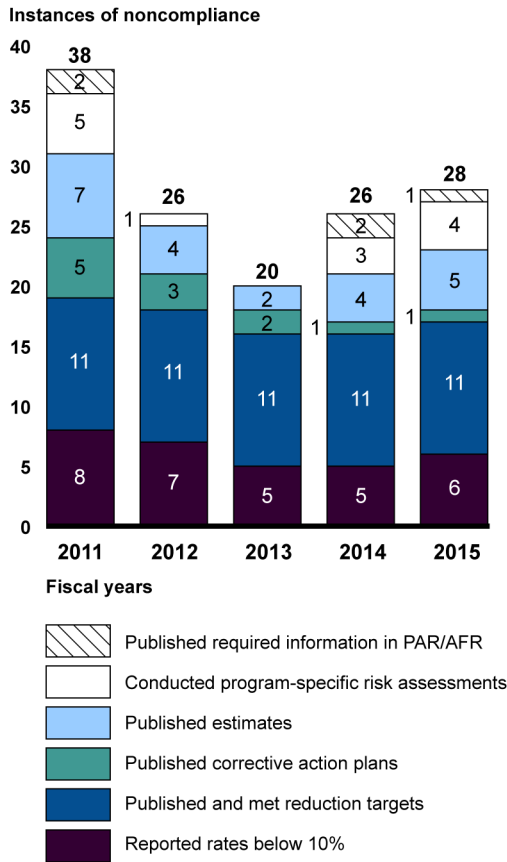
Figure 6: CFO Act Agencies' IPERA Compliance by IPERA Criteria for Fiscal Years 2011 through 2015, as Reported/Acknowledged by Their IGs



AFR - agency financial report CFO Act - Chief Financial Officers Act of 1990 IG - inspector general
 IPERA - Improper Payments Elimination and Recovery Act of 2010 PAR - performance and accountability report
 Source: GAO analysis of CFO Act agencies' IG IPERA reports for fiscal years 2011 through 2015. | GAO-17-484

Although reported noncompliance for several IPERA criteria increased or stayed the same in fiscal year 2015, as compared to fiscal year 2014, the total instances of noncompliance (i.e., sum of all instances of IG-reported agency noncompliance for all six IPERA criteria) has declined since IPERA was first implemented in fiscal year 2011, as noted in figure 7. Specifically, in fiscal year 2011, the IGs reported 38 total instances of noncompliance for all six IPERA criteria, compared to 28 reported instances of noncompliance in fiscal year 2015.

Figure 7: Total Instances of Noncompliance under IPERA Criteria at CFO Act Agencies for Fiscal Years 2011 through 2015, as Reported/Acknowledged by Their IGs



AFR - agency financial report CFO Act - Chief Financial Officers Act of 1990
 IG - inspector general IPERA: Improper Payments Elimination and Recovery Act of 2010
 PAR - performance and accountability report

Source: GAO analysis of CFO Act agencies' IG IPERA reports for fiscal years 2011 through 2015. | GAO-17-484

Although agencies' continued noncompliance is concerning, we have previously reported that an agency's failure to meet reduction targets and report improper payment rates below 10 percent may not necessarily suggest that the agency failed to adequately monitor its programs' improper payments.¹⁹ For example, certain IGs reported increases in

¹⁹GAO-16-554.

improper payment rates because of factors such as improved sampling and emphasis on training, which enhanced their agencies' ability to detect improper payments. Specifically, the Department of Veterans Affairs (VA) IG reported in its fiscal year 2015 report that 2 VA programs—Community Care and Purchased Long-Term Services and Support—reported improper payment rates of 54.77 percent and 59.14 percent, respectively. According to the VA IG, these rates were significantly higher than those in the prior year when both programs reported improper payment rates slightly below 10 percent. According to the VA IG, the dramatic increase in improper payment rates for the 2 programs occurred primarily because of improved sample evaluation procedures in fiscal year 2015, which resulted in more improper payments being identified. Significant improvements in sampling, training, and the ability to detect improper payments could considerably reduce the likelihood that an agency will meet a predetermined reduction target or report an improper payment rate below 10 percent.

As previously discussed, for the past 5 years, IGs reported that there were 11 agencies that did not meet the IPERA criterion that required agencies to publish and meet reduction targets. For fiscal year 2015, 4 of the 11 agencies—the Department of Defense (DOD), Department of Education (Education), Department of Homeland Security (DHS), and Social Security Administration (SSA)—that did not meet reduction targets were compliant with the remaining five IPERA criteria. Therefore, once these 4 agencies implement the necessary controls to prevent and detect improper payments, they may be able to meet their reduction targets, which in turn, could result in these 4 agencies becoming compliant under IPERA overall in future years. Furthermore, 3 other agencies—the Department of Labor (DOL), VA, and Small Business Administration (SBA)—out of the 11 that did not meet reduction targets were reported by their IGs as being noncompliant with only one other IPERA criterion (to report improper payment rates below 10 percent). Therefore, these 3 agencies may also become compliant under IPERA once they implement the necessary controls to prevent and detect improper payments, as they may be able to meet their reduction targets and report improper payment rates below 10 percent. Appendix III details the agency programs that did not meet their reduction targets and that reported improper payment rates above the 10 percent threshold for fiscal year 2015.

IGs Reported Fiscal Year 2015 Compliance Determinations Inconsistently

We reviewed the IGs' fiscal year 2015 IPERA compliance reports and found that the IGs were not consistent with one another regarding how they determined and reported on compliance when issues were identified. Some IGs reported compliance based on the presence or absence of the required analysis or reporting (hereafter referred to as a pass/fail determination by the IG), regardless of whether the IGs identified flaws, whereas other IGs reported agencies as noncompliant based on the IGs performing some degree of evaluative procedures to determine whether the agencies' analyses or reports were substantively adequate (hereafter referred to as a determination based on evaluative procedures). IPERA does not clearly indicate whether, for example, an IG should report an agency as compliant under the criteria regarding publication of improper payment estimates if the agency reports an improper payment estimate that is based on a flawed methodology. While we recognize that the severity of the issues may have resulted in the IGs' reporting noncompliance for some agencies, we found, as noted in some of the examples below, the types of issues identified for both the compliant and noncompliant agencies were similar.

- IPERA criterion: Publish an AFR or PAR. One IG reported its respective agency as noncompliant with this criterion. While this IG reported the Department of Transportation (DOT) noncompliant as a result of finding issues with improper payment information included in the AFR (i.e., noncompliance based on evaluative procedures), six other IGs reported their respective agencies—the Department of Housing and Urban Development (HUD), Department of State (State), Environmental Protection Agency (EPA), National Aeronautics and Space Administration (NASA), General Services Administration (GSA), and Office of Personnel Management (OPM)—as compliant despite finding similar issues with the improper payment information included in the agencies' published AFRs or PARs (i.e., compliance based on pass/fail determinations). For example, the DOT IG reported noncompliance with this criterion as a result of identified issues with the outlays reported in DOT's AFR, which is the same issue that was identified by another IG that reported its agency (GSA) as compliant. As shown in table 1, if the IGs consistently determined compliance with this IPERA criterion based on pass/fail determinations or based on evaluative procedures, the number of agencies reported as noncompliant with this IPERA criterion could have decreased by 1 (from 1 agency to none) or increased by 6 (from 1 to 7 agencies), respectively.

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- IPERA criterion: Conduct program-specific risk assessments. Four IGs reported their respective agencies as noncompliant with this criterion. One of the 4 IGs reported its agency, the Department of the Interior (DOI), as noncompliant because the agency did not prepare a required risk assessment (i.e., compliance based on pass/fail determinations). The remaining 3 IGs reported their respective agencies—the Department of Health and Human Services (HHS), HUD, and OPM—as noncompliant based on identified issues with the risk assessments (i.e., noncompliance based on evaluative procedures). However, 6 other IGs reported their respective agencies—EPA, GSA, NASA, the National Science Foundation (NSF), State, and the Department of the Treasury (Treasury)—as compliant despite finding similar issues with the risk assessments (i.e., compliance based on pass/fail determinations). For example, 2 IGs reported that their respective agencies (HUD and OPM) were noncompliant with the IPERA risk assessment criterion as a result of their agencies not considering all nine required risk factors, as outlined in OMB guidance, during program-specific risk assessments, whereas another IG reported its agency (NSF) as compliant with this IPERA criterion, despite also finding issues with the agency’s consideration of the nine required risk factors. In addition, although the State IG reported that the qualitative risk assessments conducted by State included an evaluation of the nine risk factors required by OMB, the State IG also reported that the agency could have improved its risk assessment process regarding one of the nine risk factors—significant increases in funding. Specifically, the State IG reported that there was a deficiency with State’s process for identifying programs with significant funding changes. The State IG recommended that State expand its process to identify programs with significant funding changes to consider additional factors that may increase the risk of significant improper payments, including, at a minimum, the percentage increase of the change. According to the State IG, if the State’s risk assessment process does not consider the percentage increase, then the agency may not identify all programs that had increased risks of improper payments because of increased funding.²⁰ For example, the State IG stated that a program that had expenditures of \$101 million in year one and experienced an increase in expenditures of \$99 million (98 percent) in year two would not meet the \$100 million threshold and, as a result, would not be identified as

²⁰In response to a draft of this report, State officials stated that no additional programs would have been identified as needing a risk assessment if its process had included the percentage change in funding as one of its criteria.

a program with significant funding changes, which would require a risk assessment. As shown in table 1, if the IGs consistently determined noncompliance with this IPERA criterion based on pass/fail determinations or based on evaluative procedures, the number of agencies reported as noncompliant with this IPERA criterion could have decreased by 3 (from 4 to 1 agencies) or increased by 6 (from 4 to 10 agencies), respectively.²¹

- IPERA criterion: Publish improper payment estimates. This criterion did not apply to 5 agencies.²² For the remaining 19 agencies, 5 agencies were reported as noncompliant with this criterion. Two of these agencies (GSA and HHS) were reported as noncompliant because the agencies did not publish required estimates (i.e., compliance based on pass/fail determinations), and the remaining 3 agencies (USDA, DOI, and OPM) were reported as noncompliant because of identified issues with their estimates (i.e., noncompliance based on evaluative procedures). While the IGs for these 3 agencies reported noncompliance as a result of identified issues with the estimates, there were 6 other IGs that reported their respective agencies (DOD, DOL, Education, HUD, SBA, and VA) were compliant despite finding similar issues with the estimates (i.e., compliance based on pass/fail determinations). For example, 1 IG (USDA) reported that its respective agency was noncompliant with the IPERA improper payment estimate criterion because the agency was not using sufficient sampling methods to report improper payment estimates, whereas another IG (Education) reported its agency as compliant with the same IPERA criterion, despite reporting that its agency used flawed estimation methodologies to calculate its estimates. As shown in table 1, if the IGs consistently determined noncompliance with this IPERA criterion based on pass/fail determinations or based on evaluative procedures, the number of agencies reported as noncompliant with this IPERA criterion could have decreased by 3 (from 5 to 2 agencies) or increased by 6 (from 5 to 11 agencies), respectively.

²¹As noted above, there were three IGs that reported noncompliance based on evaluative procedures (IG-reported noncompliance based on issues). Therefore, if IGs consistently reported compliance based on a pass/fail determination, the number of agencies reported as noncompliant with this IPERA criterion could have decreased by three agencies.

²²This criterion did not apply to agencies that did not have any programs that were identified as susceptible to significant improper payments.

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- IPERA criterion: Publish corrective action plans. This criterion did not apply to 9 agencies.²³ Of the remaining 15 agencies, 1 (HHS) was reported as noncompliant with this criterion because it did not publish a corrective action plan for one of its eight risk-susceptible programs. Although we did not find any instances of IGs reporting noncompliance as a result of identified issues with the corrective action plans, we identified 5 IGs that reported their respective agencies (DOD, GSA, OPM, USDA, and HUD) as compliant despite finding issues with the corrective action plans (i.e., compliance based on pass/fail determinations). For example, 1 IG reported that its respective agency was compliant with this IPERA criterion, but the IG also reported that the agency's corrective action plans did not explain how it addressed the root causes identified and did not include planned or actual completion dates of the actions. As shown in table 1, if the IGs consistently determined noncompliance with this IPERA criterion based on evaluative procedures, the number of agencies reported as noncompliant with this IPERA criterion could have increased by 5 (from 1 to 6 agencies). There would be no changes to the number of agencies reported as noncompliant if such determinations were made based on pass/fail basis, as the 1 IG would have still reported its agency as noncompliant for failing to publish a corrective action plan.

For the two remaining IPERA criteria, which required agencies to publish and meet reduction targets and report improper payment rates below 10 percent, we found that the IGs consistently made pass/fail determinations. Specifically, 11 agencies were reported as noncompliant because they each had at least 1 program that did not meet its reduction target, and 6 agencies were reported as noncompliant because they had at least 1 program that did not report an improper payment rate below 10 percent. As a result, for these two IPERA criteria, table 1 shows no differences between the original IG noncompliance determinations and the potential noncompliance results if determinations were consistently based on pass/fail or evaluative procedures.

We believe that the variations in the IGs' determinations reduce their usefulness for comparing compliance and progress across agencies. As shown in table 1, compliance results could change significantly if the IGs consistently determined compliance by performing either pass/fail

²³This criterion did not apply to agencies that did not have any programs that were identified as susceptible to significant improper payments or if the reported improper payment estimates for the agencies' programs were zero.

determinations or the evaluative procedures that some IGs use, which we describe in this report. Specifically, if the IGs had all performed IPERA compliance determinations based on pass/fail determinations, the number of noncompliant agencies could decrease by 1 agency (OPM), from 15 to 14 agencies.²⁴ In addition, the total instances of noncompliance for all six IPERA criteria could have been 21 as compared to 28 instances as originally reported by the IGs. Alternatively, if the IGs had consistently determined compliance based on the evaluative procedures some IGs used, the number of noncompliant agencies could have been over one-third higher—an increase of 4 noncompliant agencies (State, EPA, NASA, and NSF), for a total 19 noncompliant agencies for fiscal year 2015. Also, the number of instances of noncompliance for all six IPERA criteria could increase from the originally reported 28 instances to 51 instances.²⁵

²⁴The small decrease is a result of most of the agencies being noncompliant with multiple IPERA criteria.

²⁵The number of instances is the sum of the number of agencies reported as noncompliant per IPERA criteria, which is greater than the total number of noncompliant agencies reported as noncompliant for fiscal year 2015 because some agencies were noncompliant with more than one IPERA criteria.

Table 1: IGs' Originally Reported Fiscal Year 2015 Noncompliance Results for the CFO Act Agencies and Potential Noncompliance Results if Consistently Based on Pass/Fail Determinations or Evaluative Procedures

IPERA criteria	Fiscal year 2015 noncompliance results, as originally reported by the IGs	Potential noncompliance results if determinations were consistently based on	
		Pass/fail determinations ^a	Evaluative procedures ^b
Published required information in an AFR or PAR	1	0	7
Conducted program-specific risk assessment	4	1	10
Published improper payment estimates	5	2	11
Published corrective action plans	1	1	6
Published and met reduction targets	11	11 ^c	11 ^c
Reported rates below 10 percent	6	6 ^c	6 ^c
Reported or potential number of noncompliant instances for all six IPERA criteria	28	21	51
Reported or potential number of noncompliant agencies for fiscal year 2015	15	14	19

Legend:

AFR: agency financial report

CFO Act: Chief Financial Officers Act of 1990

IG: inspector general

IPERA: Improper Payments Elimination and Recovery Act of 2010

PAR: performance and accountability report

Source: GAO analysis of CFO Act agencies' IG IPERA compliance reports for fiscal year 2015. | GAO-17-484

^aActual reported fiscal year 2015 noncompliance determinations based on the presence or absence of the required analysis or report (pass/fail determinations) and excluding noncompliance determinations based on evaluative procedures.

