United States Government Accountability Office

Report to the Subcommittee on Legislative Branch, Committee on Appropriations, House of Representatives

June 2023

IMPROPER PAYMENTS

Programs Reporting Reductions Had Taken Corrective Actions That Shared Common Features

GAO-23-106585

GAO Highlights

Highlights of GAO-23-106585, a report to the Subcommittee on Legislative Branch, Committee on Appropriations, House of Representatives

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Programs Reporting Reductions Had Taken Corrective Actions That Shared Common Features

Why GAO Did This Study

Improper payments—payments that should not have been made or that were made in incorrect amounts—are a long-standing significant problem in the federal government. Since fiscal year 2003, cumulative executive agency improper payment estimates have totaled almost $2.4 trillion, including $247 billion for fiscal year 2022.

House Report 117-389, which accompanied the Legislative Branch Appropriations Act, 2023, includes a provision for GAO to provide quarterly reports on its ongoing oversight of improper payments.

This report examines programs with reported reductions in estimated improper payment rates since fiscal year 2017. This report includes information about actions that agencies credit with helping them to achieve the reductions, common features of these actions, and the key takeaways or lessons learned that were identified by the agencies.

GAO analyzed agencies' improper payment estimates reported on PaymentAccuracy.gov, as well as information reported in agency financial reports, and agency responses.

What GAO Found

Agencies have reported reductions in estimated improper payment rates for several programs based on fiscal year 2017 compared to fiscal year 2022. GAO identified 19 programs across eight agencies with reported reductions, according to fiscal year 2022 reporting. The reduction in estimated improper payment rates ranged from 0.1 to 85.6 net percentage points. Of the five programs with the largest reported reductions, four were Department of Veterans Affairs (VA) programs. The reported improper payment estimates for the 19 programs declined from a total of approximately $55.0 billion for fiscal year 2017 to $44.5 billion for fiscal year 2022.

Programs with Reductions in Estimated Improper Payment Rates Reported, FY 2017 and FY 2022

Agency	Program	FY 2017 rate[a] (percentage)	FY 2022 rate (percentage)	Change in rate (net percentage points)
Corporation for National and Community Service	AmeriCorps State and National	10.8	8.4	-2.4
Department of Agriculture	Food and Nutrition Service's Special Supplemental Nutrition Program for Women, Infants, and Children Total Program	5.0	1.8	-3.2
Department of Defense	Department of Defense Travel Pay	5.0	4.4	-0.6
Department of Health and Human Services	Administration for Children and Families Child Care and Development Fund	4.1	4.0	-0.2
Department of Health and Human Services	Centers for Medicare & Medicaid Services (CMS) Medicare Fee-for-Service[b]	9.5	7.5	-2.1
Department of Health and Human Services	CMS Medicare Prescription Drug Benefit (Part D)	1.7	1.5	-0.1
Department of Veterans Affairs	Beneficiary Travel[b]	25.1	7.9	-17.2
Department of Veterans Affairs	Communications, Utilities, and Other Rent[b]	24.4	2.7	-21.7
Department of Veterans Affairs	Medical Care Contracts and Agreements[b]	16.6	7.5	-9.1
Department of Veterans Affairs	Purchased Long Term Services and Supports[b]	100.0	47.5	-52.5
Department of Veterans Affairs	Supplies and Materials[b]	18.8	4.0	-14.7
Department of Veterans Affairs	Veterans Affairs Community Care[b]	93.4	7.8	-85.6
Federal Communications Commission	Universal Service Fund-Lifeline[b]	21.9	6.1	-15.8
Federal Communications Commission	Universal Service Fund-Schools & Libraries	4.3	3.7	-0.6
Small Business Administration	7(a) Guarantee Approvals	1.3	1.0	-0.3
Small Business Administration	7(a) Guarantee Purchases	4.3	4.2	-0.1
Small Business Administration	Disaster Loan Disbursements[b]	13.7	3.1	-10.6
Social Security Administration	Old-Age, Survivors, and Disability Insurance	0.3	0.2	-0.1
Social Security Administration	Supplemental Security Income	8.8	8.7	-0.1

Legend: FY = fiscal year

Source: GAO analysis of Office of Management and Budget PaymentAccuracy.gov data. | GAO-23-106585

Notes: Changes in rates may be attributable to a number of different causes, including agency corrective actions, policy changes, and the uncertainty of the estimation processes. Listed changes in rates may not equal the differences between the listed FY 2017 and FY 2022 rates due to rounding.

[a]The estimated improper payment rate is the estimated amount of improper payments divided by the amount in program outlays for a given program in a given fiscal year.

[b]The confidence intervals for this program's reported FY 2017 and FY 2022 estimates did not overlap, which serves as evidence that the reported reduction in estimated improper payment rate was likely not due to variability arising from the estimation process.

Office of Management and Budget guidance directs agencies to analyze the root causes of improper payments and implement corrective actions to reduce them. Agencies attributed reductions in estimated improper payment rates to program-specific corrective actions as well as broader reduction efforts. These actions and efforts fell into two categories. The first category—establishing accountability and facilitating internal collaboration—included examples such as the VA Veterans Health Administration's establishment of program-level senior accountable officials and a payment integrity team. The second category—providing technology, tools, and training targeted to root causes—included examples such as Federal Communications Commission's (FCC) launch of the National Verifier system, which uses a combination of automated and manual processes to verify Lifeline program eligibility.

Agencies also described key takeaways or lessons learned as a result of their reduction efforts. For example, VA described the importance of effective management and of ensuring that dedicated personnel provide oversight within both the VA Chief Financial Officer's (CFO) and Veterans Health Administration CFO's offices. The Corporation for National and Community Service noted the importance of targeted agency-wide actions and the need for strong communication. Department of Defense officials described the importance of training, collaboration, communication, and feedback. FCC cited the importance of analyzing root causes on a quarterly basis. The Small Business Administration described the importance of regular meetings with program offices to discuss common issues and solutions. These examples underscore the importance of effective corrective actions to address root causes of improper payments.

