



March 2020

# PAYMENT INTEGRITY

## Federal Agencies' Estimates of FY 2019 Improper Payments

Accessible Version

# GAO Highlights

Highlights of [GAO-20-344](#), a report to congressional committees  
View [GAO-20-344](#). For more information, contact Beryl H. Davis at (202) 512-2623 or [davisbh@gao.gov](mailto:davisbh@gao.gov)

## Why GAO Did This Study

Improper payments—payments that should not have been made or that were made in incorrect amounts—continue to be an area of fiscal concern in the federal government. Improper payments have been estimated to total almost \$1.7 trillion government-wide from fiscal years 2003 through 2019.

From fiscal year 2003 through 2016, a government-wide estimate and rate had been included in government-wide financial reports based on the programs and activities that reported estimates. However, financial reports for fiscal years 2017 and 2018 did not include a government-wide improper payment estimate or rate. Agency-reported improper payment estimates are posted on the Office of Management and Budget's [Paymentaccuracy.gov](http://Paymentaccuracy.gov) website.

IPERA requires IGs to annually determine and report on whether executive branch agencies complied with six IPERA criteria, such as conducting risk assessments and publishing and meeting improper payment reduction targets.

This report summarizes (1) federal agencies' reported improper payment estimates for fiscal years 2018 and 2019, and reasons for substantial changes between years, and (2) CFO Act agencies compliance with IPERA criteria for fiscal year 2018, as determined by their IGs, and overall compliance trends for fiscal years 2016 through 2018. GAO summarized (1) improper payment estimates from agency financial reports and [Paymentaccuracy.gov](http://Paymentaccuracy.gov) and (2) information on CFO Act agencies' IPERA compliance reported in IGs' fiscal year 2018 IPERA compliance reports and prior GAO reports.

March 2020

## PAYMENT INTEGRITY

### Federal Agencies' Estimates of FY 2019 Improper Payments

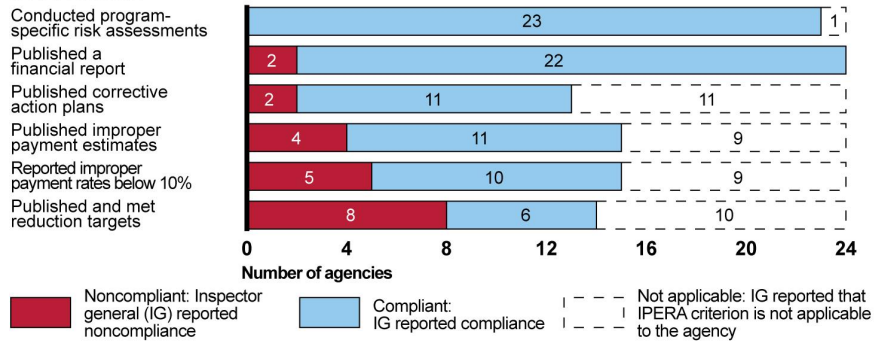
## What GAO Found

Agency-reported improper payment estimates for fiscal year 2019 totaled about \$175 billion, based on improper payment estimates reported by federal programs, an increase from the fiscal year 2018 total of \$151 billion. Of the \$175 billion, about \$121 billion (approximately 69 percent) was concentrated in three program areas: (1) Medicaid, (2) Medicare, and (3) Earned Income Tax Credit. About \$74.6 billion (approximately 42.7 percent) of the government-wide estimate was reported as monetary loss, an amount that should not have been paid and in theory should or could be recovered. However, the federal government's ability to understand the full scope of its improper payments is hindered by incomplete, unreliable, or understated agency estimates; risk assessments that may not accurately assess the risk of improper payment; and agencies not complying with reporting and other requirements in the Improper Payments Elimination and Recovery Act of 2010 (IPERA).

Eight years after the implementation of IPERA, half of the 24 Chief Financial Officers Act of 1990 (CFO Act) agencies—whose estimates account for over 99 percent of the federal government's reported estimated improper payments—complied with IPERA overall for fiscal year 2018, as reported by their inspectors general (IG). Based on the IGs' fiscal year 2018 compliance reports, agencies were most frequently reported as noncompliant with the requirement to publish and meet annual targets for improper payment reduction. Out of the 14 agencies for which this requirement was applicable, eight agencies were noncompliant. The second most-frequently reported area of noncompliance related to the requirement for agencies' reported improper payment rates to be below 10 percent for programs that published estimates. Out of the 15 agencies for which this requirement was applicable, five agencies were noncompliant.

### Chief Financial Officers Act of 1990 Agencies' Fiscal Year 2018 Compliance with IPERA Criteria, as Reported by Their IGs

#### IPERA criteria



Source: GAO analysis of Chief Financial Officers Act of 1990 agencies' fiscal year 2018 Improper Payments Elimination and Recovery Act of 2010 (IPERA) compliance reports. | GAO-20-344

**Data Table for Chief Financial Officers Act of 1990 Agencies' Fiscal Year 2018  
Compliance with IPERA Criteria, as Reported by Their IGs**

	<b>Noncompliant: IG reported noncompliance</b>	<b>Compliant: IG reported compliance</b>	<b>Not applicable: IG reported that IPERA criterion is not applicable to the agency</b>
Published a financial report	2	22	0
Conducted program-specific risk assessments	0	23	1
Published improper payment estimates	4	11	9
Published corrective action plans	2	11	11
Published and met reduction targets	8	6	10
Reported improper payment rates below 10%	5	10	9

The IGs reported that 21 programs were noncompliant with IPERA for each of the past 3 fiscal years (2016–2018). These programs represented about \$78 billion, or approximately 52 percent of the \$151 billion government-wide reported improper payment estimates for fiscal year 2018.