^bActual reported fiscal year 2015 noncompliance determinations based on evaluative procedures (IG reported noncompliance based on issues), plus hypothetical results if all IGs had reported noncompliance as a result of identifying issues based on evaluative procedures that some IGs used, as well as pass/fail noncompliance determinations (i.e., agency did not do something, so there was no chance for the IG to identify issues).

^cThese numbers are as originally reported by the IGs.

Standards for Internal Control in the Federal Government states that management should establish measurable objectives that are stated in a form that permits reasonably consistent measurement. However, IPERA and related guidance from OMB does not specify what, if any, evaluative procedures should be conducted as part of the compliance determination, beyond simply checking for the presence or absence of the required analysis or report. In addition, there are no specific requirements for IGs to be consistent with one another when determining agency compliance. Lastly, the Council of the Inspectors General on Integrity and Efficiency

(CIGIE) stated that although it provided general guidance to the IGs in fiscal year 2011, it has not provided the IGs with any guidance regarding how compliance determinations should be made.²⁶

OMB Has Taken Steps to Coordinate with IGs on the IPERA Compliance Reporting Requirements

OMB issued OMB M-15-02, the latest iteration of its Circular No. A-123, Appendix C, in October 2014, which was effective starting with the IGs' fiscal year 2014 IPERA compliance reviews. The new OMB guidance attempted to make IG determinations of compliance clearer and more concise by instructing IGs to include in their reports a high-level summary of compliance, both overall and by IPERA criteria. While our audit scope did not include testing to determine if the IGs complied with all of the IPERA requirements or whether the IGs followed OMB guidance, as noted above we identified inconsistent reporting among the IGs during the course of our audit work. We presented the inconsistencies we identified to OMB staff, and they informed us that they had noticed similar inconsistencies.

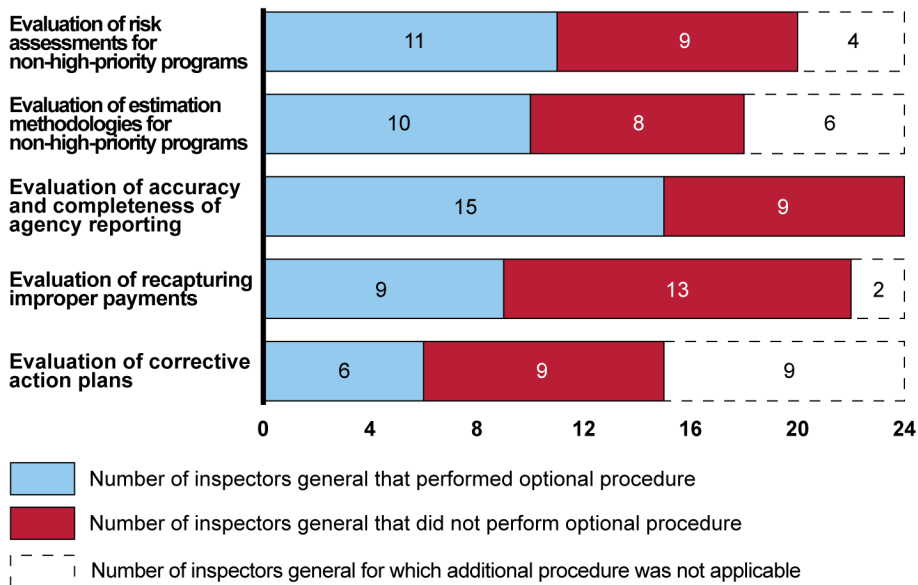
Although OMB held IPERA compliance town halls prior to the IGs' fiscal years 2015 and 2016 IPERA compliance reviews, the town hall briefing slides did not state OMB's position on whether the IGs should make compliance determinations based on pass/fail determinations or evaluative procedures. OMB staff confirmed that their guidance, as well as IPERA, does not specify what, if any, evaluative procedures should be conducted as part of the compliance determination, beyond simply checking for the presence or absence of the required analysis or report. Continuing inconsistent compliance determinations may result in potentially misleading information regarding government-wide compliance under IPERA.

²⁶CIGIE was statutorily established as an independent entity within the executive branch by the Inspector General Reform Act of 2008 to (1) address integrity, economy, and effectiveness issues that transcend individual government agencies and (2) increase the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in establishing well-trained and highly skilled workforces in the IG offices.

Majority of CFO Act Agency IGs Reported Performing One or More Optional Procedures during Their Fiscal Year 2015 IPERA Compliance Reviews

We reviewed the IGs' fiscal year 2015 IPERA compliance reports and found that 20 of the 24 agencies' IGs reported that they performed at least one procedure beyond what is required by IPERA and IPIA, as amended by IPERIA.²⁷ Specifically, as shown in figure 8, we found that the IGs reported that they performed optional procedures, which included evaluations of the (1) agency's assessment of the level of risk for non-high-priority programs, (2) quality of the agency's estimation methodology for non-high-priority programs, (3) accuracy and completeness of agency reporting, (4) agency's performance in recapturing improper payments, and (5) agency's corrective action plans. Appendix V lists the 20 IGs and the specific optional procedures performed by each IG.

Figure 8: Number of CFO Act Agency IGs That Reported Performing Optional Procedures during Their Fiscal Year 2015 IPERA Compliance Reviews



CFO Act - Chief Financial Officers Act of 1990 IG - Inspector general
 IPERA - Improper Payments Elimination and Recovery Act of 2010
 Source: GAO analysis of CFO Act agencies' IG IPERA reports for fiscal year 2015. | GAO-17-484

²⁷If the IGs reported audit findings, investigations, and so forth on their agencies' activities related to improper payment requirements in separate reports, that work would not be reflected in this analysis.

While current improper payment estimation laws and corresponding OMB guidance require the IGs to conduct evaluative procedures of the agencies' risk assessments and estimation methodologies when reviewing programs that OMB designated as high-priority, these types of evaluative procedures are optional for non-high-priority programs. To put this in perspective, in fiscal year 2015, there were 122 programs that published improper payment estimates, and OMB designated 16 of those programs as high-priority programs.²⁸ Therefore, only those 16 programs were required to undergo the IGs' evaluations of their risk assessments and improper payment estimates (two IPERA criteria). While \$127 billion of the \$136.7 billion fiscal year 2015 government-wide improper payment estimate was attributable to the 16 OMB-designated high-priority programs, there was \$9.7 billion in reported estimated improper payments for the remaining programs that are not considered high-priority. Although the IGs were not required to perform annual evaluative procedures to identify issues with the agencies' risk assessments and estimation methodologies for the non-high-priority programs, as noted in figure 8, some IGs elected to perform these evaluative procedures for such programs. OMB staff stated that they believe that performing evaluative procedures is beneficial to addressing government-wide improper payments, and, for that reason, they encourage IGs to do more substantive, in-depth work during their annual IPERA compliance reviews.

The following examples provide additional details regarding the IGs' performance of these optional procedures:

- Evaluation of agency's risk assessment(s) for non-high-priority programs: As noted in figure 8, we found that 11 IGs reported that they evaluated the agency's program-specific risk assessment(s). Of these 11 agencies, we identified 3 IGs (USDA, Treasury, and NASA) that performed their own independent risk assessments and/or analysis and, as a result, identified additional agency programs that they believed should have been identified as susceptible to significant improper payments during the agencies' own risk assessments. As a result of performing this optional procedure, certain IGs recommended

²⁸For the 122 programs that published improper payment estimates in fiscal year 2015, 115 were CFO Act agency programs and the remaining 7 were non-CFO Act agency programs. The 16 high-priority programs were all CFO Act agency programs. App. IV lists the programs that OMB designated as high-priority for fiscal year 2015 and the reported improper payment estimates for those programs, as well as the non-high-priority programs.

that the agencies revise their program-specific risk assessment processes to reduce the risk of the agencies not identifying all programs susceptible to significant improper payments. The recommended improvements included revising the processes to include factors such as quantitative assessments in addition to (or instead of) qualitative assessments.

- Evaluation of agency's estimation methodologies for non-high-priority programs: As noted in figure 8, we found that 10 IGs reported that they evaluated the quality of the agencies' improper payment estimates and methodologies for certain non-high-priority programs. Specifically, we found that these IGs reported that the published improper payment estimate for at least 1 agency program was unreliable because the agencies used inaccurate data, incomplete data, or insufficient sampling methodologies. As a result of performing this optional procedure, certain IGs provided recommendations to help the agencies improve the precision of their improper payment estimates, such as using improved sampling methodology prepared by a trained statistician.
- Evaluation of the accuracy and completeness of agency reporting: As noted in figure 8, this was the most frequently performed optional procedure. Specifically, we found that 15 of the 24 IGs reported that they evaluated the accuracy and completeness of their agencies' reporting on improper payments. Specifically, we found most of these IGs reported that they identified errors in improper payment-related information in the agencies' published AFRs. As a result of performing this optional procedure, these IGs provided recommendations to help the agencies improve the accuracy of the improper payment-related information published in their reports, such as recommending that the agencies implement additional internal controls.
- Evaluation of agencies' performance in recapturing improper payments: As noted in figure 8, we found that 9 IGs reported that they evaluated their agencies' efforts to recapture improper payments and in some cases found that more improper payments were actually recaptured by the agencies than the agencies reported. Specifically, certain agencies' summaries of recaptured improper payments failed to include all identified and recaptured improper payments identified through sources outside of the agencies' recapture audits, such as those payments identified through IG audits. As a result of performing this optional procedure, these IGs made recommendations to help the agencies improve the accuracy and completeness in reporting of their recaptured payments, such as recommending that the agencies develop written policies and procedures detailing the process for

reporting overpayments identified and recaptured from sources outside of payment recapture audits.

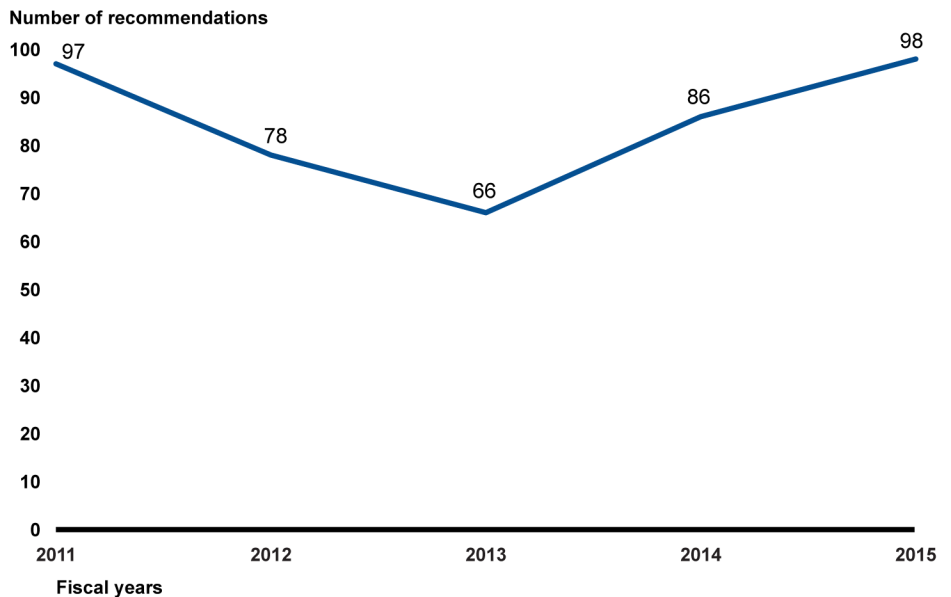
- Evaluation of agency corrective action plans: As noted in figure 8, we found that 6 IGs reported that they determined whether their agencies' corrective action plans were (1) robust and focused on the appropriate root causes of improper payments, (2) effectively implemented, and (3) prioritized within the agency. Specifically, we found that certain IGs reported that their agencies' corrective action plans did not explain how the corrective actions addressed the root causes identified, lacked planned or actual completion dates of the actions, or had not been updated to include more current root causes. Identifying the root causes of improper payments enables the agencies to revise their corrective action plans to better reflect the unique processes, procedures, and risks involved with each agency program susceptible to significant improper payments. As a result of performing this optional procedure, 1 IG recommended that the agency revise its corrective action plans to address the issues identified by the IG.

CFO Act Agency IGs Made About 400 Recommendations in Their Fiscal Years 2011 through 2015 IPERA Compliance Reports, and More Than 100 Recommendations Remain Open as of December 31, 2016

Although hundreds of IG recommendations were made, and over two-thirds were closed (320 closed recommendations out of 425 total recommendations) during the past 5 years of the IGs' IPERA compliance reviews, agencies' overall noncompliance under IPERA continues to be at its highest point—15 noncompliant agencies for both fiscal years 2014 and 2015.²⁹ As detailed in figure 9, the total annual number of IG-reported recommendations made by the 24 agencies' IGs has stayed relatively steady for the IGs' fiscal years 2011 through 2015 IPERA compliance reviews. There was a decrease in the number of IG-reported recommendations related to the agencies' compliance under IPERA during fiscal years 2012 and 2013, which coincides with the 2 years that the IGs' reporting showed slight improvements in agencies' compliance under IPERA.

²⁹Whether the IGs made recommendations in other products that are pertinent to their agencies' improper payments reporting would not be captured by our analysis. The number of recommendations excludes the same (or similar) recommendations that were repeated from a prior year, as the IGs identified these recommendations as duplicate recommendations.

Figure 9: Number of Improper Payments Recommendations Included in the CFO Act Agency IGs' Fiscal Years 2011 through 2015 IPERA Compliance Reports



CFO Act - Chief Financial Officers Act of 1990 IG - inspector general
IPERA - Improper Payments Elimination and Recovery Act of 2010

Source: GAO analysis of CFO Act agencies' IG IPERA reports for fiscal years 2011 through 2015. | GAO-17-484

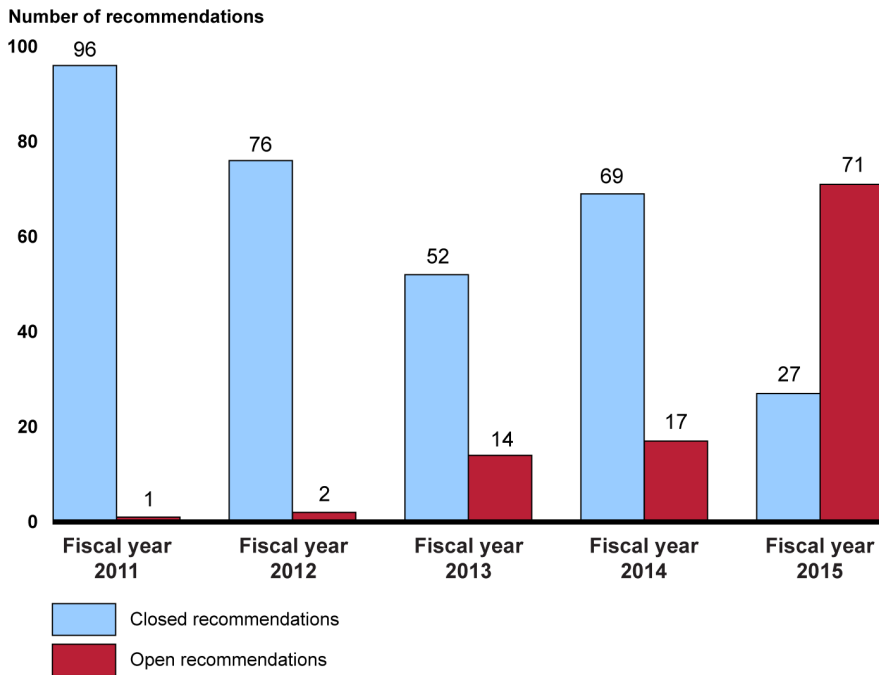
As detailed in appendix VI, the number of recommendations per agency varied significantly from fiscal years 2011 through 2015. For instance, the number of recommendations per agency fluctuated from as little as no recommendations for one agency—the Nuclear Regulatory Commission (NRC)—during this time period, to 49 recommendations for another agency—HUD. One potential reason for the significant difference in the number of recommendations per agency could be the extent to which the agencies were compliant under IPERA over the past 5 years. For example, NRC has been reported as compliant for the past 5 years, whereas HUD has been reported as noncompliant for the past 3 years.