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Contents

Abbreviations

AFR	agency financial report
BCAP	Beneficiary and Contributor Audit Program
CCDF	Child Care and Development Fund
CFO	chief financial officer
CMS	Centers for Medicare & Medicaid Services
CNCS	Corporation for National and Community Service
DOD	Department of Defense
EBT	electronic benefit transfer
FAR	Federal Acquisition Regulation
FCC	Federal Communications Commission
FFS	Medicare Fee-for-Service
FNS	Food and Nutrition Service
HHS	Department of Health and Human Services
IG	inspector general
IPERA	Improper Payments Elimination and Recovery Act of 2010
NSCHC	National Service Criminal History Checks
OASDI	Old Age, Survivors, and Disability Insurance
OMB	Office of Management and Budget
PIE	Payroll Information Exchange
PIIA	Payment Integrity Information Act of 2019
SBA	Small Business Administration
SSA	Social Security Administration
USAC	Universal Service Administrative Company
USDA	Department of Agriculture
USF	Universal Service Fund
WIC	Special Supplemental Nutrition Program for Women, Infants, and Children
VA	Department of Veterans Affairs
VHA	Veterans Health Administration

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June 30, 2023

The Honorable Mark E. Amodei
Chairman
The Honorable Adriano Espaillat
Ranking Member
Subcommittee on Legislative Branch
Committee on Appropriations
House of Representatives

Improper payments are a long-standing, significant problem in the federal government.[1] For fiscal year 2022, estimates of improper payments totaled about $247 billion government-wide.[2] While this total represented a decrease of about $34 billion from the prior fiscal year, it was an increase of more than $40 billion from fiscal year 2020.[3] Since fiscal year 2003, when federal executive agencies were required by law to begin annually reporting estimated improper payments for certain programs and activities, cumulative estimates have totaled about $2.4 trillion.[4] Figure 1

[1]An improper payment is defined by law as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts. 31 U.S.C. § 3351(4). Executive agency estimates of improper payments also treat as improper any payments whose propriety cannot be determined due to lacking or insufficient documentation. 31 U.S.C. § 3352(c)(2).

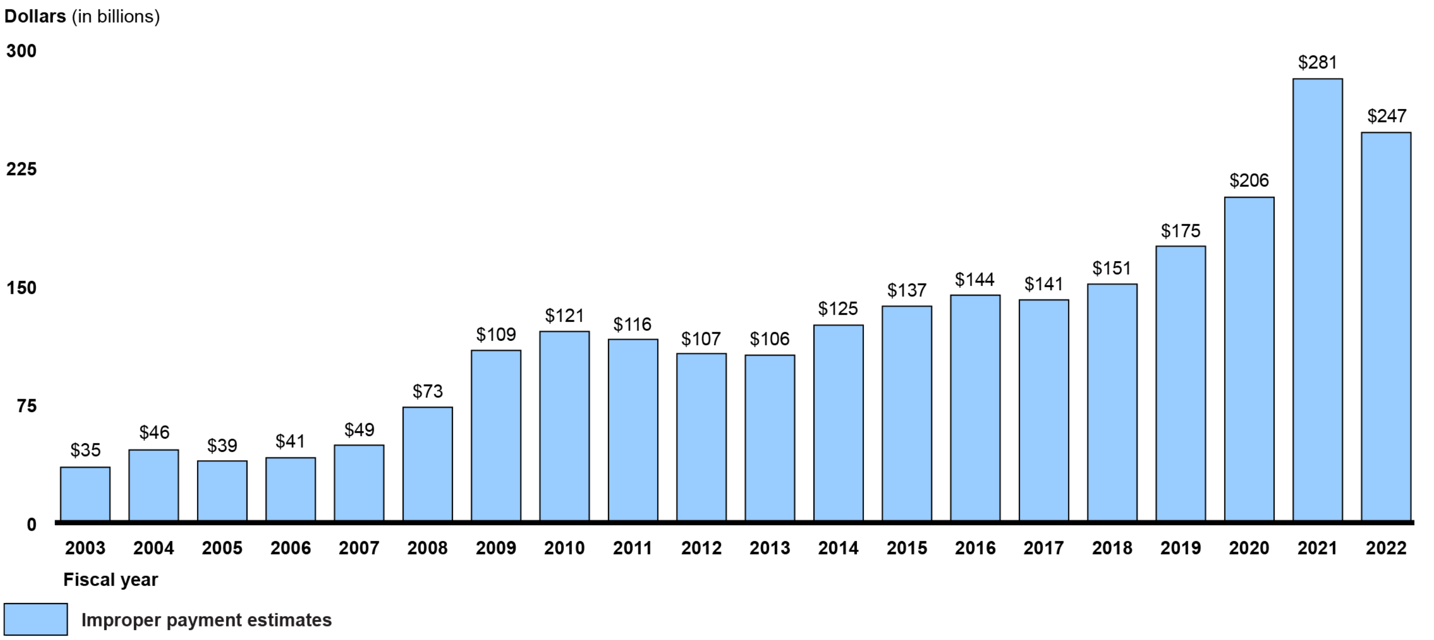
[2]The approximately $247 billion total in estimated improper payments is attributable to 82 federal programs or activities across 18 agencies. Notably, several agencies with large programs that have been identified as susceptible to significant improper payments have not reported estimates as required. These programs include the Department of Labor's Pandemic Unemployment Assistance program, the Department of Agriculture's Supplemental Nutrition Assistance Program, and the Department of Health and Human Services' Temporary Assistance for Needy Families program.

[3]Agencies report improper payment information at www.PaymentAccuracy.gov, a U.S. government website managed by the Office of Management and Budget. The website includes information about current and historical improper payment rates (i.e., agency-reported amounts as a percentage of outlays) and amounts of estimated improper payments. Prior-year improper payment estimates have not been adjusted for inflation.

[4]Enacted in November 2002, the Improper Payments Information Act of 2002 required federal executive agencies to begin reporting estimated improper payments for certain programs and activities. Pub. L. No. 107-300, 116 Stat. 2350. Statutes that govern improper payment reporting define "executive agency" as a department, or agency, or an instrumentality in the executive branch of the U.S. government. 31 U.S.C. § 102.

summarizes aggregated improper payment estimates from fiscal year 2003 through fiscal year 2022.

Figure 1: Government-Wide Annual Totals of Reported Improper Payment Estimates, Fiscal Years 2003–2022



Source: GAO. | GAO-23-106585

Note: Fiscal year amounts equal the sum of agencies' reported improper payment estimates for each fiscal year.

We have identified improper payments as a material deficiency or material weakness in internal control in our audit reports on the U.S. government's consolidated financial statements since fiscal year 1997.[5] Specifically, we note that the federal government is unable to determine the full extent to which improper payments occur or to reasonably assure that appropriate actions are taken to reduce them.