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**Abbreviations**

AFR	agency financial report
CFO Act	Chief Financial Officers Act of 1990
CIGIE	Council of the Inspectors General on Integrity and Efficiency
DOD	Department of Defense
EITC	Earned Income Tax Credit
HHS	Department of Health and Human Services
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
PAR	performance and accountability report
PERM	Payment Error Rate Measurement
SSA	Social Security Administration
TANF	Temporary Assistance for Needy Families
Treasury	Department of the Treasury
VA	Department of Veterans Affairs

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March 2, 2020

Congressional Committees

Improper payments—payments that should not have been made or that were made in incorrect amounts—continue to be an area of fiscal concern in the federal government. Improper payments have been estimated to total almost \$1.7 trillion government-wide from fiscal years 2003 through 2019.<sup>1</sup> We have reported that improper payment estimates themselves may not be reliable because the federal government is unable to determine the full extent to which improper payments occur and reasonably ensure that appropriate actions are taken to reduce them.<sup>2</sup> From fiscal years 2003 through 2016, a government-wide improper payment estimate and rate had been included in the government-wide financial reports based on the programs and activities that reported estimates. However, government-wide financial reports for fiscal years

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<sup>1</sup>As required by the Improper Payments Information Act of 2002 (IPIA), 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. Under IPIA, as amended, an improper payment is defined as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts. Office of Management and Budget (OMB), *Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, OMB Memorandum M-18-20 (Washington, D.C.: June 26, 2018), effective for fiscal year 2018 reporting, also provides that when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment should also be considered an improper payment. Since the conclusion of fiscal year 2019, Congress has passed the Payment Integrity Information Act of 2019 (PIIA), S. 375, 116th Cong. This bill would repeal IPIA, IPERA, and IPERIA and would enact a new Subchapter in Title 31 of the U.S. Code, containing substantially similar provisions. Under PIIA, some details would change; however, the core structure of executive agency assessment, estimation, and reporting of improper payments would remain consistent with the statutory framework in effect during fiscal year 2019, as described in this report.

<sup>2</sup>GAO, *Financial Audit: Fiscal Years 2018 and 2017 Consolidated Financial Statements of the U.S. Government*, [GAO-19-294R](#) (Washington, D.C.: Mar. 28, 2019).

2017 and 2018 did not include a government-wide improper payment estimate or improper payment rate.<sup>3</sup>

The Improper Payments Elimination and Recovery Act of 2010 (IPERA), among other things, requires federal agencies' inspectors general (IG) to annually determine and report on whether the agencies under their jurisdiction have complied with IPERA criteria.<sup>4</sup> IGs' annual IPERA compliance reports help reasonably ensure that improper payment estimates are accurate, reliable, and complete and that Congress has information on agencies' efforts to address improper payments. We previously reported on agencies' compliance with IPERA for fiscal years 2011 through 2017, as reported by the agencies' IGs.<sup>5</sup>

We performed our work under the authority of the Comptroller General to conduct evaluations on his own initiative and to assist Congress with its oversight responsibilities.<sup>6</sup> This report (1) summarizes federal agencies' reported improper payment estimates for fiscal years 2018 and 2019,<sup>7</sup>

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<sup>3</sup>GAO-19-294R, and GAO, *Financial Audit: Fiscal Years 2017 and 2016 Consolidated Financial Statements of the U.S. Government*, GAO-18-316R (Washington, D.C.: Feb. 15, 2018).

<sup>4</sup>IGs are required to issue compliance reports under IPERA, Pub. L. No. 111-204, § 3, 124 Stat. 2224, 2232 (July 22, 2010), *codified at* 31 U.S.C. § 3321 note. Per OMB Memorandum M-18-20, the compliance reports are due on May 15 following the IGs' review of the agencies' annual agency financial reports or performance and accountability reports. The most recent IG compliance reports available were issued in 2019 for agencies' fiscal year 2018 compliance with IPERA criteria.

<sup>5</sup>GAO, *Improper Payments: CFO Act Agencies Need to Improve Efforts to Address Compliance Issues*, GAO-16-554 (Washington, D.C.: June 30, 2016); *Improper Payments: Additional Guidance Could Provide More Consistent Compliance Determinations and Reporting by Inspectors General*, GAO-17-484 (Washington, D.C.: May 31, 2017); and *Improper Payments: Additional Guidance Needed to Improve Oversight of Agencies with Noncompliant Programs*, GAO-19-14 (Washington, D.C.: Dec. 7, 2018).

<sup>6</sup>31 U.S.C. § 717(b).

<sup>7</sup>Although the improper payment estimates were reported in agencies' fiscal year 2019 financial reports, the payments included in the population from which the estimates were derived did not always occur in fiscal year 2019. For example, the Social Security Administration's fiscal year 2019 improper payment estimates are based on payment data from October 2017 through September 2018.



and the reasons they identified for substantial changes between years,<sup>8</sup> and (2) discusses the extent to which Chief Financial Officers Act of 1990 (CFO Act) agencies complied with the six IPERA criteria for fiscal year 2018, and overall IPERA compliance trends evident for fiscal years 2016 through 2018, as reported by their IGs.<sup>9</sup>

To summarize federal agencies' improper payment estimates for fiscal years 2018 and 2019, we compiled improper payment estimates from agency financial reports (AFR) or performance and accountability reports (PAR) and the Office of Management and Budget's (OMB) Paymentaccuracy.gov website.<sup>10</sup> We summarized and compared the estimates to identify any substantial changes that occurred between the 2 fiscal years. For such changes, we reviewed the agency's AFR and PAR to determine the reason(s), if any, that the agency identified.