As noted in figure 10, there were 105 recommendations open as of December 31, 2016. While the majority of the open recommendations were made in the past 2 years, and the agencies may not have had sufficient time to implement the necessary corrective actions, there was 1 recommendation from fiscal year 2011 that was still open at the time of our review. Specifically, in the HHS IG's fiscal year 2011 IPERA compliance report issued in March 2012, the HHS IG recommended that

HHS develop an improper payment estimate (one of the six IPERA criteria) for the Temporary Assistance for Needy Families (TANF) program and, if necessary, seek statutory authority to require state participation in such a measurement. In the HHS IG's fiscal year 2015 IPERA compliance report issued in May 2016, the HHS IG made another recommendation for HHS to publish an estimate for TANF. Specifically, the IG recommended that HHS continue to work with OMB to implement one of the OMB-suggested potential alternative approaches to reporting on TANF improper payments in fiscal year 2016.

According to HHS's fiscal year 2016 AFR, issued in November 2016, HHS plans to encourage Congress to consider statutory modifications that would affect the development of an improper payment estimate when legislation is considered to reauthorize TANF. In addition, in a June 2016 letter to Congress, HHS stated that it wanted to work with Congress to address a set of issues concerning the TANF program related to accountability and how funds are used. Until HHS develops an improper payment estimate for TANF, HHS will continue to be reported as noncompliant with the IPERA criteria that agencies publish improper payment estimates and corrective action plans for all susceptible programs. Based on the HHS IG's fiscal year 2015 compliance report, HHS was noncompliant with five of the six IPERA criteria; however, its noncompliance with the IPERA criteria to publish an improper payment estimate and publish a corrective action plan was based on the TANF program only.

Figure 10: Number and Status of Improper Payment-Related Recommendations Made by the CFO Act Agency Inspectors General in Their Fiscal Years 2011 through 2015 IPERA Compliance Reports, as of December 31, 2016

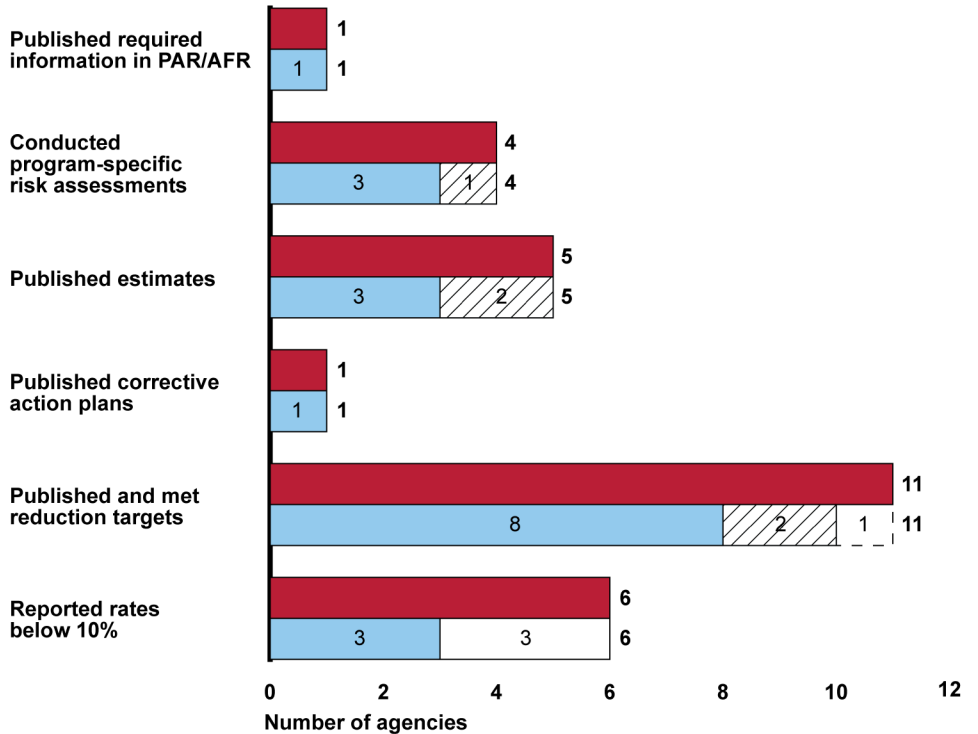


CFO Act - Chief Financial Officers Act of 1990 IG - inspector general IPERA - Improper Payments Elimination and Recovery Act of 2010

Source: GAO analysis of CFO Act agencies' IG compliance reports and recommendation information from IGs. | GAO-17-484

The open recommendations address a number of improper payment issues, including compliance under IPERA. We reviewed the open recommendations for the 15 agencies reported as noncompliant for fiscal year 2015, and as shown in figure 11, we found that agencies generally had open recommendations for each of the IPERA criteria for which they were reported as noncompliant. If the agencies take the necessary corrective actions to address the IGs' open recommendations, the number of noncompliant agencies could decrease in future fiscal years, if no new compliance issues arise. In addition, as shown in figure 11, recommendations designed to address noncompliance with certain IPERA criteria were closed by some of the IGs after their fiscal year 2015 IPERA compliance reports were issued. Although these agencies may have taken corrective actions that resulted in the IGs closing the recommendations, the compliance results for these agencies for fiscal year 2016 were not published at the time of our review.

Figure 11: Summary of Noncompliant CFO Act Agencies per IPERA Criteria, as Reported/Acknowledged by the IGs, and Status of IGs' Recommendations Designed to Address Noncompliance, as of December 31, 2016



- Agencies reported as noncompliant per IPERA criteria for fiscal year 2015
- Agencies reported as noncompliant per IPERA criteria for fiscal year 2015 that have open recommendations designed to address noncompliance
- Agencies reported as noncompliant per IPERA criteria for fiscal year 2015 that had recommendations designed to address noncompliance that were closed by the IGs subsequent to the IGs' fiscal year 2015 report issuance (May 2016)
- Agencies reported as noncompliant per IPERA criteria for fiscal year 2015 that did not have open recommendations or recommendations that were closed by the IGs subsequent to the IGs' fiscal year 2015 report issuance (May 2016); however, the noncompliant agencies submitted plans or proposed statutory changes to Congress to address noncompliance
- Agency reported as noncompliant with this IPERA criterion for fiscal year 2015 that had no open recommendations because of the termination of the program that caused the noncompliance

AFR - agency financial report CFO Act - Chief Financial Officers Act of 1990
 IG - inspector general IPERA - Improper Payments Elimination and Recovery Act of 2010
 PAR - performance and accountability report

Source: GAO analysis of CFO Act agencies' IG compliance reports and recommendation information from IGs for fiscal years 2011 through 2015. | GAO-17-484

As noted in figure 11, the 3 agencies (DOL, SBA, and Treasury) that did not report improper payment rates below 10 percent either submitted

plans to address noncompliance to Congress or submitted proposed statutory changes. For example, in June 2015, Treasury submitted proposed statutory changes to reduce the improper payment rate of the Earned Income Tax Credit program, which reported an estimated improper payment rate of 23.8 percent in fiscal year 2015. Specifically, according to the Treasury IG's fiscal year 2015 IPERA compliance report, the proposed statutory change would help prevent the improper issuance of billions of dollars in refunds as it would provide the Internal Revenue Service (IRS) with expanded authority to systematically correct erroneous claims that are identified when tax returns are processed, which, according to Treasury, would allow the IRS to deny erroneous Earned Income Tax Credit refund claims before they are paid. However, as of March 2017, legislation had not been enacted to provide Treasury with this authority.³⁰

Related to its noncompliance with the IPERA criterion to report an improper payment rate below 10 percent, DOL submitted a legislative proposal in October 2016 to make changes to the federal-state unemployment compensation system to help reduce improper payments. DOL's Unemployment Insurance program was its only program that reported an improper payment rate over 10 percent, and that program was compliant with the remaining IPERA criteria.³¹ However, as of March 2017, legislation had not been enacted to make changes to the federal-state unemployment compensation system. Related to SBA's fiscal year 2015 noncompliance with the IPERA criterion to report an improper payment rate below 10 percent, its IG noted that the improper payment rate for one program (Disbursements for Goods and Services) increased from 8.46 percent in fiscal year 2014 to 13.52 percent in fiscal year 2015. Although the IG did not issue a recommendation in its fiscal year 2015 IPERA compliance report to address such noncompliance, the IG reported that SBA submitted a letter to Congress and OMB detailing

³⁰In response to a draft of this report, Treasury staff stated that it has been working with OMB on supplemental measures in lieu of reduction targets (see app. XII). The Treasury IG reported Treasury as compliant with the IPERA criterion regarding reduction targets. The information discussed in this report is regarding Treasury's noncompliance with the IPERA criterion for reporting improper payments below 10 percent.

³¹DOL was reported as noncompliant in fiscal year 2015 as a result of noncompliance with the two IPERA criteria that agencies publish and meet reduction targets and report improper payment rates below 10 percent. Specifically, DOL's Unemployment Insurance program reported an improper payment rate of 10.7 percent during fiscal year 2015. In addition, the Workforce Investment Act grants program did not meet its reduction target; however, this program was terminated in fiscal year 2015.

how it would become compliant under IPERA. SBA's March 2016 letter to Congress included SBA's corrective action plan for reducing improper payments in its Disbursements for Goods and Services program.

Conclusions

The total amount of estimated improper payments reported government-wide has been estimated to total over \$1.2 trillion from fiscal year 2003 through fiscal year 2016. Five years after the implementation of IPERA, 15 of the 24 CFO Act agencies were reported as noncompliant under IPERA for fiscal year 2015. Although noncompliance under IPERA continues to be at its highest point, the inconsistencies in IGs' determinations of noncompliance that we found in the IGs' fiscal year 2015 IPERA compliance reports may present potentially misleading information to individuals and entities interested in comparative government-wide compliance under IPERA. OMB guidance and IPERA do not specify what, if any, evaluative procedures should be conducted as part of the IGs' compliance determinations. CIGIE, which represents the IGs, has also not issued such guidance.

In addition, IGs reported programs at 7 agencies as noncompliant for 3 or more consecutive years as of the end of fiscal year 2015, and as a result, the agencies were required to submit certain information to Congress. However, USDA had not submitted the required information despite prior recommendations from its IG and GAO. When agencies do not submit the required information, Congress may lack the information necessary to effectively monitor the implementation of IPERA and take prompt action to address problematic programs.

Recommendations for Executive Action

We are making the following two recommendations:

To help ensure that government-wide compliance under IPERA is consistently determined and reported, we recommend that the Director of OMB coordinate with CIGIE to develop and issue guidance, either jointly or independently, to specify what procedures should be conducted as part of the IGs' IPERA compliance determinations.

To help fulfill USDA's requirements under IPERA and OMB guidance—that agencies submit proposals to Congress when a program reaches 3 or more consecutive years of noncompliance with IPERA criteria—we recommend that the Secretary of Agriculture submit a letter to Congress detailing proposals for reauthorization or statutory changes in response to 3 consecutive years of noncompliance as of fiscal year 2015 for its Farm

Security and Rural Investment Act Program. To the extent that reauthorization or statutory changes are not considered necessary to bring a program into compliance, the Secretary or designee should state so in the letter.

Agency Comments

We requested comments on a draft of this report from the 24 CFO Act agencies and their IGs, OMB, and CIGIE. We received letters from CIGIE, HUD, Treasury, and SSA, as well as from the IGs for DHS and HUD. These letters are reprinted in appendixes VIII through XIII. In addition, all of the other agencies and the IGs either notified us that they had no comments or provided their comments via e-mail. Specifically, OMB's liaison to GAO stated in an e-mail that they had no comments on the report or the recommendation to coordinate with CIGIE to develop guidance.³² Similarly, USDA's Acting Deputy Secretary concurred with our recommendation to USDA by e-mail.

We also received technical comments from the Department of Commerce, HHS, HUD, State, Treasury, EPA, NSF, SBA, and SSA, which we incorporated in the report as appropriate. In addition, the IGs for DHS, HUD, State, Treasury, VA, EPA, NASA, NSF, and SSA also provided technical comments, which we also incorporated in the report as appropriate.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the appropriate congressional committees, the Secretary of Agriculture, the Director of the Office of Management and Budget, and other interested parties. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

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

³²Although this recommendation was not directed to CIGIE, the CIGIE Chairperson stated that CIGIE would coordinate with OMB as needed and provide feedback on any draft OMB guidance (see app. VIII).

page of this report. GAO staff who made key contributions to this report are listed in appendix XIV.

Sincerely yours,

A handwritten signature in cursive script that reads "Beryl H. Davis".

Beryl H. Davis
Director
Financial Management and Assurance

Appendix I: Objectives, Scope, and Methodology

Our objectives were to review the following:

1. The extent to which the 24 agencies listed in the Chief Financial Officers Act of 1990, as amended (CFO Act),¹ complied with the criteria listed in the Improper Payments Elimination and Recovery Act of 2010 (IPERA),² for fiscal years 2011 through 2015 as reported by their inspectors general (IG); the criteria and programs that the IGs concluded were responsible for instances of agency noncompliance and the number of programs at the 24 CFO Act agencies that were reported as noncompliant under IPERA criteria by their IGs for 3 or more consecutive years as of fiscal year 2015; and the extent to which the responsible agencies submitted the required information to Congress.
2. The extent to which CFO Act agency IGs reported that they performed additional optional procedures during their fiscal year 2015 reviews, as outlined in Office of Management and Budget (OMB) guidance contained in OMB Circular No. A-123, Appendix C, OMB Memorandum No. M-15-02 (OMB M-15-02).³
3. The extent to which the IGs' fiscal years 2011 through 2015 IPERA compliance reports included recommendations and the status of these recommendations as of December 31, 2016, and for the open recommendations associated with noncompliant agencies, the extent to which the recommendations were designed to address agencies' noncompliance with one or more of the six IPERA criteria.

Although the responsibility for complying with provisions of improper payment-related statutes rests with the head of each executive agency, we focused on those agencies designated as CFO Act agencies because these agencies represented over 99 percent of the total government-wide improper payments reported in fiscal year 2015. Our work did not include validating or retesting the data or methodologies used by the IGs to

¹The CFO Act, Pub. L. No. 101-576 104 Stat. 2838 (Nov. 15, 1990), among other things 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. The CFO Act agencies accounted for over 99 percent of the government-wide improper payment estimate in fiscal year 2015.

²Pub. L. No. 111-204, 124 Stat. 2224 (July 22, 2010).

³Office of Management and Budget, *Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments*, OMB Memorandum No. M-15-02 (Washington, D.C.: October 2014).

determine and report compliance. We corroborated our findings with OMB and all 24 CFO Act agencies and IGs.