[5]Our most recent report was issued in February 2023. GAO, *Financial Audit: FY 2022 and FY 2021 Consolidated Financial Statements of the U.S. Government*, GAO-23-105837 (Washington, D.C.: Feb. 16, 2023). A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

While more work needs to be done to address this government-wide material weakness in internal control, we have noted some improvements. For example, in August 2020, as part of our report on progress made in federal financial management since enactment of the Chief Financial Officers Act of 1990, we noted that agencies have made progress in estimating improper payments and implementing corrective actions to reduce them.[6]

House Report 117-389, accompanying the Legislative Branch Appropriations Act, 2023, includes a provision for GAO to report quarterly, through fiscal year 2025, on our ongoing oversight of improper payments and recommendations for legislative or technical opportunities to improve payment integrity. This is our second report issued under this provision.[7] This report examines programs with reported reductions in estimated improper payment rates since fiscal year 2017, including actions that agencies credit with helping them achieve reductions, common features of these actions, and agencies' related key takeaways or lessons learned.

To address our objective, we analyzed PaymentAccuracy.gov data from fiscal year 2017 through fiscal year 2022. We identified 35 programs for which agencies had reported improper payment estimates in each fiscal year over that period. For those programs, we then compared fiscal year 2017 against fiscal year 2022 and identified 19 programs with reductions in reported estimated improper payment rates.[8] For those 19 programs identified, we asked agencies to describe the actions to which they attributed the reported reductions. To identify common features associated with agencies' reduction efforts, we compared responses the agencies provided and reviewed improper payment information agencies reported in agency financial reports (AFR), on PaymentAccuracy.gov, and in annual inspector general (IG) reports on agency compliance under the Payment Integrity Information Act of 2019 (PIIA) and the Improper

[6]GAO, *Federal Financial Management: Substantial Progress Made since Enactment of the 1990 CFO Act; Refinements Would Yield Additional Benefits*, GAO-20-566 (Washington, D.C.: Aug. 6, 2020).

[7]Our first report was issued in March 2023. GAO, *Improper Payments: Fiscal Year 2022 Estimates and Opportunities for Improvement*, GAO-23-106285 (Washington, D.C.: Mar. 29, 2023).

[8]The improper payment rates and totals in this report are subject to uncertainty, meaning the actual amounts may differ from the reported estimates. Due to this uncertainty, it is possible that one or more agencies have reported reductions in programs' estimated improper payment rates even though the actual incidence of improper payments in these programs either remained unchanged or increased over the period we reviewed.

Payments Elimination and Recovery Act of 2010 (IPERA).[9] We also asked agencies to describe any key takeaways or lessons learned.

We conducted this performance audit from January 2023 to June 2023 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.

Background

Although there have been a number of changes in the law regarding executive agency improper payments over the last 2 decades—most recently with PIIA in March 2020—the core framework for managing improper payments has remained consistent over that time. Specifically, executive branch agencies are required to periodically assess, estimate, analyze, and report on improper payments in the programs they administer.

PIIA and related Office of Management and Budget (OMB) guidance require executive branch agencies to take various steps regarding improper payments, including

1. reviewing periodically all programs and activities above $10 million in annual outlays and identifying those that may be susceptible to significant improper payments (commonly referred to as a risk assessment);
2. developing improper payment estimates for those programs and activities that agency risk assessments, OMB, or statutes identify as being susceptible to significant improper payments;
3. analyzing the root causes of improper payments and developing corrective actions to reduce them; and

[9] IPERA, Pub. L. No. 111-204, 124 Stat. 2224, established a requirement for agency IGs to report annually on their respective agencies' compliance with specified criteria. In March 2020, PIIA repealed IPERA and the other reporting-related improper payment statutes and enacted substantially similar provisions, including those related to IGs' reporting on agency compliance with criteria and the compliance criteria themselves. Pub. L. No. 116-117, 134 Stat. 113 (codified at 31 U.S.C. §§ 3351-58).

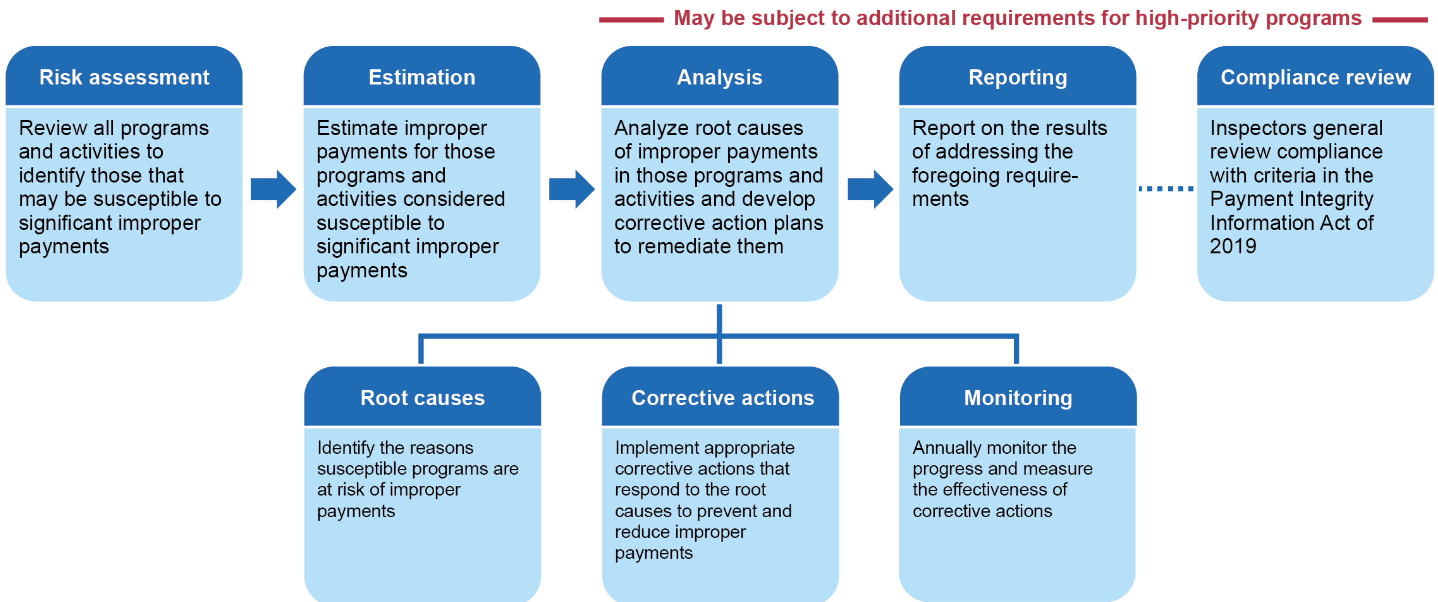
4. reporting on the results of addressing the foregoing requirements.[10]

Figure 2 illustrates these steps, as well as the major components of analyzing root causes of improper payments and developing corrective action plans to remediate them. PIIA also requires executive branch agencies' IGs to annually determine and report on whether their respective agencies complied with six statutory criteria. Programs that OMB designates as high-priority may be subject to additional requirements related to corrective action plans, reporting, and compliance reviews.[11]

[10]31 U.S.C. § 3352 and OMB Circular A-123 Appendix C, *Requirements for Payment Integrity Improvement*, OMB Memorandum M-21-19 (2021). Under PIIA, improper payments are considered "significant" if in the preceding fiscal year they may have exceeded either (1) 1.5 percent of program outlays and $10 million or (2) $100 million (regardless of the improper payment rate).