To determine the extent to which CFO Act agencies complied with the six criteria listed in IPERA for fiscal year 2018, we reviewed the IPERA compliance reports that the agencies' respective IGs issued. We summarized compliance information from the fiscal year 2018 reports and used information from our prior reports on IPERA compliance to identify compliance trends in fiscal years 2016 through 2018. We corroborated the results of our analysis with the CFO Act agencies and their IGs. Based on the CFO Act agencies' AFRs and PARs and their IGs' IPERA compliance reports for fiscal years 2016 through 2018, we identified the agency programs reported as noncompliant for 3 or more consecutive years as of fiscal year 2018 and the related estimate of improper

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<sup>8</sup>For the purpose of this report, we define "substantial change" as a change in (1) the improper payment estimate between fiscal year 2018 and fiscal year 2019 that is equal to or greater than \$1 billion or (2) the improper payment rate between fiscal year 2018 and fiscal year 2019 that is equal to or greater than 5 percent and the fiscal year 2019 improper payment estimate is over \$100 million.

<sup>9</sup>The 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 at* 31 U.S.C. § 901.

<sup>10</sup>An official U.S. government website managed by OMB, [www.Paymentaccuracy.gov](http://www.Paymentaccuracy.gov) contains, among other things, information about current and historical rates and amounts of improper payments.

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payments associated with those programs for fiscal year 2018.<sup>11</sup> We focused on the 24 CFO Act agencies because the improper payment estimates for those agencies accounted for over 99 percent of the federal government's reported estimated improper payments for fiscal year 2018.

We conducted this performance audit from July 2019 to March 2020 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.

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## Background

The Improper Payments Information Act of 2002 (IPIA), as amended by IPERA and the Improper Payments Elimination and Recovery Improvement Act of 2012,<sup>12</sup> requires executive branch agencies, among other things, to (1) review all programs and activities and identify those that may be susceptible to significant improper payments (commonly referred to as conducting 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.

IPERA also requires executive agencies' IGs to annually determine and report on whether their respective agencies complied with six IPERA-related criteria. If an agency does not meet one or more of the six IPERA criteria for any of its programs or activities, the IG considers the agency to be noncompliant overall. The six criteria are as follows:

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<sup>11</sup>Per IPERA and OMB Memorandum M-18-20, an agency with a program or activity that is reported noncompliant for 3 or more consecutive fiscal years is required to submit to Congress either (1) a reauthorization proposal for the program or activity or (2) the proposed statutory changes necessary to bring the program or activity into compliance.

<sup>12</sup>Pub. L. No. 112-248, 126 Stat. 2390 (Jan. 10, 2013).

1. **publish a financial report** in the form and including all content required by OMB—typically an AFR or a PAR—for the most recent fiscal year, and post that report on the agency website;
2. **conduct a program-specific risk assessment**, if required, for each program or activity that conforms with IPIA, as amended;<sup>13</sup>
3. **publish improper payment estimates** for all programs and activities deemed susceptible to significant improper payments;<sup>14</sup>
4. **publish corrective action plans** for those programs and activities assessed to be susceptible to significant improper payments;
5. **publish and meet annual reduction targets** for all programs and activities assessed to be at risk for significant improper payments; and
6. **report a gross improper payment rate of less than 10 percent** for each program and activity for which an improper payment estimate was published.

As described above, not all criteria are applicable to every agency. For example, if an agency publishes a financial report and conducts a risk assessment and determines that none of its programs or activities are susceptible to significant improper payments, then the remaining criteria would not be applicable.

OMB plays a key role in implementing laws related to improper payment reporting. As required by statute, OMB has established guidance for federal agencies on estimating, reporting, reducing, and recovering improper payments. Such guidance includes OMB Circular A-123

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<sup>13</sup>IPIA, as amended, requires that agencies conduct program and activity risk assessments at least once every 3 fiscal years. In addition, per OMB Memorandum M-18-20, for programs that are deemed not susceptible to significant improper payments, agencies must perform a risk assessment at least once every 3 fiscal years unless there is a significant change in legislation, a significant increase in the program's funding level, or both. A program for which an improper payment estimate is being reported does not need an additional improper payment risk assessment.

<sup>14</sup>Under IPIA, as amended, "significant improper payments" are defined as gross annual improper payments (i.e., the total amount of overpayments and underpayments) in a program exceeding either (1) both 1.5 percent of program outlays and \$10 million of all program or activity payments made during the fiscal year reported or (2) \$100 million (regardless of the improper payment percentage of program outlays). OMB may also determine on a case-by-case basis that certain programs that do not meet this threshold would still be subject to improper payments reporting. In addition, statutes for disaster relief funding have established a lower threshold for certain disaster relief improper payment reporting requirements.