To address our first objective, we identified the requirements that agencies must meet by reviewing the Improper Payments Information Act of 2002 (IPIA),⁴ IPERA, the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA),⁵ and OMB guidance. We analyzed CFO Act agency IGs' fiscal year 2015 IPERA reports, which were the most current reports available at the time of our review; summarized information related to agency compliance under IPERA criteria; and identified common findings and related causes for improper payments, as reported by the IGs. We also relied on and reviewed prior year supporting documentation and analyses of CFO Act agencies' IG IPERA reports for fiscal years 2011 through 2014, as reported in our June 2016 report on IPERA compliance reporting,⁶ and compared agencies' compliance with each IPERA criterion over fiscal years 2011 through 2015, as reported by the IGs.

In addition, we identified the programs responsible for noncompliance over this period by analyzing and summarizing the determinations made in the IG reports. Further, we reviewed the fiscal years 2015 and 2016 improper payments information, which OMB provided to GAO during the audit of the fiscal years 2016 and 2015 consolidated financial statements of the U.S. Government, and compared such information to the agency financial reports or performance and accountability reports to determine the total improper payment estimate reported for the 24 agencies (see apps. IV and VII, respectively).⁷ To determine the extent of inconsistencies between the IGs' fiscal year 2015 noncompliance determinations, we summarized the noncompliance determinations by "noncompliance based on pass/fail determinations" and "noncompliance based on evaluative procedures." To determine if agencies responsible for the programs that were reported as noncompliant for 3 or more consecutive years had submitted either proposals for reauthorization or

⁴Pub. L. No. 107-300, 116 Stat. 2350 (Nov. 26, 2002), *codified as amended* at 31 U.S.C. § 3321 Note.

⁵Pub. L. No. 112-248, 126 Stat. 2390 (Jan. 10, 2013).

⁶GAO, *Improper Payments: CFO Act Agencies Need to Improve Efforts to Address Compliance Issues*, [GAO-16-554](#) (Washington, D.C.: June 30, 2016).

⁷GAO, *Financial Audit: Fiscal Years 2016 and 2015 Consolidated Financial Statements of the U.S. Government*, [GAO-17-283R](#) (Washington, D.C.: Jan. 12, 2017).

statutory changes to Congress, we interviewed and requested information from relevant agency offices of chief financial officer in coordination with the agency IGs. We did not draw conclusions as to the sufficiency or completeness of the information contained in proposals for reauthorization or statutory changes submitted to Congress. Lastly, we corroborated our findings with OMB and all 24 CFO Act agencies and IGs.

To address our second objective, we identified procedures that agencies' IGs were required to perform during their annual IPERA compliance reviews, as required by IPIA, IPERA, IPERIA, and OMB M-15-02. We also reviewed IPIA, IPERA, IPERIA, and OMB guidance to identify a list of optional procedures. To verify that we had properly identified and categorized the optional IG procedures, we interviewed and obtained confirmation from OMB staff. We reviewed and summarized the CFO Act agencies' IGs' fiscal year 2015 IPERA compliance reports to determine if the IGs reported that they performed one or more of the optional procedures. Given that some of the optional procedures were only optional when the IGs were reviewing non-high-priority programs, we determined the population of OMB designated high-priority programs for fiscal year 2015 based on information from www.paymentaccuracy.gov.⁸ To verify that this list was reported correctly on the website, we interviewed OMB staff and corroborated the information. For each agency responsible for a non-high-priority program, we reviewed the related IG's IPERA compliance report for fiscal year 2015 to determine whether the IG reported that it performed one or more of the optional procedures for non-high-priority programs. We did not evaluate the sufficiency of the optional procedures performed by the IGs nor did we determine whether the IGs completed the required procedures, as outlined in IPIA, IPERA, IPERIA, and OMB guidance. Lastly, we corroborated our findings with the 24 CFO Act agencies' IGs.

To address our third objective, we reviewed the 24 CFO Act agency IGs' fiscal years 2011 through 2015 IPERA compliance reports to determine the number of recommendations made by the IGs. To determine the status of the recommendations as of December 31, 2016, we reviewed the recommendation status information obtained from the IGs. To determine whether the IGs associated with the 15 noncompliant agencies

⁸An official website of the United States Government that contains information about current and historical rates and amounts of improper payments, why improper payments occur, and what agencies are doing to reduce and recover improper payments.

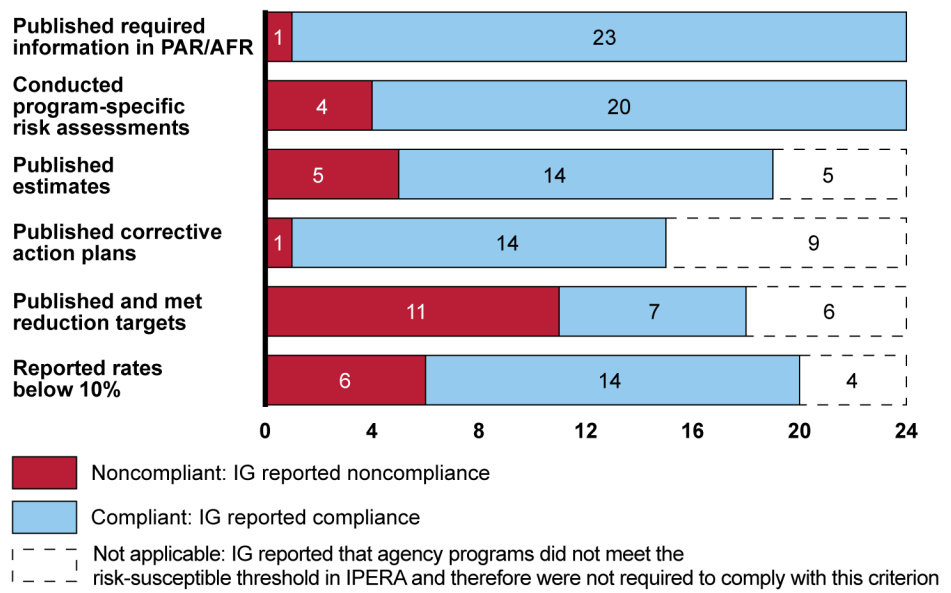
had open recommendations that were designed to address the agencies' noncompliance with one or more of the six IPERA criteria, we reviewed and categorized the IGs' open recommendations, as of December 31, 2016. For those agencies that did not have open recommendations, as of December 31, 2016, that addressed the agencies' noncompliance with the IPERA criteria, we determined whether any of the closed recommendations addressed noncompliance with the IPERA criteria and were closed after the IGs' fiscal year 2015 IPERA compliance reports were issued in May 2016. For the noncompliant agencies that did not have any open recommendations or recommendations that were closed after May 2016 that were designed to address the agencies' noncompliance with one or more of the six IPERA criteria, we determined whether those agencies submitted information to Congress to address IPERA noncompliance, such as reauthorization proposals, proposed statutory changes, or agency action plans. Lastly, we corroborated our findings with the respective agencies and their IGs.

We conducted this performance audit from June 2016 to May 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: CFO Act Agencies Reported as Noncompliant under IPERA by IGs for Fiscal Year 2015

Figures 12 and 13 detail agencies' compliance under Improper Payments Elimination and Recovery Act of 2010 criteria, as reported by their inspectors general, for fiscal year 2015.

Figure 12: Fiscal Year 2015 CFO Act Agencies' Overall IPERA Compliance by IPERA Criteria, as Reported by Their IGs



AFR - agency financial report CFO Act - Chief Financial Officers Act of 1990
 IG - inspector general IPERA - Improper Payments Elimination and Recovery Act of 2010
 PAR - performance and accountability report

Source: GAO analysis of IG IPERA compliance reports for fiscal year 2015. | GAO-17-484

Appendix II: CFO Act Agencies Reported as Noncompliant under IPERA by IGs for Fiscal Year 2015

Figure 13: Fiscal Year 2015 CFO Act Agencies' IPERA Compliance as Reported by Their IGs

CFO Act agencies	IPERA criteria						Number of IPERA criteria with a finding of noncompliance
	Published required information in PAR/AFR	Conducted program-specific risk assessment(s)	Published estimate(s)	Published corrective action plan(s)	Published and met reduction target(s)	Reported rate(s) below 10 percent	
Department of Agriculture	✓	✓	X	✓	X	X	3
Department of Commerce	✓	✓	✓	N/A	✓	✓	0
Department of Defense	✓	✓	✓	✓	X	✓	1
Department of Education	✓	✓	✓	✓	X	✓	1
Department of Energy	✓	✓	N/A	N/A	N/A	N/A	0
Department of Health and Human Services	✓	X	X	X	X	X	5
Department of Homeland Security	✓	✓	✓	✓	X	✓	1
Department of Housing and Urban Development	✓	X	✓	✓	X	✓	2
Department of the Interior	✓	X	X	✓	✓	✓	2
Department of Justice	✓	✓	✓	N/A	N/A	✓	0
Department of Labor	✓	✓	✓	✓	X	X	2
Department of State	✓	✓	N/A	N/A	N/A	N/A	0
Department of Transportation	X	✓	✓	✓	X	✓	2
Department of the Treasury	✓	✓	✓	✓	✓	X	1
Department of Veterans Affairs	✓	✓	✓	✓	X	X	2
Environmental Protection Agency	✓	✓	✓	N/A	✓	✓	0
General Services Administration	✓	✓	X	✓	✓	✓	1
National Aeronautics and Space Administration	✓	✓	✓	N/A	✓	✓	0
National Science Foundation (NSF)	✓	✓	N/A	N/A	N/A	N/A	0
Nuclear Regulatory Commission	✓	✓	N/A	N/A	N/A	✓	0
Office of Personnel Management	✓	X	X	✓	✓	✓	2
Small Business Administration	✓	✓	✓	✓	X	X	2
Social Security Administration (SSA)	✓	✓	✓	✓	X	✓	1
U.S. Agency for International Development	✓	✓	N/A	N/A	N/A	N/A	0
Total noncompliant agencies	1	4	5	1	11	6	
Total number of instances of noncompliance under IPERAcriteria							28

✓ IG reported compliance

X IG reported noncompliance

N/A IG reported that the agency was not required to comply with this criterion because it did not meet the risk-susceptible threshold

AFR - agency financial report CFO Act - Chief Financial Officers Act of 1990 IG - inspector general

IPERA - Improper Payments Elimination and Recovery Act of 2010 PAR - performance and accountability report

Source: GAO analysis of CFO Act agencies' IG IPERA reports for fiscal years 2011 through 2015. | GAO-17-484

Appendix III: CFO Act Agencies and Programs Reported as Noncompliant under IPERA by Their IGs for Fiscal Year 2015

Table 2 lists the Chief Financial Officers Act of 1990 agencies and their programs that their inspectors general reported in fiscal year 2015 were noncompliant under the Improper Payments Elimination and Recovery Act of 2010.

Table 2: CFO Act Agencies' Programs That IGs Reported as Noncompliant under IPERA for Fiscal Year 2015

Noncompliant CFO Act agencies and programs	Conduct program-specific risk assessment(s)	Publish estimate(s)	Publish corrective action plan(s)	Publish and meet reduction target(s)	Report rate(s) below 10 percent
Department of Agriculture					
1. Food and Nutrition Service (FNS) Supplemental Nutrition Assistance Program	*	*	*	X	*
2. FNS National School Lunch Program	*	*	*	X	X
3. FNS School Breakfast Programs	*	*	*	*	X
4. FNS Special Supplemental Nutrition Program for Women, Infants, and Children	*	*	*	X	*
5. Forest Service Administration (FSA) Livestock Forage Disaster Program	*	*	*	X	*
6. FSA Supplemental Revenue Assistance Payments Program	*	*	*	X	*
7. FSA Noninsured Crop Disaster Assistance Program	*	*	*	X	*
8. FNS Child and Adult Care Food Program	*	X	*	*	*
9. Natural Resources Conservation Service Farm Security and Rural Investment Act Programs	*	*	*	X	X
Department of Defense (DOD)					
10. DOD Travel Pay	*	*	*	X	*
Department of Education					
11. Direct Loan	*	*	*	X	*
Department of Health and Human Services (HHS)^a					
12. Medicare Fee-for-Service (Parts A and B)	*	*	*	*	X
13. Medicare Advantage (Part C)	*	*	*	X	*
14. Medicaid	*	*	*	X	*
15. Children's Health Insurance Program	*	*	*	X	*
16. Child Care Development Fund	*	*	*	X	*
17. Temporary Assistance for Needy Families	*	X	X	*	*

**Appendix III: CFO Act Agencies and Programs
Reported as Noncompliant under IPERA by
Their IGs for Fiscal Year 2015**

Noncompliant CFO Act agencies and programs	Conduct program-specific risk assessment(s)	Publish estimate(s)	Publish corrective action plan(s)	Publish and meet reduction target(s)	Report rate(s) below 10 percent
Department of Homeland Security (DHS)					
18. Customs and Border Protection (CBP) - Refund & Drawback	*	*	*	X	*
19. CBP - Sandy	*	*	*	X	*
20. Federal Emergency Management Agency (FEMA) - Assistance to Firefighters Grant Program	*	*	*	X	*
21. FEMA - Homeland Security Grant Program	*	*	*	X	*
22. FEMA - Individuals and Households Program	*	*	*	X	*
23. FEMA - National Flood Insurance Program	*	*	*	X	*
24. FEMA - Public Assistance	*	*	*	X	*
25. FEMA – Vendor Pay	*	*	*	X	*
Department of Housing and Urban Development (HUD)^a					
26. Rental Housing Assistance Programs	*	*	*	X	*
Department of the Interior (Interior)					
27. Disaster Relief	X	X	*	*	*
Department of Labor					
28. Unemployment Insurance	*	*	*	*	X
29. Workforce Investment Act	*	*	*	X	*
Department of Transportation (DOT)^b					
30. Federal Highway Administration Highway Planning and Construction	*	*	*	X	*
Department of the Treasury					
31. Earned Income Tax Credit	*	*	*	*	X
Department of Veteran’s Affairs (VA)					
32. Beneficiary Travel	*	*	*	X	*
33. VA Community Care	*	*	*	X	X
34. Purchased Long Term Services and Support	*	*	*	X	X
35. Supplies and Materials	*	*	*	X	*
36. Compensation	*	*	*	X	*
37. Education - Chapter 1606	*	*	*	X	*
38. Education - Chapter 1607	*	*	*	X	*
39. Disaster Relief Act - Hurricane Sandy	*	*	*	X	*

**Appendix III: CFO Act Agencies and Programs
Reported as Noncompliant under IPERA by
Their IGs for Fiscal Year 2015**

Noncompliant CFO Act agencies and programs	Conduct program-specific risk assessment(s)	Publish estimate(s)	Publish corrective action plan(s)	Publish and meet reduction target(s)	Report rate(s) below 10 percent
General Services Administration					
40. Hurricane Sandy Disaster Relief Fund	*	X	*	*	*
Office of Personnel Management					
41. Total Program - Retirement	*	X	*	*	*
42. Federal Employees' Group Life Insurance	X	*	*	*	*
43. Background Investigations	X	*	*	*	*
44. Payroll	X	*	*	*	*
45. Travel Card	X	*	*	*	*
46. Vendor Payment Process	X	*	*	*	*
Small Business Administration					
47. 7(a) Guaranty Approvals	*	*	*	X	*
48. 504 Certified Development Company Guaranty Approvals	*	*	*	X	*
49. Disbursements for Goods and Services	*	*	*	X	X
50. Hurricane Sandy Disaster Relief Grants	*	*	*	X	*
Social Security Administration					
51. Old Age, Survivors & Disability Insurance	*	*	*	X	*
52. Supplemental Security Income	*	*	*	X	*
Total	6	5	1	38	9

Legend:

X: Program was noncompliant with IPERA criterion, as reported by the IG

*: Program was not reported by the IG as noncompliant with IPERA criterion

AFR: agency financial report

CFO Act: Chief Financial Officers Act of 1990

IPERA: Improper Payments Elimination and Recovery Act of 2010

PAR: performance and accountability report

Source: GAO analysis of CFO Act agencies' IG IPERA compliance reports for fiscal year 2015. | GAO-17-484

^aThe IGs for HHS and HUD reported noncompliance with the risk assessment criteria but did not specify any specific program(s) as being responsible for the noncompliance.