[11]PIIA requires OMB to annually designate a list of high-priority programs for greater levels of review and oversight. Under PIIA, agencies with high-priority programs are subject to additional reporting requirements. 31 U.S.C. § 3352(b). OMB has assigned a high-priority designation to programs with estimates of improper payments resulting in monetary losses that exceed $100 million annually. OMB's guidance states that a monetary loss is an amount that should not have been paid and in theory should or could be recovered, and that a monetary loss type of improper payment is an overpayment. OMB guidance states that high-priority programs must provide OMB with select information on a quarterly basis until they report annual monetary loss improper payment estimates that are less than $100 million. The information provided to OMB includes actions the program has taken or intends to take to prevent improper payments and actions to recover monetary loss improper payments.

Figure 2: Key Steps Related to Analyzing Improper Payments and Major Components of Corrective Action Plans



Source: GAO analysis of relevant laws and guidance. | GAO-23-106585

Estimating improper payments and identifying their root causes help to ensure that agencies develop and implement effective corrective actions to reduce improper payments. PIIA requires agencies with programs susceptible to significant improper payments to report a description of the causes of the improper payments identified, actions that the agency has planned or taken to correct those causes, and the planned or actual completion dates of those actions.

OMB Circular A-123 Appendix C, *Requirements for Payment Integrity Improvement*, (OMB M-21-19), provides guidance to agencies on their responsibilities for preventing and reducing improper payments. OMB M-21-19 directs agencies with programs deemed susceptible to significant improper payments to implement corrective action plans to address root causes, and to monitor and measure the effectiveness and progress of improper payment mitigation strategies and corrective actions.

Agencies Attributed Improper Payment Reductions to Various Corrective Actions That Shared Some Common Features, and Identified Key Takeaways

Agencies Have Reported Reductions in Estimated Improper Payment Rates for Several Programs since Fiscal Year 2017

We identified 19 programs for which agencies reported reductions in estimated improper payment rates based on fiscal year 2017 compared to fiscal year 2022 (see table 1). Of the five programs with the largest reported reductions, four were Department of Veterans Affairs programs. The reductions in estimated improper payment rates ranged from 0.1 to 85.6 net percentage points. The improper payments estimates for the 19 programs declined from a total of approximately $55.0 billion for fiscal year 2017 to $44.5 billion for fiscal year 2022.

Table 1: Programs with Reductions in Estimated Improper Payment Rates Reported, Fiscal Years (FY) 2017 and 2022

Agency and program	FY 2017 amount (millions of dollars)	FY 2017 rate[a] (percentage)	FY 2022 amount (millions of dollars)	FY 2022 rate (percentage)	Change in rate (net percentage points)
Corporation for National and Community Service					
AmeriCorps State and National	26.8	10.8	21.5	8.4	-2.4
Department of Agriculture					
Food and Nutrition Service's Special Supplemental Nutrition Program for Women, Infants, and Children Total Program	197.1	5.0	47.8	1.8	-3.2
Department of Defense					
Department of Defense Travel Pay	263.3	5.0	368.5	4.4	-0.6
Department of Health and Human Services					
Administration for Children and Families Child Care and Development Fund	237.3	4.1	344.7	4.0	-0.2
Centers for Medicare & Medicaid Services (CMS) Medicare Fee-for-Service[b]	36,208.0	9.5	31,456.7	7.5	-2.1
CMS Medicare Prescription Drug Benefit (Part D)	1,295.6	1.7	1,361.1	1.5	-0.1
Department of Veterans Affairs					

Agency and program	FY 2017 amount (millions of dollars)	FY 2017 rate[a] (percentage)	FY 2022 amount (millions of dollars)	FY 2022 rate (percentage)	Change in rate (net percentage points)
Beneficiary Travel[b]	223.8	25.1	99.1	7.9	-17.2
Communications, Utilities, and Other Rent[b]	352.7	24.4	49.1	2.7	-21.7
Medical Care Contracts and Agreements[b]	157.3	16.6	78.5	7.5	-9.1
Purchased Long Term Services and Support[b]	1,890.5	100.0	1,285.5	47.5	-52.5
Supplies and Materials[b]	479.8	18.8	132.0	4.0	-14.7
Veterans Affairs Community Care[b]	5,257.6	93.4	1,363.1	7.8	-85.6
Federal Communications Commission					
Universal Service Fund-Lifeline[b]	336.4	21.9	37.2	6.1	-15.8
Universal Service Fund-Schools & Libraries	103.5	4.3	80.6	3.7	-0.6
Small Business Administration					
7(a) Guarantee Approvals	233.9	1.3	298.1	1.0	-0.3
7(a) Guarantee Purchases	28.4	4.3	29.8	4.2	-0.1
Disaster Loan Disbursements[b]	123.4	13.7	34.7	3.1	-10.6
Social Security Administration					
Old-Age, Survivors, and Disability Insurance	2,578.4	0.3	2,491.0	0.2	-0.1
Supplemental Security Income	5,019.9	8.8	4,906.0	8.7	-0.1

Source: GAO analysis of Office of Management and Budget PaymentAccuracy.gov data. | GAO-23-106585

Notes: This table is based on programs reporting in FY 2022 with estimates reported each year since FY 2017. Agencies stopped reporting estimates for at least 46 programs from FY 2017 through FY 2022 because the programs fell below the statutory threshold for improper payment reporting and were therefore no longer considered susceptible to significant improper payments. The table includes both statistical and nonstatistical estimates of improper payment totals. Unless otherwise noted, we were unable to determine whether the reportable reductions were attributable to the uncertainty of the estimation processes or changes in underlying agency conditions. Reductions in estimated improper payment rates may be due to a variety of causes, including agency corrective actions and changes in policies. Listed changes in rates may not equal the differences between the listed FY 2017 and FY 2022 rates due to rounding.