Appendix C, *Requirements for Payment Integrity Improvement*, which also includes guidance to IGs on determining agency compliance with IPERA.<sup>15</sup> The Council of the Inspectors General on Integrity and Efficiency (CIGIE) also published guidance in July 2019 to assist IGs who are required to conduct an annual improper payment review under IPERA.<sup>16</sup>

We continued to report improper payments as a material weakness in internal control in our audit report on the U.S. government's consolidated financial statements for fiscal years 2018 and 2017 because of the federal government's inability to determine the full extent to which improper payments occur and reasonably ensure that appropriate actions are taken to reduce them.<sup>17</sup> We have also reported that estimation of improper payments is key to understanding the extent of the problem and to developing effective corrective actions to address it.<sup>18</sup> However, the government's ability to understand the full scope of its improper payments is hindered by incomplete, unreliable, or understated estimates; risk assessments that may not accurately assess the risk of improper payment; and noncompliance with criteria listed in IPERA. For example, we previously reported that issues and inconsistencies we identified in selected agencies' processes for estimating improper payments may affect the quality of their estimates.<sup>19</sup> In addition, certain IGs have reported issues with their agencies' reported improper payment estimates

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<sup>15</sup>OMB Memorandum M-18-20.

<sup>16</sup>Council of the Inspectors General on Integrity and Efficiency, *Guidance for Improper Payments Elimination and Recovery Act Compliance Reviews* (July 2019). CIGIE is an independent entity established within the executive branch to address integrity, economy, and effectiveness issues that transcend individual government agencies and aid in establishing a professional, well-trained, and highly skilled workforce in the offices of inspectors general.

<sup>17</sup>[GAO-19-294R](#). 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.

<sup>18</sup>GAO, *Improper Payments: Actions and Guidance Could Help Address Issues and Inconsistencies in Estimation Processes*, [GAO-18-377](#) (Washington, D.C.: May 31, 2018).

<sup>19</sup>[GAO-18-377](#).

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that were caused by insufficient sampling methods and flawed estimation methodologies for calculating and reporting improper payment estimates.

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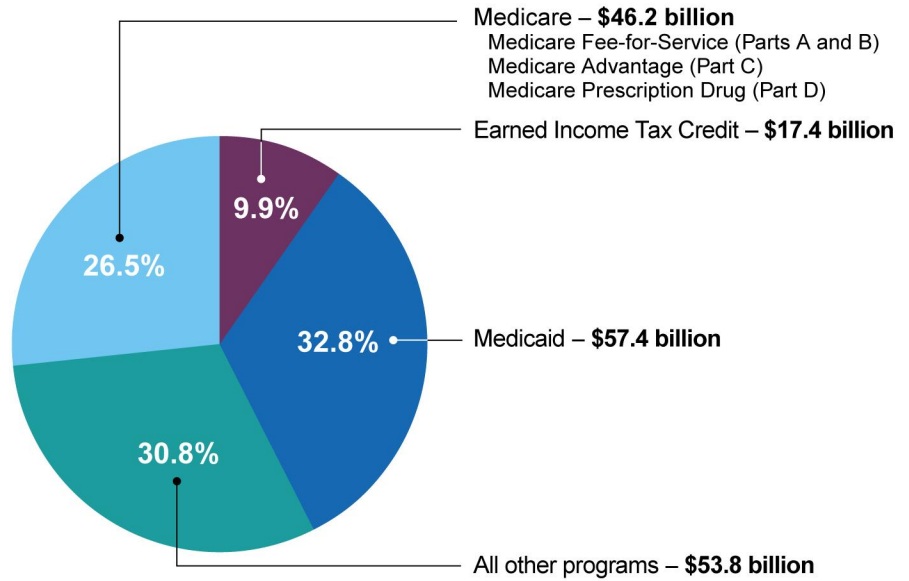
## Federal Agencies' Estimates of Fiscal Year 2019 Improper Payments Totaled \$175 Billion

Based on agencies that reported improper payment estimates in their AFRs and PARs, government-wide estimated improper payments for fiscal years 2019 and 2018 totaled about \$175 billion and \$151 billion, respectively. See appendix I for the reported amounts by agency and program for fiscal years 2019 and 2018. As shown in figure 1, of the \$175 billion for fiscal year 2019, about \$121 billion (approximately 69 percent) is concentrated in three program areas: (1) Medicaid, totaling about \$57.4 billion (approximately 32.8 percent);<sup>20</sup> (2) Medicare (comprised of three reported programs: Fee-for-Service (Parts A and B), Advantage (Part C), and Prescription Drug (Part D)), totaling about \$46.2 billion (approximately 26.5 percent); and (3) Earned Income Tax Credit (EITC), totaling about \$17.4 billion (approximately 9.9 percent).

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<sup>20</sup>The Department of Health and Human Services (HHS) estimates improper payments for the Medicaid program across three components: (1) fee-for-service, (2) managed care, and (3) eligibility. In fiscal year 2019, HHS reported improper payment rates for each of these components but did not report separate improper payment amounts.

**Figure 1: Programs with the Largest Percentage of Total Reported Government-Wide Estimates of Improper Payments for Fiscal Year 2019**



Source: GAO analysis of Office of Management and Budget data and fiscal year 2019 agency financial reports. | GAO-20-344

**Data Table for Figure 2: Programs with the Largest Percentage of Total Reported Government-Wide Estimates of Improper Payments for Fiscal Year 2019**

Program	Percentage	Dollar amount (in billions)
Medicare	26.5%	\$46.2
Earned Income Tax Credit	9.9%	\$17.4
Medicaid	32.8%	\$57.4
All other programs	30.8%	\$53.8

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Key information contained in agency AFRs and PARs regarding the types and causes of fiscal year 2019 estimates of improper payments, and reasons for significant changes in reported estimates from fiscal year 2018, are summarized as follows:

- The \$175 billion total reported government-wide estimates for fiscal year 2019 is broken down per OMB's Paymentaccuracy.gov Data Call Instructions by type as follows:<sup>21</sup>
  - overpayments, totaling about \$79.1 billion (approximately 45.2 percent);
  - underpayments, totaling about \$12.9 billion (approximately 7.4 percent);
  - unknown, totaling about \$74.1 billion (approximately 42.4 percent); and
  - technically improper due to statute or regulation, totaling about \$8.7 billion (approximately 5 percent).
- About \$74.6 billion (approximately 42.7 percent) of the government-wide estimates was reported as monetary loss.<sup>22</sup>
- About \$151.2 billion (approximately 86.6 percent) of the reported government-wide improper payment estimates for fiscal year 2019 related to root causes that occurred in the three areas below. See appendix II for details on the root causes that agencies identified for their reported improper payment estimates for fiscal year 2019.
  - **Insufficient documentation to determine payment accuracy.** About \$74.1 billion (approximately 42.4 percent) resulted from situations where the agency lacked supporting documentation necessary to verify the accuracy of the payments.

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<sup>21</sup>The Fiscal Year 2019 OMB Paymentaccuracy.gov Data Call Instructions provides specific instructions on the improper payment estimation breakout by type to provide agencies with guidance in addition to that provided in OMB, *Financial Reporting Requirements*, OMB Circular No. A-136 (revised June 28, 2018) at II.4.5, on reporting estimates for programs or activities that are identified as susceptible to improper payments. "Unknown" is the estimated amount within the agency's improper payment estimate that could be either proper or improper, but the agency is unable to discern whether the payment was proper or improper as a result of insufficient or lack of documentation. "Technically improper due to statute or regulation" represents a payment made to the right recipient for the right amount but the payment process failed to follow applicable regulation and statute.

<sup>22</sup>According to OMB Circular No. A-136, "monetary loss" represents an amount that should not have been paid and in theory should or could be recovered.

- **Administrative or process error.** About \$39.1 billion (approximately 22.4 percent) resulted from incorrect data entry, classifying, or processing of applications or payments.
- **Inability to authenticate eligibility.** About \$38 billion (approximately 21.8 percent) resulted from the agency not being able to authenticate eligibility criteria.
- The fiscal year 2019 total reported government-wide estimated improper payments, among programs that reported estimates, increased by about \$24 billion from the fiscal year 2018 total reported. While decreases in estimated improper payments were reported for several programs, these were offset by increases for certain other programs. Between fiscal years 2018 and 2019, six programs had an increase and five programs had a decrease of over \$1 billion in estimated improper payments. Appendix III provides information on all the programs that had a substantial change in estimated improper payments between fiscal years 2018 and 2019 and the reasons for those changes as reported in agency AFRs.<sup>23</sup> Examples of substantial changes in improper payments and the reasons for such changes that agencies provided in their AFRs include the following:
  - Department of Health and Human Services (HHS) reported an increase in the total estimated improper payments for the Medicaid program in excess of \$21.1 billion for fiscal year 2019. The majority of the increase in the total estimated improper payments for the Medicaid program was due to HHS's reintegration of the eligibility component of the Payment Error Rate Measurement (PERM) for Medicaid for fiscal year 2019. From fiscal years 2015 through 2018, HHS did not estimate improper payments attributed to eligibility determinations, but did include a proxy estimate, which was the last reported rate in fiscal year 2014 for the eligibility component, while HHS worked to update this component.

For fiscal year 2019, HHS estimated improper payments attributed to eligibility determinations in 17 states (about one-third of all states). HHS's national eligibility estimated improper payment rate still includes a proxy estimate for 34 remaining states that have

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<sup>23</sup>For the purpose of this report, we define "substantial change" as a change in (1) the improper payment estimate between fiscal years 2018 and 2019 that is equal to or greater than \$1 billion or (2) the improper payment rate between fiscal years 2018 and 2019 that is equal to or greater than 5 percent and the fiscal year 2019 improper payment estimate is over \$100 million.



not yet been measured since the reintegration of the PERM eligibility component.

HHS reported that most eligibility errors identified through the new measurement process were due to insufficient documentation to verify eligibility or noncompliance with eligibility redetermination requirements.<sup>24</sup> HHS also reported that these insufficient documentation situations were related primarily to income or resource verifications. HHS's fiscal year 2019 AFR noted that another significant cause for estimated Medicaid improper payments is errors resulting from state noncompliance with provider screening and enrollment requirements.

- The Department of the Treasury (Treasury) began reporting improper payment estimates for fiscal year 2019 for two programs deemed newly susceptible to significant improper payments. Specifically, Treasury reported about \$7.2 billion and \$2.1 billion in improper payment estimates for Additional Child Tax Credit and American Opportunity Tax Credit, respectively.<sup>25</sup>
- In addition, HHS reported a decrease in the total estimated improper payments for the Medicare Fee-for-Service (Parts A and B) program of about \$2.7 billion. According to HHS's fiscal year 2019 AFR, the decrease in the estimate is due to a reduction in estimated improper payments for home health; Medicare Fee-for-Service Part B; and Durable Medical Equipment, Prosthetics, Orthotics, and Supplies claims.

As stated earlier, the federal government's ability to understand the full scope of its improper payments is hindered by incomplete, unreliable, or

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<sup>24</sup>Generally, state Medicaid agencies must renew beneficiaries' Medicaid coverage by redetermining their eligibility every 12 months. A state Medicaid agency must also promptly redetermine eligibility when it receives information about a change in a beneficiary's circumstances that may affect eligibility.