^bOne agency (DOT) was reported as noncompliant with the IPERA criterion to publish required information in the PAR/AFR, which is an agency-wide criterion and not specific to agency programs.

Appendix IV: Reported Improper Payment Estimates by Agency and Program/Activity for Fiscal Year 2015

Table 3 lists the Office of Management and Budget (OMB)-reported improper payment estimates by agency and program or activity for fiscal year 2015, which relate to fiscal year 2015 compliance determinations of the CFO Act agency inspectors general (IG) as discussed in this report. As noted in table 3, excluding the Defense Finance Accounting Service Commercial Pay program, there were 115 Chief Financial Officers Act of 1990 agency programs that reported an improper payment estimate (either a zero estimate or higher) for fiscal year 2015. Appendix VII details the fiscal year 2016 improper payment estimates, which OMB provided to GAO in December 2016 during the audit of the fiscal years 2016 and 2015 consolidated financial statements of the U.S. government;¹ the IGs' reports regarding such estimates are due in May 2017.

Table 3: Reported Improper Payment Estimates by Agency and Program/Activity for Fiscal Year 2015

Agency/reporting program	Reported by OMB for fiscal year 2015			
	Outlays (dollars)	Improper payment estimate (dollars)	Improper payment rate (percentage)	OMB-designated high-priority programs
CFO Act agencies				
Department of Agriculture	111,262,780,000	6,339,132,000		
1 <i>Food and Nutrition Service (FNS) Supplemental Nutrition Assistance Program</i>	<i>70,022,000,000</i>	<i>2,562,810,000</i>	<i>3.66</i>	√
2 <i>FNS National School Lunch Program</i>	<i>11,319,000,000</i>	<i>1,773,000,000</i>	<i>15.66</i>	√
3 <i>FNS School Breakfast Programs</i>	<i>3,812,000,000</i>	<i>875,000,000</i>	<i>22.95</i>	√
4 <i>FNS Special Supplemental Nutrition Program for Women, Infants, and Children</i>	<i>4,542,000,000</i>	<i>210,000,000</i>	<i>4.62</i>	
5 <i>Forest Service Administration (FSA) Livestock Forage Disaster Program</i>	<i>3,357,000,000</i>	<i>104,200,000</i>	<i>3.10</i>	
6 FSA Livestock Indemnity Program	63,000,000	4,000,000	6.35	
7 <i>FSA Supplemental Revenue Assistance Payments Program</i>	<i>34,000,000</i>	<i>3,370,000</i>	<i>9.90</i>	
8 <i>FSA Noninsured Crop Disaster Assistance Program</i>	<i>174,000,000</i>	<i>12,800,000</i>	<i>7.36</i>	
9 <i>FNS Child and Adult Care Food Program</i>	<i>930,000,000</i>	<i>7,800,000</i>	<i>0.84</i>	

¹GAO, *Financial Audit: Fiscal Years 2016 and 2015 Consolidated Financial Statements of the U.S. Government*, [GAO-17-283R](#) (Washington, D.C.: Jan. 12, 2017).

**Appendix IV: Reported Improper Payment
Estimates by Agency and Program/Activity for
Fiscal Year 2015**

Agency/reporting program	Reported by OMB for fiscal year 2015			
	Outlays (dollars)	Improper payment estimate (dollars)	Improper payment rate (percentage)	OMB-designated high-priority programs
10 Rental Assistance Program	1,147,000,000	16,200,000	1.41	
11 Federal Crop Insurance Corporation Program Fund	13,734,000,000	302,150,000	2.20	√
12 <i>Natural Resources Conservation Service Farm Security and Rural Investment Act Programs</i>	2,122,000,000	467,790,000	22.04	
13 Hurricane Sandy - Emergency Conservation Program	400,000	2,000	0.50	
14 Farm Service Agency Hurricane Sandy - Emergency Forest Restoration Program	300,000	10,000	1.67	
15 Forest Service Hurricane Sandy - Emergency Forest Restoration Program	70,000	-	0.00	
16 Hurricane Sandy - Capital Improvement and Maintenance	1,180,000	-	0.00	
17 Hurricane Sandy - Emergency Watershed Protection Program	4,830,000	-	0.00	
Department of Commerce	80,770,000	-		
18 Funds Received by National Oceanic and Atmospheric Administration under Disaster Relief Appropriations Act	80,770,000	-	0.00	
Department of Defense	560,770,000,000	1,256,080,000		
19 Military Health Benefits	19,700,000,000	157,670,000	0.80	
20 Military Pay	107,400,000,000	242,900,000	0.23	
21 Civilian Pay	56,600,000,000	57,200,000	0.10	
22 Military Retirement	59,300,000,000	20,800,000	0.04	
23 <i>Department of Defense Travel Pay</i>	6,600,000,000	521,470,000	7.90	
Defense Finance Accounting Service (DFAS) Commercial Pay ^a	287,800,000,000	256,000,000	0.09	
24 U.S. Army Corps of Engineers Commercial Pay	18,200,000,000	-	0.00	
25 U.S. Army Corps of Engineers Travel Pay	170,000,000	40,000	0.02	
26 Navy Enterprise Resource Planning Commercial Pay	5,000,000,000	-	0.00	
Department of Education	144,395,930,000	1,866,270,000		
27 Pell Grants	29,909,280,000	562,290,000	1.88	√
28 <i>Direct Loan</i>	98,771,650,000	1,284,030,000	1.30	√
29 Title I	15,715,000,000	19,950,000	0.13	
Department of Health and Human Services	882,445,960,000	89,776,830,000		
30 Medicare Fee-for-Service (Parts A and B)	358,348,600,000	43,325,610,000	12.09	√
31 Medicare Advantage (Part C)	148,593,710,000	14,117,000,000	9.50	√

**Appendix IV: Reported Improper Payment
Estimates by Agency and Program/Activity for
Fiscal Year 2015**

Agency/reporting program		Reported by OMB for fiscal year 2015			
		Outlays (dollars)	Improper payment estimate (dollars)	Improper payment rate (percentage)	OMB-designated high-priority programs
32	Medicare Prescription Drug Benefit (Part D)	62,003,910,000	2,234,250,000	3.60	√
33	Medicaid	297,672,020,000	29,124,610,000	9.78	√
34	Children's Health Insurance Program	9,293,910,000	632,110,000	6.80	√
35	Foster Care	841,010,000	30,680,000	3.65	
36	Child Care Development Fund	5,420,320,000	311,130,000	5.74	
37	Disaster Relief - Administration for Children and Families (ACF) Head Start	16,380,000	60,000	0.38	
38	Disaster Relief - ACF Social Services Block Grant	209,140,000	460,000	0.22	
39	Disaster Relief - ACF Family Violence Prevention and Services Act	890,000	10,000	0.89	
40	Disaster Relief - Assistant Secretary for Preparedness and Response Research	1,550,000	-	0.00	
41	Disaster Relief - Centers for Disease Control Research	4,600,000	-	0.00	
42	Disaster Relief - Substance Abuse and Mental Health Services Administration	1,320,000	20,000	1.38	
43	Disaster Relief - National Institutes of Health Research	38,600,000	890,000	2.29	
Department of Homeland Security		11,592,360,000	217,410,000		
44	Customs and Border Protection (CBP) - Refund & Drawback	1,590,560,000	3,880,000	0.24	
45	CBP - Administratively Uncontrollable Overtime	337,960,000	840,000	0.25	
46	CBP - Hurricane Sandy	470,000	-	0.15	
47	Domestic Nuclear Detection Office - Hurricane Sandy	50,000	-	0.00	
48	Federal Emergency Management Agency (FEMA) - Assistance to Firefighters Grant Program	224,900,000	1,440,000	0.64	
49	FEMA - Flood Risk Map & Risk Analysis Program	131,000,000	10,920,000	8.34	
50	FEMA - Hazard Mitigation - Hurricane Sandy	34,030,000	-	0.00	
51	FEMA - Homeland Security Grant Program	1,496,520,000	17,960,000	1.20	
52	FEMA - Individuals and Households Program	23,970,000	1,680,000	7.01	
53	FEMA - National Flood Insurance Program	894,360,000	1,470,000	0.16	
54	FEMA - Public Assistance	3,902,650,000	56,580,000	1.45	
55	FEMA - Port Security Grant Program	300,890,000	2,020,000	0.67	
56	FEMA - Transit Security Grant Program	353,260,000	3,120,000	0.88	
57	FEMA - Vendor Pay	733,620,000	54,990,000	7.50	

**Appendix IV: Reported Improper Payment
Estimates by Agency and Program/Activity for
Fiscal Year 2015**

Agency/reporting program		Reported by OMB for fiscal year 2015			
		Outlays (dollars)	Improper payment estimate (dollars)	Improper payment rate (percentage)	OMB-designated high-priority programs
58	Immigration and Customs Enforcement - Enforcement and Removal Operations	1,525,280,000	61,940,000	4.06	
59	National Protection and Programs Directorate - Hurricane Sandy	1,020,000	-	0.00	
60	Office of the Inspector General - Hurricane Sandy	2,000,000	-	0.00	
61	Science & Technology Directorate - Hurricane Sandy	280,000	-	0.00	
62	U.S. Coast Guard - Hurricane Sandy	39,540,000	570,000	1.44	
Department of Housing and Urban Development		33,643,120,000	1,300,600,000		
63	Rental Housing Assistance Programs	32,001,120,000	1,281,790,000	4.01	√
64	Community Development Block Grant - Disaster Relief	1,642,000,000	18,810,000	1.15	
Department of the Interior		90,990,000	2,970,000		
65	Disaster Relief	90,990,000	2,970,000	3.27	
Department of Justice		1,930,000	-		
66	Law Enforcement - Disaster Relief	530,000	-	0.00	
67	Prisons & Detention - Disaster Relief	1,400,000	-	0.00	
Department of Labor		38,412,500,000	3,638,150,000		
68	Unemployment Insurance	32,895,310,000	3,530,160,000	10.73	√
69	Workforce Investment Act	2,530,000,000	22,260,000	0.88	
70	Federal Employees Compensation Act	2,987,190,000	85,730,000	2.87	
Department of Transportation		60,295,690,000	491,020,000		
71	Federal Aviation Administration Airport Improvement Program	3,117,090,000	1,270,000	0.04	
72	Federal Aviation Administration Facilities & Equipment - Disaster Relief Appropriations Act	9,580,000	-	0.00	
73	Federal Highway Administration Highway Planning and Construction	44,424,550,000	479,200,000	1.08	
74	Federal Railroad Administration Grants to Amtrak	1,363,120,000	4,240,000	0.31	
75	Federal Railroad Administration High-Speed Intercity Passenger Rail	1,113,590,000	360,000	0.03	
76	Federal Transit Administration Formula Grants	9,419,660,000	5,090,000	0.05	
77	Federal Transit Administration Emergency Relief Program - Disaster Relief Appropriations Act	570,440,000	170,000	0.03	
78	Maritime Administration Ready Reserve Force	277,660,000	690,000	0.25	
Department of the Treasury		65,600,000,000	15,600,000,000		
79	Earned Income Tax Credit	65,600,000,000	15,600,000,000	23.78	√

**Appendix IV: Reported Improper Payment
Estimates by Agency and Program/Activity for
Fiscal Year 2015**

Agency/reporting program	Reported by OMB for fiscal year 2015			OMB-designated high-priority programs
	Outlays (dollars)	Improper payment estimate (dollars)	Improper payment rate (percentage)	
Department of Veterans Affairs (VA)	113,464,530,000	4,976,180,000		
80 <i>Beneficiary Travel</i>	811,550,000	50,480,000	6.22	
81 Civilian Health and Medical Program of the VA	1,135,340,000	38,750,000	3.41	
82 <i>VA Community Care</i>	3,912,170,000	2,142,690,000	54.77	
83 <i>Purchased Long-Term Services and Support</i>	1,479,710,000	875,130,000	59.14	
84 State Home Per Diem Grants	1,077,840,000	21,770,000	2.02	
85 <i>Supplies and Materials</i>	2,457,240,000	32,440,000	1.32	
86 <i>Compensation</i>	58,449,560,000	1,361,350,000	2.33	
87 Pension	5,832,790,000	264,190,000	4.53	
88 Vocational Rehabilitation and Employment Beneficiary Payments	1,081,220,000	11,260,000	1.04	
89 Education - Chapter 33	11,172,650,000	135,050,000	1.21	
90 <i>Education - Chapter 1606</i>	147,150,000	1,550,000	1.05	
91 <i>Education - Chapter 1607</i>	67,330,000	1,500,000	2.23	
92 <i>Disaster Relief Act - Hurricane Sandy</i>	27,270,000	1,560,000	5.71	
93 Payments to Federal Employees - Payroll	25,812,710,000	38,460,000	0.15	
Environmental Protection Agency	2,714,120,000	3,740,400		
94 Clean Water State Revolving Fund	1,549,930,000	1,510,000	0.10	
95 Drinking Water State Revolving Fund	1,162,900,000	2,230,000	0.19	
96 Hurricane Sandy Disaster Relief Fund	1,290,000	400	0.03	
General Services Administration	6,146,610,000	8,920,000		
97 Rental of Space	5,745,950,000	6,900,000	0.12	
98 Building Operations - Utilities	369,870,000	40,000	0.01	
99 Purchase Cards	30,220,000	1,980,000	6.55	
100 <i>Hurricane Sandy Disaster Relief Fund</i>	570,000	-	0.00	
National Aeronautics and Space Administration	5,000,000	-		
101 Hurricane Sandy Disaster Relief Program	5,000,000	-	0.00	
Office of Personnel Management	129,166,810,000	372,630,000		
102 <i>Total Program - Retirement</i>	81,067,700,000	304,200,000	0.38	
103 <i>Federal Employee Health Benefit - All Carriers</i>	48,099,110,000	68,430,000	0.14	
Small Business Administration	20,789,560,000	1,053,580,000		
104 7(a) Guaranty Purchases	880,160,000	7,910,000	0.90	
105 <i>7(a) Guaranty Approvals</i>	15,160,480,000	848,080,000	5.59	
106 <i>504 CDC Guaranty Approvals</i>	4,189,530,000	158,200,000	3.78	