[a]The estimated improper payment rate is the estimated amount of improper payments divided by the amount in program outlays for a given program in a given fiscal year.

[b]The confidence intervals for this program's reported FY 2017 and FY 2022 estimates did not overlap, which serves as evidence that the reported reduction in estimated improper payment rate was likely not due to variability arising from the estimation process.

Reductions in the reported improper payment rates over this period may be attributable to a number of different causes, including agency corrective actions, policy changes, and variability from the estimation processes. We reviewed the confidence intervals reported by agencies for their fiscal year 2017 and fiscal year 2022 estimates. We found that the variability from the estimation process was unlikely to be a possible source for the observed reductions in nine of the 19 programs but could be a possible source for the remaining 10 programs. For the remaining 10 programs, variability in the estimation process may be a possible source for the observed reductions.

Agencies Attributed Reductions in Estimated Improper Payment Rates to Various Corrective Actions

As was shown in table 1, the 19 programs with reductions in reported improper payment rates from fiscal year 2017 through fiscal year 2022 are administered by eight agencies. These agencies attributed their reductions in the programs' estimated improper payment rates to various corrective actions. Agencies' attributions regarding the sources of reductions are useful for understanding the types of corrective actions that may lead to reductions in improper payments. However, these descriptions should not be taken as complete explanations for reductions.

- **Corporation for National and Community Service (CNCS).** CNCS officials attributed the reduction in the estimated improper payment rate for the AmeriCorps State and National program to a reduction in the incidence of noncompliance with National Service Criminal History Checks (NSCHC) requirements.[12] These requirements include checking three sources: the National Sex Offender Registry, certain state-operated registries or repositories, and a Federal Bureau of Investigation fingerprint-based system. These checks are a baseline screening requirement established by law to protect the beneficiaries of national service and must be completed correctly and on time. According to CNCS officials, CNCS contracted with a new vendor to provide criminal history checks compliant with NSCHC requirements, leading to a reduction in the improper payment rate after 2019.
- **Department of Agriculture (USDA).** USDA officials attributed the reduction in the estimated improper payment rate for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) to states' implementation of electronic benefit transfer (EBT) systems.[13] According to USDA officials, EBT provides WIC state agencies with more accurate and timely data that they can use to

[12]In September 2020, CNCS changed its operating name to AmeriCorps. The agency's legal name remains CNCS. AmeriCorps State and National is a grant program that provides funds to Tribes, states, territories, and community-based organizations that leverages members who serve full- or part-time on projects that align with certain priority areas, including economic opportunity education, healthy futures, and services for veterans and military families.

[13]WIC provides supplemental food, nutrition education (e.g., breastfeeding promotion and support), and health and social service program referrals to low-income pregnant, breastfeeding, and postpartum women; infants; and children up to age 5 who are found to be at nutritional risk. USDA's Food and Nutrition Service oversees WIC at the federal level and provides grants to state agencies, which in turn provide food benefits and services to participants through 1,900 local agencies in 10,000 clinic sites.

monitor food costs and identify suspect transactions. USDA's Food and Nutrition Service (FNS) initially estimated WIC vendor errors based on past data that included both paper and EBT errors. As states implemented EBT systems, paper errors were eliminated as a source of improper payments, causing WIC's estimated improper payment rate to decrease beginning in fiscal year 2019.

- **Department of Defense (DOD).** DOD officials attributed the reduction in the estimated improper payment rate for the DOD Travel Pay program to a department-wide effort to increase collaboration and internal training.[14] For example, because incorrect, missing, or invalid receipts were among the top causes of improper payments in the program, according to DOD officials, the agency trained approving officials and program users to properly identify receipts prior to approval for payment. In addition, DOD updated its Defense Travel System to include a prepayment "audit" feature to determine if travelers uploaded or attached supporting documentation with their claims.
- **Department of Health and Human Services (HHS).** HHS reported reductions in estimated improper payment rates for three programs: Medicare Fee-for-Service (FFS), Medicare Part D, and the Child Care and Development Fund (CCDF).[15]

  HHS officials attributed the reduction in the estimated improper payment rates for Medicare FFS and Medicare Part D programs to a number of mitigation strategies and corrective actions described in HHS's AFRs. For Medicare FFS, these included automation—specifically, the use of automated controls called edits that are programmed into claims processing—and changes to internal processes or policies to expand or continue requirements related to prior authorization for certain high-cost items. For Medicare Part D, mitigation strategies and corrective actions included training and outreach related to invalid or incomplete documentation, as well as

[14]The DOD Travel Pay program issues payments disbursed by the Defense Finance and Accounting Service, the Army, the Navy, the Air Force, and the Marine Corps to active, reserve, and National Guard military service members and civilian employees for temporary and permanent travel and transportation-related expenses.

[15]Medicare FFS is a federal health insurance program for people aged 65 and older, people younger than 65 with certain disabilities, and people of all ages with end-stage renal disease. Medicare Part D is a federal prescription drug benefit program for Medicare beneficiaries. CCDF is a joint federal and state program, administered by the states, that provides childcare financial assistance to low-income working families.

audits that help both to educate plan sponsors and to identify, reduce, and recover improper payments.

HHS officials attributed the reduction in the CCDF estimated improper payment rate to targeted ongoing technical assistance and training. For example, federal and state staff conducted joint case reviews. This allowed HHS to gain insight into states' error measurement methodologies and to provide technical assistance to help ensure consistent reviews.

- **Department of Veterans Affairs (VA).** VA reported reductions in estimated improper payment rates for six programs: Beneficiary Travel; Communications, Utilities, and Other Rent; Medical Care Contracts and Agreements; Purchased Long Term Services and Supports; Supplies and Materials; and VA Community Care.[16]

  VA officials attributed the reduction in the Beneficiary Travel program's estimated improper payment rate to implementation of new software, which, according to VA officials, provided customized and enhanced tools to streamline claims and automate eligibility determinations.

  VA officials attributed the reductions in the estimated improper payment rates for the Communications, Utilities, and Other Rent; Medical Care Contracts and Agreements; and Supplies and Materials programs to successful remediation of payment errors that were made due to data entry errors, incorrect payment methods, or payments not in accordance with contracts.