<sup>25</sup>In April 2018, the Internal Revenue Service implemented GAO's recommendation to develop a comprehensive operational strategy to address compliance issues with refundable tax credits such as the Additional Child Tax Credit and American Opportunity Tax Credit. In the recommendation, we stated that the strategy could include use of error rates and amounts. See GAO, *Refundable Tax Credits: Comprehensive Compliance Strategy and Expanded Use of Data Could Strengthen IRS's Efforts to Address Noncompliance*, [GAO-16-475](#) (Washington, D.C.: May 27, 2016).

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understated agency estimates and risk assessments that may not accurately assess the risk of improper payment. For example,

- certain federal programs and activities that agencies determined to be at risk for significant improper payments did not report estimates of improper payments for fiscal year 2019, including the Premium Tax Credit and Temporary Assistance for Needy Families programs, and
- as we previously reported, the Department of Defense (DOD) lacks quality assurance procedures to ensure the completeness and accuracy of the payment populations from which it develops improper payment estimates.<sup>26</sup>

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## CFO Act Agencies' Reported Compliance with IPERA

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### Half of the CFO Act Agencies Were Reported as Compliant for Fiscal Year 2018

Eight years after the implementation of IPERA, half of the 24 CFO Act agencies were compliant with IPERA overall for fiscal year 2018, as reported by their IGs. See appendix IV for each CFO Act agency's overall compliance with IPERA. With regard to the six IPERA criteria, as shown in figure 2, IGs reported all agencies as compliant with the requirement to conduct program-specific risk assessments if it was applicable to the agency. In addition, 22 of 24 agencies (92 percent) met the requirement to publish a PAR or AFR.

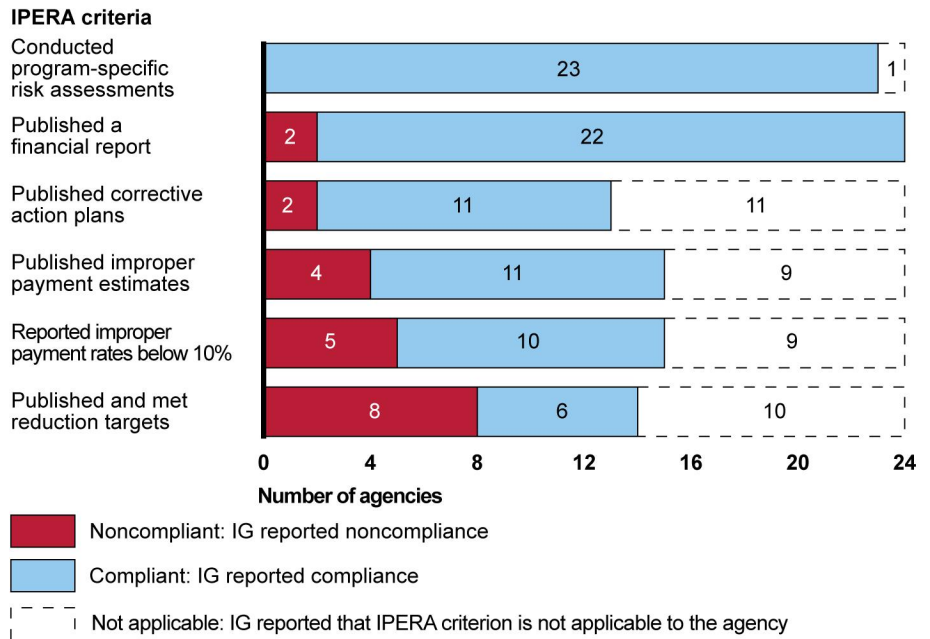
Based on the IGs' fiscal year 2018 compliance reports, agencies were most frequently reported as noncompliant with the IPERA requirement to publish and meet annual targets for improper payment reduction. Out of the 14 agencies for which this requirement was applicable, IGs for eight

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<sup>26</sup>In May 2013, we reported on major deficiencies in DOD's process for estimating fiscal year 2012 improper payments in the Defense Finance and Accounting Service Commercial Pay program, including deficiencies in identifying a complete and accurate population of payments; see GAO, *DOD Financial Management: Significant Improvements Needed in Effort to Address Improper Payment Requirements*, [GAO-13-227](#) (Washington, D.C.: May 13, 2013). The foundation of reliable statistical sampling estimates is a complete, accurate, and valid population from which to sample. As of June 2019, DOD's efforts to establish and implement key quality assurance procedures to ensure the completeness and accuracy of sampled populations were still in progress.

agencies (57 percent) reported that their agencies were noncompliant.<sup>27</sup> The second most-frequently reported area of noncompliance related to the IPERA requirement for agencies' reported improper payment rates to be below 10 percent for programs that published estimates. Out of the 15 agencies for which this requirement was applicable, IGs for five agencies (33 percent) reported that their agencies were noncompliant. See appendix IV for additional details on each CFO Act agency's compliance with the six IPERA criteria for fiscal year 2018, as reported by their IG.

**Figure 3: Chief Financial Officers Act of 1990 Agencies' Fiscal Year 2018 Compliance with IPERA Criteria, as Reported by Their IGs**



IG: inspector general IPERA: Improper Payments Elimination and Recovery Act of 2010

Source: GAO analysis of Chief Financial Officers Act of 1990 agencies' fiscal year 2018 IPERA compliance reports. | GAO-20-344

<sup>27</sup>Although Treasury reported an improper payment estimate for its EITC program, according to the Treasury IG's IPERA compliance report, Treasury and OMB developed a series of EITC supplemental measures for use in lieu of reduction targets. As such, the Treasury IG determined that the requirement to publish and meet reduction targets was not applicable.