**Appendix IV: Reported Improper Payment
Estimates by Agency and Program/Activity for
Fiscal Year 2015**

Agency/reporting program	Reported by OMB for fiscal year 2015			OMB-designated high-priority programs
	Outlays (dollars)	Improper payment estimate (dollars)	Improper payment rate (percentage)	
107 Disaster Loan Disbursements	302,280,000	24,570,000	8.13	
108 Disbursements for Goods and Services	105,440,000	14,260,000	13.52	
109 Hurricane Sandy Disaster Relief Grants	4,300,000	130,000	3.02	
110 Hurricane Sandy Disaster Relief Administrative Funds - Payroll	136,740,000	410,000	0.30	
111 Hurricane Sandy Disaster Relief Administrative Funds - Travel	10,120,000	10,000	0.12	
112 Hurricane Sandy Disaster Relief Administrative Funds - Purchase Cards	510,000	10,000	0.98	
Social Security Administration	919,177,430,000	9,802,930,000		
113 Old Age, Survivors & Disability Insurance	862,719,790,000	5,038,190,000	0.58	√
114 Supplemental Security Income	56,457,560,000	4,764,740,000	8.44	√
115 Disaster Relief Act Funds Total Payment	80,000	-	0.00	
Department of Energy	NR	NR	NR	
Department of State	NR	NR	NR	
National Science Foundation	NR	NR	NR	
Nuclear Regulatory Commission	NR	NR	NR	
U.S. Agency for International Development	NR	NR	NR	
Subtotal: CFO Act Agencies	3,100,056,090,000	136,706,442,400	4.40	
Subtotal: Non-CFO Act agencies	20,806,240,000	244,150,000		
Corporation for National & Community Service				
116 AmeriCorps - State and National	222,400,000	14,500,000	6.5	
Federal Communications Commission	8,568,020,000	154,760,000		
117 Universal Service Fund (USF) - High Cost	3,744,680,000	2,800,000	0.07	
118 USF - Schools and Libraries	2,286,310,000	144,650,000	6.33	
119 USF - Lifeline	1,635,860,000	7,310,000	0.45	
120 Telecommunications Relay Service - Interstate Telecommunications Relay Services Fund	901,170,000	-	0.00	
Railroad Retirement Board	12,015,820,000	74,890,000		
121 Retirement and Survivors Benefits	11,909,620,000	70,600,000	0.59	
122 Railroad Unemployment Insurance Act	106,200,000	4,290,000	4.04	
Subtotal: Non-CFO Act Agencies	20,806,240,000	244,150,000	1.17	
Government-wide total as reported by OMB	3,120,862,330,000	136,950,592,400	4.40	
Exclusion of DFAS Commercial Pay Program^a	(287,800,000,000)	(256,000,000)		

**Appendix IV: Reported Improper Payment
Estimates by Agency and Program/Activity for
Fiscal Year 2015**

Agency/reporting program	Reported by OMB for fiscal year 2015			
	Outlays (dollars)	Improper payment estimate (dollars)	Improper payment rate (percentage)	OMB-designated high-priority programs
Fiscal year 2015 government-wide total,^b excluding DFAS Commercial Pay Program	2,833,062,330,000	136,694,592,400	4.82	
Total reported for OMB-designated high-priority programs	2,153,153,860,000	127,007,740,000	5.90	√
Total Reported for programs noncompliant under IPERA	\$2,294,478,580,000	\$131,981,610,000	5.75	

Legend:

AFR: agency financial report

CFO Act: Chief Financial Officers Act of 1990

IPERA: Improper Payments Elimination and Recovery Act of 2010

OMB: Office of Management and Budget

PAR: performance and accountability report

Source: GAO analysis of OMB data. | GAO-17-484

Note: Bolded/italicized programs represent 47 of the 52 programs that were reported as noncompliant under IPERA by their respective IGs, as shown in app. III. The remaining 5 programs that were reported as noncompliant did not report improper payment estimates and therefore are not shown in this table.

^aThis table includes DOD's DFAS Commercial Pay improper payment estimate of \$256 million and corresponding outlays of \$287.8 billion as reported by DOD and OMB in fiscal year 2015. However, the reported government-wide estimate of \$136.7 billion in improper payments excludes the estimates for the Department of Defense's DFAS Commercial Pay program. Although OMB included this program's estimates in its government-wide improper payment estimate, because of continuing GAO concerns based on audit findings in a 2013 report regarding the reliability of DFAS's improper payment estimate, the DFAS Commercial Pay estimate was excluded from GAO's calculations. See GAO, *DOD Financial Management: Significant Improvements Needed in Efforts to Address Improper Payment Requirements*, GAO-13-227 (Washington, D.C.: May 13, 2013).

^bThis report presents the IPERA compliance results for fiscal years 2011 through 2015, and as a result, we are including the fiscal year 2015 improper payment estimates. The dollar estimates in the table were rounded to the nearest ten thousand, and some estimates were updated and accepted by OMB during OMB's review of the agencies' fiscal year 2016 AFRs and PARs. As a result, the information for certain programs in this table may differ from the information in the agencies' AFRs and PARs, as well as the original estimates as published in GAO, *Improper Payments: CFO Act Agencies Need to Improve Efforts to Address Compliance Issues*, GAO-16-554 (Washington, D.C.: June 30, 2016). Additional information for each program (e.g., outlays and improper payment amounts that have not been rounded) is available on www.paymentaccuracy.gov.

Appendix V: Optional Procedures Performed by the IGs during Their Fiscal Year 2015 IPERA Compliance Reviews

Table 4 summarizes the optional procedures the CFO Act agency inspectors general reported that they performed during their fiscal year 2015 IPERA compliance reviews.

Table 4: Summary of Optional Procedures the IGs Reported That They Performed during Their Fiscal Year 2015 IPERA Compliance Reviews

CFO agency IGs	IGs reported performing one or more optional procedures	Optional procedure category					Evaluation of agency's corrective action plans
		Evaluation of agency's risk assessment(s) (for non-high-priority programs)	Evaluation of agency's estimation methodologies (for non-high-priority programs)	Evaluation of the accuracy and completeness of agency's reporting	Evaluation of agency's recapturing of improper payments		
Department of Agriculture	Y	Y	Y	Y	Y	Y	N
Department of Commerce	Y	N	N	Y	Y	Y	N/A
Department of Defense	Y	N	Y	Y	N	Y	Y
Department of Education	N	N/A	N	N	N/A	N/A	N
Department of Energy	N	N	N/A	N	N	N	N/A
Department of Health and Human Services	Y	Y	Y	Y	Y	Y	N
Department of Homeland Security	Y	Y	N	N	N	N	N
Department of Housing and Urban Development	Y	Y	Y	Y	Y	Y	Y
Department of the Interior	Y	N/A	Y	N	N	N	N
Department of Justice	Y	N	N	N	Y	Y	N/A
Department of Labor	Y	N	Y	N	N	N	N
Department of State	Y	Y	N/A	Y	N	N	N/A
Department of Transportation	Y	N	N	Y	N	N	N
Department of the Treasury	Y	Y	N/A	Y	Y	Y	N
Department of Veterans Affairs	Y	N	Y	Y	N	N	N
Environmental Protection Agency	Y	Y	N	Y	N	N	N/A
General Services Administration	Y	Y	Y	Y	Y	Y	Y

**Appendix V: Optional Procedures Performed
by the IGs during Their Fiscal Year 2015 IPERA
Compliance Reviews**

CFO agency IGs	IGs reported performing one or more optional procedures	Optional procedure category					Evaluation of agency's corrective action plans
		Evaluation of agency's risk assessment(s) (for non-high-priority programs)	Evaluation of agency's estimation methodologies (for non-high-priority programs)	Evaluation of the accuracy and completeness of agency's reporting	Evaluation of agency's recapturing of improper payments		
National Aeronautics and Space Administration	Y	Y	N	Y	N	N/A	
National Science Foundation	Y	Y	N/A	N	N/A	N/A	
Nuclear Regulatory Commission	N	N	N/A	N	N	N/A	
Office of Personnel Management	Y	Y	Y	Y	Y	Y	
Small Business Administration	Y	N/A	Y	Y	Y	Y	
Social Security Administration	Y	N/A	N	Y	N	Y	
U.S. Agency for International Development	N	N	N/A	N	N	N/A	
Total IGs that performed optional procedures	20	11	10	15	9	6	
Total IGs for which optional procedure was applicable		20	18	24	22	15	
Total IGs for which optional procedure was not applicable		4	6	0	2	9	
Percentage of IGs that performed optional procedures when applicable		55	56	63	41	40	

Legend:

CFO Act: Chief Financial Officers Act of 1990

IG: inspector general

IPERA: Improper Payments Elimination and Recovery Act of 2010

IPIA: Improper Payments Information Act of 2002

OMB: Office of Management and Budget

N: The IG did not perform optional procedures in the designated category

N/A: not applicable

Y: The IG performed optional procedures in the designated category

Source: GAO analysis of CFO Act agencies' IG IPERA compliance reports for fiscal year 2015. | GAO 17 484

Notes: A non-high-priority program is any program not designated as high-priority by OMB.

**Appendix V: Optional Procedures Performed
by the IGs during Their Fiscal Year 2015 IPERA
Compliance Reviews**

N/A designations for each column are as follows: For risk assessment: Not applicable because the IG had nothing to evaluate because the agency did not complete any program-specific risk assessments for non-high-priority programs during fiscal year 2015. For estimation methodologies: Not applicable because (1) the IG reported that the agency was not required to comply with this criterion because the agency's risk assessment concluded its programs were not susceptible to significant improper payments, as defined by IPIA and therefore the IG had nothing to evaluate or (2) the only estimate prepared by the agency was for a high-priority program and, as a result, the IG was required to evaluate the estimate. For corrective action plans: Not applicable because the IG reported that the agency was not required to comply with this criterion because the improper payment estimates for the agency's program(s) were zero. As a result, the IG had nothing to evaluate. For recapturing of improper payments: Not applicable because the IG reported that the agency determined, and OMB concurred, it was not cost-effective for the agency to conduct a payment recapture audit (i.e., the benefits (recaptured amounts) would likely not exceed the costs (e.g., staff time and resources, or payments for the payment recapture audit contractor) associated with implementing and overseeing the program). As a result, the IG had nothing to evaluate.

Appendix VI: Fiscal Years 2011 through 2015 Compliance Results and the Status of the IGs' Recommendations

Table 5 details the status of the recommendations made in the Improper Payments Elimination and Recovery Act of 2010 (IPERA) compliance reports of the CFO Act agency inspectors general (IG) for fiscal years 2011 through 2015, as of December 31, 2016. The IGs' recommendations address a number of improper payment issues, including compliance under IPERA. The number of open and closed recommendations, as well as the total number of recommendations, excludes the same (or similar) recommendations that were repeated from a prior year. Additional information regarding the status of the recommendations can be found in the IGs' annual IPERA compliance reports.

Table 5: Status of Recommendations Made in the IGs' Fiscal Years 2011 through 2015 IPERA Compliance Reports, as of December 31, 2016

CFO Act agency	Compliance results and number of open and closed recommendations per fiscal year					Totals for 2011 through 2015
	2011	2012	2013	2014	2015	
Department of Agriculture	X	X	X	X	X	
Open recommendations	0	0	1	1	5	7
Closed recommendations	8	10	3	7	0	28
Total recommendations	8	10	4	8	5	35
Prior year repeated recommendations	N/A	0	0	2	0	2
Department of Commerce	√	√	√	√	√	
Open recommendations	0	0	0	0	2	2
Closed recommendations	2	1	1	3	0	7
Total recommendations	2	1	1	3	2	9
Prior year repeated recommendations	N/A	0	0	0	0	0
Department of Defense	√	X	X	X	X	
Open recommendations	0	0	3	3	4	10
Closed recommendations	0	2	6	1	0	9
Total recommendations	0	2	9	4	4	19
Prior year repeated recommendations	N/A	0	0	0	0	0

**Appendix VI: Fiscal Years 2011 through 2015
Compliance Results and the Status of the IGs'
Recommendations**

CFO Act agency	Compliance results and number of open and closed recommendations per fiscal year					Totals for 2011 through 2015
	2011	2012	2013	2014	2015	
Department of Education	√	√	√	X	X	
Open recommendations	0	0	0	0	9	9
Closed recommendations	11	5	3	10	0	29
Total recommendations	11	5	3	10	9	38
Prior year repeated recommendations	N/A	1	1	0	0	2
Department of Energy	X	√	√	√	√	
Open recommendations	0	0	0	0	0	0
Closed recommendations	4	0	0	0	0	4
Total recommendations	4	0	0	0	0	4
Prior year repeated recommendations	N/A	0	0	0	0	0
Department of Health and Human Services	X	X	X	X	X	
Open recommendations	1	1	0	1	7	10
Closed recommendations	4	3	0	0	0	7
Total recommendations	5	4	0	1	7	17
Prior year repeated recommendations	N/A	0	0	0	3	3
Department of Homeland Security	X	X	X	X	X	
Open recommendations	0	0	0	0	4	4
Closed recommendations	6	8	1	3	0	18
Total recommendations	6	8	1	3	4	22
Prior year repeated recommendations	N/A	0	0	1	1	2
Department of Housing and Urban Development	√	√	X	X	X	
Open recommendations ^a	0	0	9	1	13	23
Closed recommendations	2	7	12	5	0	26
Total recommendations	2	7	21	6	13	49
Prior year repeated recommendations	N/A	0	0	0	0	0

**Appendix VI: Fiscal Years 2011 through 2015
Compliance Results and the Status of the IGs'
Recommendations**

CFO Act agency	Compliance results and number of open and closed recommendations per fiscal year					Totals for 2011 through 2015
	2011	2012	2013	2014	2015	
Department of the Interior	X	√	√	X	X	
Open recommendations	0	0	0	0	0	0
Closed recommendations	0	0	0	1	3	4
Total recommendations	0	0	0	1	3	4
Prior year repeated recommendations	N/A	0	0	0	0	0
Department of Justice	√	√	√	√	√	
Open recommendations	0	0	0	0	0	0
Closed recommendations	4	2	0	0	0	6
Total recommendations	4	2	0	0	0	6
Prior year repeated recommendations	N/A	0	0	0	0	0
Department of Labor	X	X	X	X	X	
Open recommendations	0	0	0	3	0	3
Closed recommendations	2	0	0	0	0	2
Total recommendations	2	0	0	3	0	5
Prior year repeated recommendations	N/A	0	0	0	0	0
Department of State	X	√	√	√	√	
Open recommendations	0	0	0	0	0	0
Closed recommendations	3	1	1	1	0	6
Total recommendations	3	1	1	1	0	6
Prior year repeated recommendations	N/A	2	1	2	0	5
Department of Transportation	X	X	X	X	X	
Open recommendations	0	1	0	0	1	2
Closed recommendations	2	1	2	3	1	9
Total recommendations	2	2	2	3	2	11
Prior year repeated recommendations	N/A	0	1	1	0	2
Department of the Treasury	X	X	X	X	X	
Open recommendations	0	0	0	0	3	3
Closed recommendations	2	3	1	4	0	10
Total recommendations	2	3	1	4	3	13
Prior year repeated recommendations	N/A	0	1	1	0	2