  VA officials attributed the reductions in the estimated improper payment rates for the Purchased Long Term Services and Support

[16]VA's Veterans Health Administration provides a broad range of primary care, specialized care, and related medical and social support services. The Beneficiary Travel program provides mileage reimbursement, common carrier, and special transportation services to eligible veterans and other beneficiaries. The Communications, Utilities, and Other Rent program funds communications, utility services, and charges for possession and use of land structures or equipment owned by others. The Medical Care Contracts and Agreements program includes payments for contracts for research, medical and educational data or services, and contracted emergency medical services. The Supplies and Materials program includes items acquired by contract or other forms of purchase that are ordinarily consumed or expended within 1 year of use. The Purchased Long Term Services and Supports program provides services for veterans of all ages, including older, frail, or chronically ill patients; their families; and their caregivers. The VA Community Care program allows VA to authorize veteran care at community care facilities if needed services are not available through VA, or when the veteran is unable to travel to a VA facility.

and VA Community Care programs to elimination of errors related to contracts that were noncompliant with Federal Acquisition Regulation (FAR) requirements following enactment of the VA MISSION Act of 2018.[17]

- **Federal Communications Commission (FCC).** FCC reported reductions in estimated improper payment rates for the Universal Service Fund (USF) Lifeline and USF Schools and Libraries programs.[18] FCC officials attributed the reduction in the estimated improper payment rate for the Lifeline program to the National Verifier system, which FCC believes reduced enrollment errors and improper payment rates. National Verifier was deployed across the country over several years and was fully deployed in 2020. The system aims to increase program integrity by applying a consistent eligibility review standard and process for Lifeline enrollments. FCC officials primarily attributed the reduction in the Schools and Libraries program's estimated improper payment rate to the use of open data sets and other coding capabilities that improved the efficiency of eligibility validations on invoices.
- **Small Business Administration (SBA).** SBA reported reductions in estimated improper payment rates for 7(a) Loan Guarantee Approvals, 7(a) Loan Guarantee Purchases, and Disaster Loan Disbursements.[19] SBA officials attributed the reductions to SBA's efforts to refine the definition of improper payment in alignment with OMB guidance. SBA officials noted that they had developed an internal memorandum that defined improper payments and identified reporting and reconciliation processes for improper payments and corrective actions. The memorandum also required training and

[17]Pub. L. No. 115-182, 132 Stat. 1393. Section 102 of this law provided authority for VA to enter into certain provider agreements that are not treated as acquisition contracts subject to the FAR. 38 U.S.C. § 1703A(i).

[18]USF is funded through mandatory contributions from U.S. telecommunications services providers to support the goal of universal service nationwide and includes four programs: the High Cost Program (also known as the Connect America Fund), the Lifeline Program, the Rural Health Care Program, and the Schools and Libraries Program (also known as E-Rate). The Universal Service Administrative administers these programs under FCC's direction.

[19]The 7(a) Loan program provides small businesses with short- and long-term working capital, capital to refinance current business debt, and capital for specific business expenditures. For payment integrity reporting, SBA divides the 7(a) Loan program into 7(a) Loan Guarantee Approvals and 7(a) Loan Guarantee Purchases. SBA's Disaster Loan Disbursements program provides low-interest loans to help businesses and homeowners recover from declared disasters.

recurring meetings for program office staff to discuss findings, policy, corrective actions, and training. SBA officials attributed the reduction in the estimated improper payment rates for these programs to extensive training for internal employees and external lenders involved in loan disbursement.

- **Social Security Administration (SSA).** SSA reported reductions in estimated improper payment rates for the Old Age, Survivors, and Disability Insurance (OASDI) and Supplemental Security Income programs.[20] SSA officials attributed the reductions in the estimated improper payment rates for these programs to standardizing processes such as those used to determine the underlying causes of payment errors, develop corrective action plans, and determine cost-effective actions.

Corrective Actions and Reduction Efforts Share Some Common Features

The eight agencies with reductions in estimated improper payment rates from fiscal year 2017 to fiscal year 2022 attributed the reductions to both program-specific corrective actions and broader non-program-specific efforts. Based on our review of the agencies' AFRs and interviews with officials representing the eight agencies, we found that strategies and efforts for mitigating improper payments varied between agencies. The most commonly reported mitigation efforts fell under two broad categories: (1) establishing accountability and facilitating internal collaboration and (2) providing technology, tools, and training targeted to root causes.

Actions and Efforts to Establish Accountability and Facilitate Internal Collaboration

Agency officials and AFRs noted the following examples of efforts related to establishing accountability and facilitating internal collaboration that may have contributed to reductions in estimated improper payment rates:[21]

- **CNCS.** The agency established a cross-agency corrective action planning group that tracks all improper payments through root-cause categories in order to take appropriate action on known issues. In addition, CNCS officials noted that constant communication with

[20]OASDI provides retirement and survivors' benefits to qualified workers and their family members. Supplemental Security Income provides financial support to older adults, as well as adults and children who are blind or disabled and who have limited income and resources.

[21]Agencies establish accountability through mechanisms that hold an entity or person responsible, such as designating a senior agency official accountable and establishing performance incentives or benchmarks. Agencies facilitate internal collaboration through coordination between intra-agency partners and stakeholders to increase access to information used to mitigate improper payments, such as sharing documents, processes, and opportunities, and holding regular meetings to discuss improper payment topics.

grantees is necessary to address improper payments in the program. For example, CNCS offered introductory calls to grantees to describe the process, recorded trainings, and offered additional calls during the process for clarification of requests.

- **USDA.** For WIC, USDA focused management evaluation resources on activities that support corrective action implementation and validation, including meetings. Management evaluations include on-site reviews of state and local agency operations and reviews of program-specific documentation. FNS focuses WIC management evaluations on key areas related to program integrity, and analyzes the resulting evaluation data to identify opportunities to improve program administration and integrity. For example, evaluations help ensure program integrity by assessing WIC state agency compliance with program requirements, evaluating the accomplishment of WIC program objectives, and providing technical assistance to state agencies while also supporting state agency efforts to improve and innovate.
- **DOD.** The agency established senior accountable officials at the senior executive service level in each of the military services and defense agencies to promote accountability for the DOD payment integrity efforts.

  DOD also developed and implemented processes and tools to evaluate, monitor, and measure improper payments for DOD Travel Pay, including developing performance metrics and tracking them via spreadsheets and database dashboards, performing periodic quality assurance reviews of metrics and corrective action implementation, and monitoring recovery of overpayments. In addition, DOD took various actions to improve internal collaboration. For example, DOD holds quarterly senior accountable official meetings to discuss and track the progress of its corrective action plans. The agency also holds conferences with approving officials and lead defense travel administrators to spread awareness of payment errors and share best practices for correcting them. Lastly, DOD's Defense Finance and Accounting Service updates approving officials and travelers on common improper payment errors monthly.
- **HHS.** The agency supported states in establishing mitigation strategies and corrective actions for CCDF improper payments. HHS's fiscal year 2022 AFR notes that states must report on the causes of errors identified in the prior and current review cycles, as well as on the actions they will take to correct those causes. According to HHS, the Office of Child Care's National Center on Subsidy Innovation and Accountability was funded to provide technical assistance to states

and territories for CCDF-related program integrity and accountability matters. HHS also promoted collaboration by conducting site visits in states needing assistance to address improper payment root causes.