**Data Table for Figure 4: Chief Financial Officers Act of 1990 Agencies' Fiscal Year 2018 Compliance with IPERA Criteria, as Reported by Their IGs**

	<b>Noncompliant: IG reported noncompliance</b>	<b>Compliant: IG reported compliance</b>	<b>Not applicable: IG reported that IPERA criterion is not applicable to the agency</b>
Published a financial report	2	22	0
Conducted program-specific risk assessments	0	23	1
Published improper payment estimates	4	11	9
Published corrective action plans	2	11	11
Published and met reduction targets	8	6	10
Reported improper payment rates below 10%	5	10	9

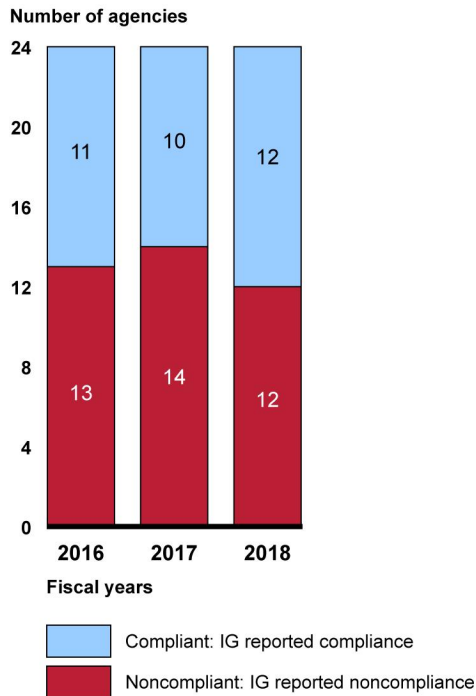
In addition, IGs for certain CFO Act agencies reported quality issues in their agencies' reporting of improper payment data. Although the issues did not result in noncompliance with the related IPERA criterion, the IGs noted these as areas that need improvement. For example, one agency reported inaccurate amounts for identified and recaptured improper payments in its AFR. However, the IG reported that the agency was compliant with the IPERA criterion for publishing financial information in a PAR or AFR. Another agency's IG reported that its agency did not accurately evaluate its corrective actions' effectiveness in recapturing improper payments. However, the IG reported that the agency was compliant with the IPERA criterion to publish corrective action plans. As we stated above pertaining to the IGs' determination of compliance with IPERA criteria, these determinations are based on whether the agency met the requirements and is not a judgment on the quality of the work conducted in order to meet those requirements.

### Trends in Reported Overall IPERA Compliance for Fiscal Years 2016 through 2018

As stated above, IGs for 12 of the 24 CFO Act agencies reported that their agencies were compliant with IPERA overall for fiscal year 2018. As

shown in figure 3, this is an increase from 10 agencies reported as compliant for fiscal year 2017, and 11 agencies reported as compliant for fiscal year 2016. The improvement in IPERA compliance is attributable to the Departments of Commerce and Education, which were reported by their IGs as noncompliant in fiscal year 2017 but compliant in fiscal year 2018.<sup>28</sup> No agencies that IGs reported as compliant in fiscal year 2017 were reported as noncompliant in fiscal year 2018.

**Figure 5: Chief Financial Officers Act of 1990 Agencies' IPERA Compliance for Fiscal Years 2016 through 2018, as Reported by Their IGs**



IG: inspector general IPERA: Improper Payments Elimination and Recovery Act of 2010  
Source: GAO analysis of Chief Financial Officers Act of 1990 agencies' fiscal year 2018 IPERA compliance reports and prior GAO reports. | GAO-20-344

<sup>28</sup>The change in overall IPERA compliance from fiscal years 2016 through 2017 is attributable to the Department of Commerce, which was reported as compliant in fiscal year 2016 but noncompliant in fiscal year 2017.

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**Data Table for Figure 6: Chief Financial Officers Act of 1990 Agencies' IPERA Compliance for Fiscal Years 2016 through 2018, as Reported by Their IGs**

<b>Year</b>	<b>Compliant: IG reported compliance</b>	<b>Noncompliant: IG reported noncompliance</b>
2016	11	13
2017	10	14
2018	12	12

In addition, the IGs reported that 21 programs within these agencies were noncompliant with IPERA for each of the past 3 fiscal years (2016–2018). Improper payment estimates for these programs totaled about \$78 billion, representing approximately 52 percent of the \$151 billion government-wide reported improper payment estimates for fiscal year 2018. As shown in table 1, this includes improper payment estimates for Medicaid of about \$36 billion and for EITC of about \$18 billion.

**Table 1: Reported Improper Payment Estimates for Chief Financial Officers Act of 1990 Agency Programs That Their Inspectors General Reported as Noncompliant with IPERA for 3 or More Consecutive Years as of Fiscal Year 2018**

	<b>Program</b>	<b>Estimated improper payments reported for fiscal year 2018 (millions of dollars)</b>
Department of Agriculture	Food and Nutrition Services School Breakfast Program - Total Program	469.3
	Food and Nutrition Services Special Supplemental Nutrition Program for Women, Infants, and Children - Total Program	194.2
Department of Defense	Civilian Pay	85.0
	Defense Finance and Accounting Service Commercial Pay	15.0
	Department of Defense Travel Pay	365.3
	Military Health Benefits	91.2
	Military Pay	305.8
	Military Retirement	314.4
Department of Health and Human Services	Children's Health Insurance Program	1,389.6
	Foster Care	29.8
	Medicaid	36,249.7
	Temporary Assistance for Needy Families	Not reported
Department of Labor	Unemployment Insurance	3,743.5
Department of the Treasury	Earned Income Tax Credit	18,443.5
Department of Veterans Affairs	Beneficiary Travel	216.0
	Civilian Health and Medical Program of Veterans' Affairs	85.3
	Purchased Long Term Services and Support	2,059.1
	Supplies and Materials	829.2
	Community Care	7,998.1
General Services Administration	Rental of Space	16.7
Social Security Administration	Supplemental Security Income	4,757.4
<b>Total</b>		<b>77,658.2</b>

Legend: IPERA = Improper Payments Elimination and Recovery Act of 2010.

