

Improper Payments

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Discussion Outline

- Improper Payments Information Act of 2002
 - OMB Guidance on Implementing the Improper Payments Information Act
 - Amount of Improper Payments
 - Agency Fiscal Year 2004 Performance and Accountability Reports
 - GAO's Current Work
 - President's Management Agenda – Eliminating Improper Payments
 - Conclusion
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Improper Payments Information Act of 2002

- Enacted November 26, 2002
- Requires agency heads to:
 - Annually review all programs and activities
 - Identify those that may be susceptible to significant improper payments
 - Estimate annual amount
 - For estimates exceeding \$10 million, report on actions taken to reduce improper payments

OMB Guidance on Implementing the Improper Payments Information Act

- Agency annually review all programs and activities
- Identify all programs and activities that are susceptible to significant improper payments (\$10 million and 2.5% of program payments)
- For those that meet the threshold, estimate an annual amount based on statistical sample
- For programs and activities with estimates exceeding \$10 million, identify causes, plans to reduce them, and set targets
- Report improper payment information in Performance and Accountability Report, beginning with fiscal year 2004

Amount of Improper Payments

- Fiscal year 2003, agencies reported \$35 billion in their Performance and Accountability Reports
- Fiscal year 2004, agencies reported \$45 billion in their Performance and Accountability Reports
 - Increase primarily attributed to changes in the method for estimating and reporting improper payment amounts in HHS' Medicare program
- Incomplete estimate
 - Not all agencies assessed risk in all of their programs or activities
 - Not all agencies estimated amounts for programs or activities determined to be susceptible to significant improper payments

Agency Fiscal Year 2004 Performance and Accountability Reports

- More agencies reported improper payment estimates or improper payment information in their fiscal year 2004 Performance and Accountability Reports than in previous years
- 12 of the 46 programs from OMB Circular A-11 did not estimate an amount

GAO's Current Work

- Review of agency fiscal year 2004 Performance and Accountability Reports – improper payment amounts and risk assessments
- Actions states are taking to assist federal agencies in complying with the Improper Payments Information Act

President's Management Agenda

Eliminating Improper Payments Program Initiative

- New program initiative beginning first quarter of fiscal year 2005
- 15 agencies, included under former OMB Circular A-11, are rated on the scorecard
- For the first quarter of fiscal year 2005 – 10 rated red, 5 rated yellow

Conclusion

- Good start
- Challenges remain