- **VA.** The agency's Veterans Health Administration (VHA) established program-level senior accountable officials to increase accountability and involvement of program offices in reducing improper payments. In addition, the VHA Associate Chief Financial Officer (CFO) established compliance benchmarks for all VHA high-risk programs and set goals for each senior accountable official to meet PIIA compliance by specified dates. According to VA officials, VHA undertook various internal collaboration efforts to help reduce improper payments, including the following:
  - *Establishment of a payment integrity team*. The team works with subject-matter experts to obtain documents for payment validation, which helps the team assess payments by high-risk programs and establish and monitor corrective actions.
  - *Regular meetings with management*. VHA holds quarterly meetings with senior accountable officials and monthly meetings with contacts from VHA's regional health care networks to facilitate accountability and to share PIIA testing results.
  - *Annual corrective action plan effectiveness reviews*. VHA carries out the reviews to determine if corrective actions are correctly aligned to root causes and proper mitigation strategies are selected to reduce improper payments.
- **FCC.** The Universal Service Administrative Company (USAC), which is the not-for-profit company that FCC designated to administer USF, established payment recapture audits and an improper payment testing program called the Beneficiary and Contributor Audit Program (BCAP) to help detect improper payments. USAC designed BCAP to identify overpayments that must be recaptured; to assess compliance with FCC rules; and to deter waste, fraud, and abuse. According to FCC officials, BCAP meets regularly with its payment quality assurance group to discuss improper payment topics, issues, and improvement strategies.
- **SBA.** To help prevent improper payments for disaster loan disbursements and improve accountability, SBA noted its corrective actions, including plans to tie elements of officials' performance plans to reducing the estimated improper payment rate. SBA also established strategies to promote internal collaboration. Per SBA officials, SBA internal offices coordinate through regular meetings to discuss current findings and corrective action plan results. For

example, loan origination and loan closing departments meet biweekly with the Disaster Internal Controls Division to discuss policy, audit exceptions, corrective actions, root causes, and training needs. Lastly, SBA works with the program offices on issues related to compliance with internal policies.

- **SSA.** The agency developed and implemented a standardized process called the Improper Payments Alignment Strategy, which involved documenting underlying causes of errors, risks, and challenges and evaluating corrective actions. The process allowed SSA to centralize its coordination and monitoring of all improper payment mitigation initiatives for a more focused approach along with prioritizing corrective actions, according to SSA officials. In addition, SSA holds two recurring meetings with senior leadership to discuss improper payment issues. It holds a monthly meeting between senior leadership and staff to discuss progress and challenges related to implementation of improper payment initiatives, and a quarterly meeting with senior executives who serve on SSA's Improper Payments Oversight Board.[22]

Actions and Efforts to Provide Technology, Tools, and Training to Address Root Causes

Agency officials and AFRs noted examples of efforts to provide technology, tools, and training designed to address root causes of improper payments.[23] Examples included the following:

- **CNCS.** The agency provided tools and training to reduce noncompliance with NSCHC requirements. By law, NSCHCs are required for all national service participants and staff in covered positions. According to the fiscal year 2019 CNCS *Annual Management Report*, over 67 percent of CNCS's estimated improper payments categorized as having insufficient documentation had a noncompliant NSCHC component. The agency has reduced the barriers to NSCHC compliance by providing grantees with access to its new vendor's services for criminal history checks. For example, according to CNCS officials, the agency identified a vendor to support

[22]According to SSA, the Improper Payment Oversight Board provides leadership, oversight, and accountability for the agency's improper payments initiatives. The board ensures the alignment of corrective actions with the *Agency Strategic Plan* and major information technology investments.

[23]Agencies reported providing technology and tools—such as software, automation, and information systems—to help address root causes improper payments. Agencies also reported providing training on topics such as proper payment processing methods to help ensure that staff and stakeholders have the proper skill sets and knowledge related to common causes of improper payments.

its existing contract to provide grantees with access to all components of NSCHC screening requirements.[24] Additionally, CNCS requires all grantees, including AmeriCorps program grantees, to complete annual training on NSCHC screening requirements. In 2019, CNCS provided seven such training opportunities.

- **USDA.** FNS has also released several tools for WIC state agencies that aim to improve vendor management and certification. These resources include the WIC *Vendor Management and Food Delivery Handbook*, a new toolkit for assessing and developing WIC vendor peer group systems, and an updated tool for assessing WIC vendor cost neutrality.[25] In addition, USDA provided numerous training opportunities on key improper payment topics and released comprehensive handbooks for vendor management and certification and eligibility training in fiscal year 2017.
- **DOD.** DOD provided training on common errors and causes of DOD Travel Pay improper payments. According to DOD officials, the DOD Travel Pay program operates on a decentralized authorization system, in which officials across DOD approve travel payments. Because of this, DOD's strategy for reducing program improper payments concentrated on improving internal training for authorizing officials. This training outlined common errors and causes of improper payments. In addition, DOD components provide updates on the progress of corrective action plans through a web-based collaborative platform, and provide training for approving officials specifically related to improper payments.
- **HHS.** HHS provided training and technical assistance. Officials told us that the agency attributed its reduction in the CCDF estimated improper payment rate in part to the ongoing training and technical assistance it provided to states. Specifically, HHS provided support related to changing policies and procedures, implementing payment-integrity rate methodology, addressing root causes, and establishing corrective action plans. HHS officials also credited states updating

[24]If the grantees did not perform all of the required components of the NSCHC on national service participants and staff before the payment date, the payment is considered improper.

[25]State agencies must ensure that above-50-percent vendors (vendors that derive more than 50 percent of their annual food sale revenue from the WIC program) do not result in higher costs to the program than if participants had transacted at regular vendors. State agencies are required to compare average payments to all regular vendors. If average payments to all above-50-percent vendors do not exceed average payments to all regular vendors, the state will have achieved cost neutrality.

and developing their information technology systems with helping to reduce improper payments in the CCDF program.