**Appendix VI: Fiscal Years 2011 through 2015
Compliance Results and the Status of the IGs'
Recommendations**

CFO Act agency	Compliance results and number of open and closed recommendations per fiscal year					Totals for 2011 through 2015
	2011	2012	2013	2014	2015	
Department of Veterans Affairs	X	X	X	X	X	
Open recommendations	0	0	0	1	7	8
Closed recommendations	7	6	3	8	0	24
Total recommendations	7	6	3	9	7	32
Prior year repeated recommendations	N/A	0	0	0	0	0
Environmental Protection Agency	√	X	√	√	√	
Open recommendations	0	0	0	0	0	0
Closed recommendations	4	6	5	3	7	25
Total recommendations	4	6	5	3	7	25
Prior year repeated recommendations	N/A	0	0	0	0	0
General Services Administration	√	√	√	X	X	
Open recommendations	0	0	0	0	0	0
Closed recommendations	6	3	7	7	11	34
Total recommendations	6	3	7	7	11	34
Prior year repeated recommendations	N/A	0	0	1	0	1
National Aeronautics and Space Administration	X	√	√	√	√	
Open recommendations	0	0	0	6	3	9
Closed recommendations	9	3	7	3	1	23
Total recommendations	9	3	7	9	4	32
Prior year repeated recommendations	N/A	0	3	1	1	5
National Science Foundation (NSF)	√	X	NR^b	X	√	
Open recommendations	0	0	0	0	8	8
Closed recommendations	0	10	0	1	0	11
Total recommendations	0	10	0	1	8	19
Prior year repeated recommendations	N/A	0	0	1	0	1
Nuclear Regulatory Commission	√	√	√	√	√	
Open recommendations	0	0	0	0	0	0
Closed recommendations	0	0	0	0	0	0
Total recommendations	0	0	0	0	0	0
Prior year repeated recommendations	N/A	0	0	0	0	0

**Appendix VI: Fiscal Years 2011 through 2015
Compliance Results and the Status of the IGs'
Recommendations**

CFO Act agency	Compliance results and number of open and closed recommendations per fiscal year					Totals for 2011 through 2015
	2011	2012	2013	2014	2015	
Office of Personnel Management	X	√	√	√	X	
Open recommendations	0	0	1	1	4	6
Closed recommendations	4	1	0	2	0	7
Total recommendations	4	1	1	3	4	13
Prior year repeated recommendations	N/A	0	0	1	2	3
Small Business Administration	X	X	X	X	X	
Open recommendations	0	0	0	0	0	0
Closed recommendations	12	0	0	6	4	22
Total recommendations	12	0	0	6	4	22
Prior year repeated recommendations	N/A	0	0	0	0	0
Social Security Administration (SSA)	X	X ^c	X	X	X	
Open recommendations	0	0	0	0	1	1
Closed recommendations	3	1	0	1	0	5
Total recommendations	3	1	0	1	1	6
Prior year repeated recommendations	N/A	0	1	1	1	3
U.S. Agency for International Development	√	√	√	√	√	
Open recommendations	0	0	0	0	0	0
Closed recommendations	1	3	0	0	0	4
Total recommendations	1	3	0	0	0	4
Prior year repeated recommendations	N/A	0	0	0	0	0
Total open recommendations for CFO Act agencies	1	2	14	17	71	105
Total closed recommendations for CFO Act agencies	96	76	52	69	27	320
Total recommendations per fiscal year for CFO Act agencies	97	78	66	86	98	
Total recommendations for fiscal years 2011 through 2015						425
Total prior year repeated recommendations^d for CFO Act agencies	0	3	8	12	8	31

Legend:

√: Agency reported by its IG as compliant

X: Agency reported by its IG as noncompliant

**Appendix VI: Fiscal Years 2011 through 2015
Compliance Results and the Status of the IGs'
Recommendations**

CFO Act: Chief Financial Officers Act of 1990

IG: inspector general

IPERA: Improper Payments Elimination and Recovery Act of 2010

N/A: not applicable

NR: not reported

Source: GAO analysis of CFO Act agencies' IG compliance reports and recommendation information from IGs for fiscal years 2011 through 2015. | GAO-17-484

Notes: Use of N/A indicates that IGs were first required to report on the agencies' compliance for fiscal year 2011; therefore, there are no repeat recommendations for fiscal year 2011. Use of NR indicates that the IG did not report on IPERA compliance.

^aAccording to the Department of Housing and Urban Development's IG, 3 of the open recommendations for fiscal year 2015, as shown in this table, were initially closed by the department prior to December 31, 2016. However, according to the IG, in early 2017, the IG determined that the issues associated with these 3 recommendations have not been resolved and therefore, the IG plans to reopen the recommendations. As a result, this table shows these 3 recommendations as open.

^bThe NSF IG did not issue an IPERA compliance report for fiscal year 2013 because NSF did not publish improper payment data in its fiscal year 2013 agency financial report.

^cThe SSA IG reported in fiscal year 2012 that the agency was compliant under IPERA criteria, but we noted that SSA's Supplemental Security Income program failed to meet its reported reduction targets for that year and in fiscal year 2011. The SSA IG concurred with this finding but does not plan to reissue its fiscal year 2012 IPERA compliance report to state a conclusion of noncompliance or its fiscal year 2011 report to state that the agency missed its reduction target. SSA was already reported noncompliant in fiscal year 2011 based on other criteria.

^dThe prior year repeated recommendations include both open and closed recommendations.

Appendix VII: Reported Improper Payment Estimates by Agency and Program/Activity for Fiscal Year 2016

Table 6 lists Office of Management and Budget (OMB)-reported improper payment estimates by agency and program or activity for fiscal year 2016, which OMB provided to GAO in December 2016 during the audit of the fiscal years 2016 and 2015 consolidated financial statements of the U.S. government.¹ The IGs' reports regarding these estimates are due in May 2017. As noted in table 6, excluding the Defense Finance Accounting Service Commercial Pay program, there were 105 Chief Financial Officers Act of 1990 agency programs that reported an improper payment estimate (either a zero estimate or higher) for fiscal year 2016. The total government-wide improper payment estimate for fiscal year 2016 totaled \$144.3 billion for 112 federal entity programs that reported estimates.

Table 6: Reported Improper Payment Estimates by Agency and Program/Activity for Fiscal Year 2016

Agency/reporting program	Reported by OMB for fiscal year 2016		
	Outlays (dollars)	Improper payment estimate (dollars)	Improper payment rate (percentage)
CFO Act agencies			
Department of Agriculture	38,738,480,000	3,355,710,100	
1 National School Lunch Program	11,994,800,000	1,819,740,000	15.17
2 School Breakfast Programs	3,959,600,000	890,170,000	22.48
3 Special Supplemental Nutrition Program for Women, Infants, and Children	4,335,000,000	207,650,000	4.79
4 Livestock Forage Disaster Program	2,581,120,000	122,350,000	4.74
5 Livestock Indemnity Program	54,270,000	6,980,000	12.86
6 Supplemental Revenue Assistance Payments Program	4,550,000	520,000	11.43
7 Noninsured Crop Disaster Assistance Program	128,850,000	7,050,000	5.47
8 Child and Adult Care Food Program	910,910,000	4,920,000	0.54
9 Rental Assistance Program	1,141,390,000	12,560,000	1.10
10 Federal Crop Insurance Corporation Program Fund	11,503,290,000	232,370,000	2.02
11 Farm Security and Rural Investment Act Programs	1,994,140,000	47,410,000	2.38
12 Hurricane Sandy - Emergency Conservation Program	40,000	100	0.25
13 Farm Service Agency Hurricane Sandy - Emergency Forest Restoration Program	790,000	10,000	1.27
14 Forest Service Hurricane Sandy - Emergency Forest Restoration Program	60,000	-	0.00

¹GAO, *Financial Audit: Fiscal Years 2016 and 2015 Consolidated Financial Statements of the U.S. Government*, [GAO-17-283R](#) (Washington, D.C.: Jan. 12, 2017).

**Appendix VII: Reported Improper Payment
Estimates by Agency and Program/Activity for
Fiscal Year 2016**

Agency/reporting program	Reported by OMB for fiscal year 2016		
	Outlays (dollars)	Improper payment estimate (dollars)	Improper payment rate (percentage)
15 Hurricane Sandy - Capital Improvement and Maintenance	580,000	-	0.00
16 Hurricane Sandy - Emergency Watershed Protection Program	5,080,000	-	0.00
17 Farm Service Agency Loan Deficiency Payments	124,010,000	3,980,000	3.21
Department of Commerce	101,170,000	50,000	
18 Funds Received by National Oceanic and Atmospheric Administration under Disaster Relief Appropriations Act (DRAA)	101,170,000	50,000	0.05
Department of Defense (DOD)	533,894,500,000	973,770,000	
19 Military Health Benefits	20,461,500,000	146,100,000	0.71
20 Military Pay	114,902,750,000	96,230,000	0.17
21 Civilian Pay	58,088,100,000	58,730,000	0.10
22 Military Retirement	59,931,730,000	9,460,000	0.02
23 Department of Defense Travel Pay	6,254,670,000	451,990,000	7.23
Defense Finance Accounting Service (DFAS) Commercial Pay ^a	248,536,450,000	110,820,000	0.04
24 U.S. Army Corps of Engineers Commercial Pay	8,158,000,000	-	0.00
25 U.S. Army Corps of Engineers Travel Pay	188,000,000	380,000	0.20
26 Navy Enterprise Resource Planning Commercial Pay	6,901,270,000	-	0.00
Navy Commercial Bill Pay Office - Naples	472,030,000	60,000	0.01
Department of Education	125,371,320,000	6,080,670,000	
27 Pell Grants	8,188,550,000	2,212,800,000	7.85
28 Direct Loan	97,182,770,000	3,867,870,000	3.98
Department of Health and Human Services	67,563,100,000	96,941,861,000	
29 Medicare Fee-for-Service (Parts A and B)	373,650,450,000	41,084,650,000	11.00
30 Medicare Advantage (Part C)	161,944,040,000	16,182,660,000	9.99
31 Medicare Prescription Drug Benefit (Part D)	70,235,940,000	2,393,940,000	3.41
32 Medicaid	345,973,720,000	36,253,250,000	10.48
33 Children's Health Insurance Program	9,233,060,000	737,590,000	7.99
34 Foster Care	692,000,000	47,680,000	6.89
35 Child Care	5,547,090,000	240,740,000	4.34
36 Disaster Relief - Administration for Children and Families Head Start	71,780,000	-	0.00
37 Disaster Relief - Administration for Children and Families Social Services Block Grant	198,330,000	1,350,000	0.68
38 Disaster Relief - Assistant Secretary for Preparedness and Response Research	3,060,000	-	0.00
39 Disaster Relief - Substance Abuse and Mental Health Services Administration	1,280,000	1,000	0.05

**Appendix VII: Reported Improper Payment
Estimates by Agency and Program/Activity for
Fiscal Year 2016**

Agency/reporting program	Reported by OMB for fiscal year 2016		
	Outlays (dollars)	Improper payment estimate (dollars)	Improper payment rate (percentage)
40 Disaster Relief - National Institutes of Health Research	12,350,000	-	0.00
Department of Homeland Security	11,855,250,000	120,453,000	
41 Customs and Border Protection - Refund & Drawback	3,008,520,000	10,520,000	0.35
42 Customs and Border Protection - Administratively Uncontrollable Overtime	172,980,000	10,000	0.01
43 Domestic Nuclear Detection Office - Hurricane Sandy	60,000	-	0.00
44 Federal Emergency Management Agency - Assistance to Firefighters Grant Program	270,910,000	2,290,000	0.85
45 Federal Emergency Management Agency - Flood Risk Map & Risk Analysis Program	111,250,000	6,110,000	5.49
46 Federal Emergency Management Agency (FEMA) - Homeland Security Grant Program	658,630,000	2,770,000	0.42
47 FEMA - National Flood Insurance Program	828,970,000	1,380,000	0.17
48 FEMA - Public Assistance	4,198,300,000	57,100,000	1.36
49 FEMA - Port Security Grant Program	117,380,000	1,140,000	0.97
50 FEMA - Transit Security Grant Program	218,480,000	1,490,000	0.68
51 FEMA - Vendor Pay	581,510,000	31,430,000	5.40
52 Immigration and Customs Enforcement - Enforcement and Removal Operations	1,616,010,000	5,750,000	0.36
53 Office of the Inspector General - Hurricane Sandy	170,000	3,000	1.76
54 Science & Technology Directorate - Hurricane Sandy	2,080,000	-	0.00
55 U.S. Coast Guard - Hurricane Sandy	70,000,000	460,000	0.66
Department of Housing and Urban Development	34,723,330,000	1,709,420,000	
56 Public Housing/Rental Assistance	32,741,330,000	1,701,890,000	5.20
57 Community Planning and Development - DRAA	1,982,000,000	7,530,000	0.38
Department of the Interior	137,290,000	570,000	
58 Disaster Relief	137,290,000	570,000	0.41
Department of Justice	3,080,000	-	
59 Law Enforcement - Disaster Relief	2,910,000	-	0.00
60 Prisons & Detention - Disaster Relief	170,000	-	0.00
Department of Labor	36,091,240,000	3,960,310,000	
61 Unemployment Insurance	33,090,000,000	3,853,990,000	11.65
62 Federal Employees Compensation Act	3,001,240,000	106,320,000	3.54
Department of Transportation	55,497,570,000	207,373,000	
63 Federal Aviation Administration Facilities & Equipment - DRAA	8,650,000	140,000	1.59
64 Federal Highway Administration Highway Planning and Construction	43,307,010,000	110,850,000	0.26

**Appendix VII: Reported Improper Payment
Estimates by Agency and Program/Activity for
Fiscal Year 2016**

Agency/reporting program		Reported by OMB for fiscal year 2016		
		Outlays (dollars)	Improper payment estimate (dollars)	Improper payment rate (percentage)
65	Federal Railroad Administration Grants to Amtrak	1,119,780,000	1,750,000	0.16
66	Federal Railroad Administration High-Speed Intercity Passenger Rail	1,156,460,000	5,950,000	0.51
67	Federal Transit Administration (FTA) Formula Grants	9,287,960,000	88,120,000	0.95
68	FTA Emergency Relief Program - DRAA	361,810,000	330,000	0.09
69	Maritime Administration Ready Reserve Force	255,300,000	230,000	0.09
70	Office of the Inspector General - DRAA	600,000	3,000	0.42
Department of the Treasury		69,786,230,000	16,762,650,000	
71	Earned Income Tax Credit	69,786,230,000	16,762,650,000	24.02
Department of Veterans Affairs (VA)		121,719,610,000	5,485,660,000	
72	Beneficiary Travel	890,060,000	65,640,000	7.37
73	Civilian Health and Medical Program of the VA	1,145,730,000	53,870,000	4.70
74	VA Community Care	4,728,950,000	3,587,250,000	75.86
75	Purchased Long-Term Services and Support	1,705,600,000	1,179,490,000	69.15
76	State Home Per Diem Grants	1,126,260,000	28,930,000	2.57
77	Supplies and Materials	2,476,710,000	22,270,000	0.90
78	Compensation	63,864,040,000	376,580,000	0.59
79	Pension	5,594,760,000	127,100,000	2.27
80	Vocational Rehabilitation and Employment Beneficiary Payments	1,260,380,000	6,950,000	0.55
81	Education - Chapter 33	11,344,070,000	3,920,000	0.03
82	Education - Chapter 1606	143,470,000	90,000	0.06
83	Education - Chapter 1607	47,730,000	620,000	1.31
84	Disaster Relief Act - Hurricane Sandy	23,610,000	870,000	3.66
85	Payments to Federal Employees - Payroll	27,368,240,000	32,080,000	0.12
Environmental Protection Agency		2,893,210,000	250,000	
86	Clean Water State Revolving Fund	1,668,300,000	80,000	0.01
87	Drinking Water State Revolving Fund	1,223,480,000	170,000	0.01
88	Hurricane Sandy Disaster Relief Fund	1,430,000	-	0.00
General Services Administration		5,623,770,000	4,810,000	
89	Rental of Space	5,596,300,000	3,240,000	0.06
90	Purchase Cards	27,050,000	1,570,000	5.80
91	Hurricane Sandy Disaster Relief Fund	420,000	-	0.00
National Aeronautics and Space Administration		8,970,000	-	
92	Hurricane Sandy Disaster Relief Program	8,970,000	-	0.00