HHS's fiscal year 2022 AFR notes that, due to the high volume of Medicare claims that HHS processes daily and the significant cost associated with conducting medical reviews of an individual claim, HHS relies on automated edits to identify inappropriate claims for the Medicare FFS program. HHS designed its systems to detect anomalies and prevent payment for many erroneous claims.

- **VA.** VHA developed a PIIA dashboard that according to VA officials, allowed leadership to identify where errors were occurring and target those areas for follow-up. VHA also worked with program subject-matter experts to gain access to systems containing the documentation required for improper payment testing, leading to more accurate and efficient information gathering and review. Furthermore, VA officials told us that the agency developed an internal system for sharing corrective action plans that helped enhance the process.

  For the Beneficiary Travel program, VHA implemented new software to provide a customized and enhanced tool to streamline claims, automate eligibility determinations, handle payment processing, help detect and prevent improper payments, and enhance reporting and auditing capabilities. VA also provides training targeted to causes of improper payments. For example, for the Purchased Long Term Services and Support program, VA conducts quarterly staff training on avoiding ineligible vendors by verifying approved vendor lists prior to authorization.

- **FCC.** FCC and USAC launched the National Verifier system to address program integrity issues. FCC and USAC began work on the National Verifier in 2017 after FCC adopted the approach in a 2016 order. According to FCC, the National Verifier significantly reduces improper payments related to prior program integrity issues, such as ineligible subscribers, deceased subscribers, duplicate subscribers, and oversubscribed addresses. The National Verifier uses a combination of automated and manual processes to verify eligibility and avoid duplicate enrollments, confirming whether a consumer is qualified for the Lifeline program.

  In addition, according to FCC officials, the Schools and Libraries program's use of open data and other coding capabilities allowed it to improve its eligibility validation for invoices, resulting in lower improper payment error rates. USAC also implemented outreach efforts to reduce improper payments and the potential causes of errors that were identified during audits and payment quality assurance reviews.

Additional outreach efforts include newsletters and webinars that are used to educate carriers on rules and program requirements.

- **SBA.** According to SBA officials, the agency provides extensive training on improper payment issues and corrective actions to internal employees and external lenders involved in the 7(a) Guarantee Approvals, 7(a) Guarantee Purchases, and Disaster Loan Disbursements lending process. SBA also provides training to staff and external parties on updated methods and information to help ensure compliance with current guidance.
- **SSA.** SSA developed wage-reporting tools. According to SSA, several factors determine whether disability beneficiaries who work can continue to receive monthly benefits. Based on 5-year data from fiscal year 2017 through fiscal year 2021, SSA estimated that beneficiaries' or representative payees' failure to report work accounted for 83 percent of improper payment errors related to Substantial Gainful Activity, one of the root causes of OASDI overpayments. In addition, Supplemental Security Income recipients' or representative payees' failure to report change in work accounted for 87 percent of Supplemental Security Income improper payment errors. To reduce the reliance on self-reporting of wages, SSA is developing new wage-reporting tools, such as the Payroll Information Exchange (PIE), which allow the agency to exchange information with commercial payroll providers. In addition, in fiscal year 2022, SSA developed the capacity to automate the process of obtaining and recording wage and employment data information received via PIE to appropriate systems.

Agencies Reported Key Takeaways or Lessons Learned from Reductions

We asked the eight agencies with reductions in estimated improper payment rates from fiscal years 2017 to 2022 to describe their key takeaways or lessons learned from efforts to reduce improper payments. Agencies provided several examples:

- CNCS officials described the importance of targeted agency-wide actions, as well as the need for strong communication, particularly between the agency and its grantees. CNCS also noted the importance of office of inspector general engagement as well as preparation and planning for change management.
- DOD officials noted the importance of providing adequate training, promoting collaboration, and providing regular communication and feedback to DOD components regarding errors or issues related to improper payments.

- VA officials noted the importance of establishing proper tone at the top.[26] They also cited the importance of ensuring that dedicated personnel provide oversight within both the VA CFO and VHA CFO offices. VA officials also noted the importance of ensuring that policies specify roles and responsibilities and provide the structure needed to drive consistent implementation of PIIA requirements. They also cited the importance of ensuring that improper payment testing aligned with PIIA and OMB guidance and that any related audit findings were addressed. Finally, VA officials emphasized the importance of evaluating mitigation strategies and corrective actions for effectiveness.
- FCC officials cited the importance of analyzing root causes on a quarterly basis.
- SBA officials stated that it was important to hold regular meetings with all program offices to discuss common issues and solutions.

These examples underscore the importance of effective corrective actions to address root causes of improper payments. We have previously found that developing corrective action plans that respond to identified root causes of improper payments is a critical component in government-wide efforts to reduce improper payments.[27] Agency processes to monitor the progress and measure the effectiveness of such plans are essential to evaluating efforts to address improper payments.[28]

Agency Comments

We provided a draft of this report to CNCS, USDA, DOD, HHS, VA, FCC, SBA, and SSA for review and comment. CNCS, HHS, SBA, and SSA provided technical comments, which we have incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees; the Chief Executive Officer of the Corporation for National and Community Service; the Secretaries of Agriculture, Defense, Health and Human Services, and Veterans Affairs; the Chair of the Federal

[26]According to federal internal control standards, management enforces accountability of individuals performing their internal control responsibilities. Accountability is driven by the tone at the top and supported by the commitment to integrity and ethical values, organizational structure, and expectations of competence, which influence the control culture of the entity. GAO, *Standards for Internal Control in the Federal Government,* GAO-14-704G (Washington, D.C.: Sept. 2014).

[27]GAO, *Payment Integrity: Selected Agencies Should Improve Efforts to Evaluate Effectiveness of Corrective Actions to Reduce Improper Payments*, GAO-20-336 (Washington, D.C.: Apr. 1, 2020).

[28]GAO-20-336.

Communications Commission; the Administrator of the Small Business Administration; the Acting Commissioner of the Social Security Administration; the Director of the Office of Management and Budget; and other interested parties. In addition, the report is available at no charge on the GAO website at https://www.gao.gov.

If you or your staff members have any questions about this report, please contact me at (202) 512-5683 or padillah@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix I.

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Appendix I: GAO Contact and Staff Acknowledgments

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Staff Acknowledgments

In addition to the contact named above, Daniel Flavin (Assistant Director), Sabrina Rivera (Auditor in Charge), Tech Le, Edgar Fletes, Courtney Cox, Seth Brewington, Jason Kelly, Jared Smith, and Amanda Stogsdill made key contributions to this report.

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