**Appendix VII: Reported Improper Payment
Estimates by Agency and Program/Activity for
Fiscal Year 2016**

Agency/reporting program	Reported by OMB for fiscal year 2016		
	Outlays (dollars)	Improper payment estimate (dollars)	Improper payment rate (percentage)
Office of Personnel Management	131,833,410,000	401,260,000	
93 Total Program - Retirement	82,013,200,000	304,210,000	0.37
94 Federal Employee Health Benefit - All Carriers	49,820,210,000	97,050,000	0.19
Small Business Administration	23,119,210,000	329,801,100	
95 7(a) Guaranty Purchases	576,920,000	13,370,000	2.32
96 7(a) Guaranty Approvals	17,457,040,000	166,770,000	0.96
97 504 Certified Development Company Guaranty Approvals	4,594,810,000	119,590,000	2.60
98 Disaster Loan Disbursements	344,910,000	18,360,000	5.32
99 Disbursements for Goods and Services	112,430,000	11,640,000	10.35
100 Hurricane Sandy Disaster Relief Grants	5,570,000	4,000	0.07
101 Hurricane Sandy Disaster Relief Administrative Funds - Payroll	27,110,000	66,000	0.24
102 Hurricane Sandy Disaster Relief Administrative Funds - Travel	270,000	200	0.07
103 Hurricane Sandy Disaster Relief Administrative Funds - Purchase Cards	150,000	900	0.60
Social Security Administration	910,315,020,000	7,873,650,000	
104 Old Age, Survivors & Disability Insurance	853,689,440,000	3,672,160,000	0.43
105 Supplemental Security Income	56,625,580,000	4,201,490,000	7.42
Department of Energy	NR	NR	NR
Department of State	NR	NR	NR
National Science Foundation	NR	NR	NR
Nuclear Regulatory Commission	NR	NR	NR
U.S. Agency for International Development	NR	NR	NR
Subtotal – CFO Act agencies	3,069,275,760,000	144,208,268,200	4.70
Non-CFO Act agencies			
Broadcasting Board of Governors	219,680,000	610,000	
106 Domestic Payroll	219,680,000	610,000	0.28
Corporation for National and Community Service	151,990,000	46,900,000	
Foster Grandparents Program	78,650,000	26,820,000	34.10
Retired and Senior Volunteer Program	41,460,000	9,480,000	22.87
Senior Companion Program	31,880,000	10,600,000	33.25
Federal Communications Commission	8,767,400,000	161,110,000	
107 Universal Service Fund - High Cost	4,305,420,000	1,100,000	0.03
108 Universal Service Fund - Schools and Libraries	2,093,190,000	119,360,000	5.70

**Appendix VII: Reported Improper Payment
Estimates by Agency and Program/Activity for
Fiscal Year 2016**

Agency/reporting program	Reported by OMB for fiscal year 2016		
	Outlays (dollars)	Improper payment estimate (dollars)	Improper payment rate (percentage)
109 Universal Service Fund - Lifeline	1,387,130,000	40,650,000	2.93
110 Telecommunications Relay Service - Interstate Telecommunications Relay Services Fund	981,660,000	-	0.00
Railroad Retirement Board	12,292,390,00	74,690,000	
111 Retirement and Survivors Benefits	12,188,270,000	71,210,000	0.58
112 Railroad Unemployment Insurance Act	104,120,000	3,480,000	3.34
Subtotal - Non-CFO Act agencies	21,431,460,000	283,310,000	1.32
Government-wide total as reported by OMB	3,090,707,220,000	144,491,578,200	4.68
Excluded from OMB's government-wide calculation^b	(624,020,000)	(46,960,000)	
Foster Grandparents Program	78,650,000	26,820,000	34.10
Retired and Senior Volunteer Program	41,460,000	9,480,000	22.87
Senior Companion Program	31,880,000	10,600,000	33.25
Navy Commercial Bill Pay Office - Naples	472,030,000	60,000	0.01
Exclusion of DFAS Commercial Pay Program	(248,536,450,000)	(110,820,000)	
Fiscal year 2016 government-wide total, excluding DFAS Commercial Pay Program	2,841,546,750,000	144,333,798,200	5.08

Legend:

CFO Act: Chief Financial Officers Act of 1990

OMB: Office of Management and Budget

Source: GAO analysis of OMB data. | GAO-17-484

^aThis table includes DOD's DFAS Commercial Pay improper payment estimate of \$110.8 million and corresponding outlays of \$248.5 billion as reported by DOD and OMB in fiscal year 2016. However, the reported government-wide estimate of \$144.3 billion in improper payments excludes the estimate for the DFAS Commercial Pay program. Although OMB included this program's estimates in its government-wide improper payment estimate, because of continuing GAO concerns based on audit findings in a 2013 report regarding the reliability of its improper payment estimate, the DFAS Commercial Pay estimate was excluded from GAO's calculations. See GAO, *DOD Financial Management: Significant Improvements Needed in Efforts to Address Improper Payment Requirements*, GAO-13-227 (Washington, D.C.: May 13, 2013).

^bOMB excluded these programs from the fiscal year 2016 government-wide calculation because they did not have OMB-approved sampling methodologies.

Appendix VIII: Comments from the Council of the Inspectors General on Integrity and Efficiency



APR 24 2017

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

Subject: CIGIE Comments on GAO's draft report titled "Improper Payments – Additional Guidance Could Provide More Consistent Compliance Determinations and Reporting by Inspectors General" (GAO-17-484)

Ms. Davis:

Thank you for the opportunity to review and comment on the draft report. I appreciate GAO's efforts in conducting this review.

The draft report recommends that "the Director of the Office of Management and Budget coordinate with the Council of the Inspectors General on Integrity and Efficiency to develop and issue guidance, either jointly or independently, to specify what procedures should be conducted as part of the IGs' IPERA compliance determinations." Therefore, CIGIE will coordinate with OMB as needed and provide feedback on any draft OMB guidance.

Please let us know if we can be of further assistance. Please direct questions to Mark Jones, Executive Director, at (202) 292-2600.

Sincerely,

Michael E. Horowitz
Chairperson

Appendix IX: Comments from the Department of Homeland Security Office of Inspector General



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

May 1, 2017

Ms. Beryl Davis
Director, Financial Management and Assurance
U.S. Government Accountability Office
441 G St. NW
Washington, DC. 20548

Dear Ms. Davis:

Thank you for the opportunity to review and comment on the draft report, "Improper Payments – *Additional Guidance Could Provide More Consistent Compliance Determinations and Reporting by Inspectors General.*" The Department of Homeland Security (DHS or Department) Office of Inspector General appreciates the Government Accountability Office's (GAO) work to review agencies' compliance under the Improper Payments Elimination and Recovery Act of 2010 (IPERA).

Over the years, the Department has made progress in reducing improper payments. Though our audits and recommendations, the Department has improved the processes and procedures and implemented more effective internal controls. As reported, there are two U.S. Customs and Border Protection and six Federal Emergency Management Agency programs that did not meet their reduction targets in FY 2015. As such, the Department continues to work its corrective action plans to help meet annual reduction targets for its high risk programs.

Please call me with any questions or your staff may contact Maureen Duddy, Deputy Assistant Inspector General for Audits, at (617) 565-8723.

Sincerely,

A handwritten signature in black ink that reads "John V. Kelly". The signature is fluid and cursive.

John V. Kelly
Deputy Inspector General

Appendix X: Comments from the Department of Housing and Urban Development



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-3000


May 2, 2017

Phil McIntyre, Assistant Director
U.S. Government Accountability Office

Mr. McIntyre,

Thank you for the opportunity to respond to the draft GAO-17-484 report on Improper Payments. HUD has several comments as detailed in the attached document "*HUD Comments on DRAFT GAO-17-484*." HUD also notes that we are working with HUD OIG as we revamp our IPERIA process to achieve compliance with the requirements under OMB Circular A-123, Appendix C.

Sincerely,


Courtney Timberlake for
DCFO

www.hud.gov

espanol.hud.gov

Appendix XI: Comments from the Department of Housing and Urban Development Office of Inspector General

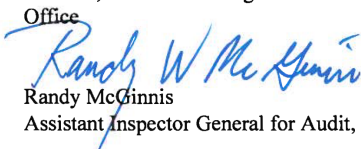


U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL

May 2, 2017

Memorandum

TO: Beryl Davis
Director, Financial Management Assurance, U.S. Government Accountability Office

FROM: 
Randy McGinnis
Assistant Inspector General for Audit, GA

SUBJECT: Draft Report, Improper Payments: Additional Guidance Could Provide More Consistent Compliance Determinations and Reporting by Inspectors General (GAO-17-484)

This responds to your April 17, 2017 email to the U.S. Department of Housing and Urban Development (HUD) Office of Inspector General (OIG). We appreciate the opportunity to review and respond to the above-referenced draft report. These are OIG's comments only and HUD will be providing its response separately. We offer the following technical comments to the draft report as provided in detail below.

We noted two areas in the draft report that may warrant some changes to provide accurate information.

- On page 47, Appendix III, table 2, CFO Act Agencies' Programs That IGs Reported as Noncompliant Under IPERA for Fiscal Year 2015, should be modified as follows: 1) change the HUD program name, "Public Housing/Rental Assistance," to "Rental Housing Assistance Programs;" 2) remove "Community Development Block Grant – Disaster Relief" as a noncompliant HUD program; and 3) remove the "x" from the first column (Conduct program-specific risk assessment(s)) in the "26. Public Housing/Rental Assistance" row.
- On page 55, Appendix V, Optional Procedures Performed by the IGs During their Fiscal Year 2015 IPERA Compliance Reviews, table 4, Summary of Optional Procedures the IGs Reported That they Performed During their Fiscal Year 2015 IPERA Compliance Reviews, fourth column (Evaluation of Agency's Estimation Methodologies for (non-

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**Appendix XI: Comments from the Department
of Housing and Urban Development Office of
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high priority programs)) should be marked as “Y” instead of “N.” OIG performed all of the 5 optional procedures.

We discussed the above comments with the GAO audit team, and the team assured us that these comments will be addressed in the final report. Thank you again for this opportunity to respond to the draft report. Please contact Thomas McEnanly at (202) 402-8216 if you have any questions or need clarification.

Appendix XII: Comments from the Department of the Treasury



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

May 9, 2017

MEMORANDUM FOR MR. PHIL MCINTYRE
ASSISTANT DIRECTOR, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

FROM: Carole Banks 
Acting Deputy Chief Financial Officer

SUBJECT: Draft Audit Report – Improper Payments: Additional Guidance Could Provide More Consistent Compliance Determinations and Reporting by Inspectors General (Audit # GAO-17-484)

We have reviewed the subject draft report and appreciate the opportunity to respond. We recognize the importance of achieving full compliance with the Improper Payment Estimation and Recovery Act (IPERA), which includes complying with the Office of Management and Budget (OMB) Memorandum M-15-02, Appendix C to Circular A-123, *Requirements for Effective Elimination and Remediation of Improper Payments*.

We continually strive to improve our IPERA compliance and reporting processes, and appreciate your reference on the difficulty in accurately identifying the inherent risks associated with the Earned Income Tax Credit (EITC) program. The risk assessments for EITC continue to show that improper payments from refundable credits are not rooted in internal control weaknesses, financial management deficiencies, or financial reporting failures, but instead, from the inherent difficulty in delivering benefits through the tax system.

Difficulties in program administration are further compounded by how Congress structured the program, and IRS' lack of available tools to verify data or correct identified issues. We continue to work with OMB to identify a more effective process for reporting compliance statistics for refundable credit programs and on reporting the refundable credit programs in the Agency Financial Report (AFR) as part of a broader discussion on tax gap, tax burden, and refundable tax credit compliance.

We concur with the recommendation that the Director of the OMB coordinate with the Council of the Inspectors General on Integrity and Efficiency (CIGIE) to develop and issue guidance, either jointly or independently, to specify what procedures should be conducted as part of the Inspector General's annual IPERA compliance determination. We look forward to further guidance from the OMB and CIGIE on the scope of future Inspector General IPERA compliance audits.

Attached are the Department's comments to your draft audit report. If you have any questions, please let me know, or you may contact Vicky Cabrera, Director, Risk and Control Group, at (202) 622-0965.

Attachment:

1. Comment to Draft Audit Report

Attachment I

**Comment to IPERA Audit
Audit Report #GAO-17-484**

The U.S. Government and Accountability Office (GAO) did not mention Treasury's agreement with OMB on supplemental measures in lieu of reduction targets. The Treasury Inspector General for Tax Administration (TIGTA) continues to report Treasury as noncompliant, but TIGTA's report clearly shows our collaboration with OMB. Can this be mentioned on page 35/36?

The following paragraph is from page 2 of the FY 2015 TIGTA IPERA audit, related to OMB guidance on the IRS's use of supplemental measures for EITC reduction targets:

"According to the Department of the Treasury, the complexity of the tax law around the EITC and the significant annual turnover within the participating population makes it difficult to set meaningful improper payment reduction targets. OMB also recognized the challenges that the IRS faces in setting EITC reduction targets. As an alternative, Treasury and OMB collaborated on the development of a series of EITC supplemental measures for use in lieu of reduction targets. The OMB approved the supplemental measures on August 27, 2014, and the measures were published in the Department of the Treasury's Agency Financial Report for Fiscal Year 2014 as required."

Appendix XIII: Comments from the Social Security Administration



SOCIAL SECURITY
Office of the Commissioner

May 2, 2017

Ms. Beryl Davis
Director, Financial Management and Assurance
United States Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Davis:

Thank you for the opportunity to review the draft report, "IMPROPER PAYMENTS: Additional Guidance Could Provide More Consistent Compliance Determinations and Reporting by Inspectors General" (GAO-17-484). The following comments reflect input from both our agency and Inspector General.

We remain focused on our responsibility to be good stewards of resources and taxpayer funds. We continue to pursue initiatives focused on the integrity of our programs, including minimizing improper payments. Our strategies include efforts to prevent and reduce improper payments, increase overpayment recovery, and analyze information and data to identify and address error-prone actions. We will continue to explore additional use of information from other sources, both from other Federal agencies as well as from the private sector, to ensure we pay all beneficiaries correctly.

We offer the following technical comments.

- We request adding a footnote in Table 2 for the Old-Age, Survivors and Disability Insurance (OASDI) program to reflect the agency did meet the reduction target for underpayments. The agency did not meet the overpayment target for OASDI.
- We request changing the "N" in Table 4 for Risk Assessment of non-high priority programs to "N/A", as this is not required for funds provided under the Disaster Relief Appropriations Act since they were automatically deemed susceptible to significant improper payments.
- As of March 23, 2017, the agency took action to implement the one recommendation from the fiscal year 2015 Inspector General's report.

If you have any questions, please contact me at (410) 965-9704. Your staff may contact Gary S. Hatcher, Senior Advisor for the Audit Liaison Staff, at (410) 965-0680.

Sincerely,

Stephanie Hall
Acting Deputy Chief of Staff

SOCIAL SECURITY ADMINISTRATION BALTIMORE, MD 21235-0001

Appendix XIV: GAO Contact and Staff Acknowledgments

GAO Contact

Beryl H. Davis, (202) 512-2623 or davisbh@gao.gov

Staff Acknowledgments

In addition to the contact named above, Phillip McIntyre (Assistant Director), Michelle Philpott (Auditor in Charge), John Craig, Melanie Darnell, Sophie Geyer, Wilfred Holloway, Jason Kelly, Jason Kirwan, Emily Matic, Brian Paige, Dacia Stewart, and Fabiola Torres made key contributions to this report.

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