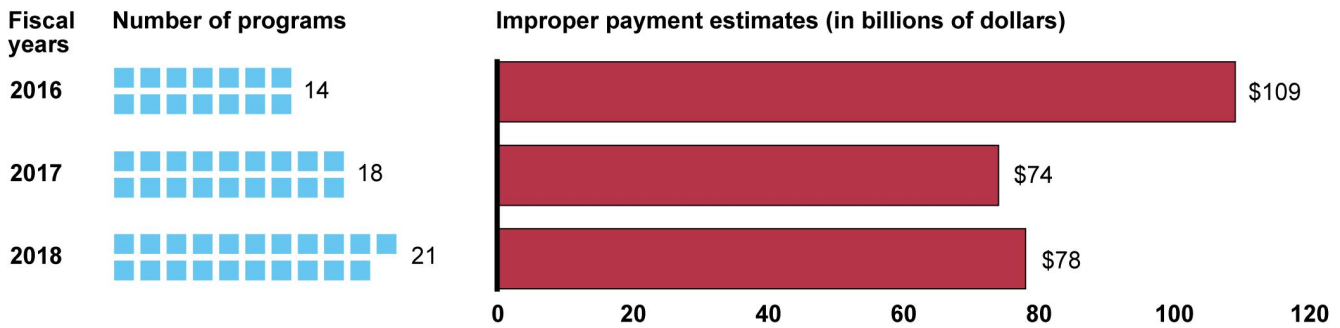
Source: GAO analysis of Chief Financial Officers Act of 1990 agencies' IPERA compliance reports for fiscal years 2016 through 2018, Office of Management and Budget data, and agencies' data. | GAO-20-344

Note: Total does not agree because of rounding.

As shown in figure 4, the number of programs reported as noncompliant with IPERA for 3 or more consecutive years has increased since fiscal year 2016. Specifically, the number of programs reported as noncompliant for 3 or more consecutive years increased from 14 programs in fiscal year 2016 to 18 programs in fiscal year 2017 and 21 programs in fiscal year 2018. The reported improper payment estimates for these programs totaled about \$109 billion for fiscal year 2016, \$74

billion for fiscal year 2017, and \$78 billion for fiscal year 2018. The total improper payment estimates for programs reported as noncompliant for 3 or more consecutive years decreased for fiscal 2017 primarily because the Medicare Fee-for-Service program, with about \$41 billion of improper payments in fiscal year 2016, was reported as compliant beginning fiscal year 2017.

**Figure 7: Improper Payment Estimates for Chief Financial Officers Act of 1990 Agency Programs Reported as Noncompliant with IPERA for 3 or More Consecutive Years, Fiscal Years 2016 through 2018**



IPERA: Improper Payments Elimination and Recovery Act of 2010

Source: GAO analysis of Chief Financial Officers Act of 1990 agencies' IPERA compliance reports for fiscal years 2016 through 2018, Office of Management and Budget data, and agencies' data. | GAO-20-344

**Data Table for Figure 8: Improper Payment Estimates for Chief Financial Officers Act of 1990 Agency Programs Reported as Noncompliant with IPERA for 3 or More Consecutive Years, Fiscal Years 2016 through 2018**

Year	Number of programs	Improper payment estimates (in billions of dollars)
2016	14	\$109
2017	18	\$74
2018	21	\$78

## Agency Comments

We provided a draft of this report to OMB and CIGIE for review and comment. CIGIE stated that it had no comments. OMB did not provide any comments.

We also provided the full draft for review and comment to agencies and respective IG offices we met with throughout the course of this work. In addition, we sent summary facts to other agencies that had substantial



changes in reported improper payment estimates between fiscal years 2018 and 2019 (as shown in app. III), and provided the full draft for review and comment, upon request, to those agencies. We received written comments from the U.S. Agency for International Development, which is reproduced in appendix V. The Department of Health and Human Services, Department of Veterans Affairs, and the Social Security Administration's Office of Inspector General provided technical comments, which we incorporated in the report as appropriate. The remaining agencies and IG offices informed us that they had no comments.

We are sending copies of this report to the appropriate congressional committees, the Director of the Office of Management and Budget, the Chairman of the Council of the Inspectors General on Integrity and Efficiency, and other interested parties. In addition, the report is 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](mailto:davisbh@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix VI.



Beryl H. Davis  
Director, Financial Management and Assurance

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*List of Committees*

The Honorable John N. Kennedy  
Chairman  
The Honorable Chris Coons  
Ranking Member  
Subcommittee on Financial Services and General Government  
Committee on Appropriations  
United States Senate

The Honorable Thomas R. Carper  
Ranking Member  
Permanent Subcommittee on Investigations  
Committee on Homeland Security and Governmental Affairs  
United States Senate

The Honorable Gerald E. Connolly  
Chairman  
Subcommittee on Government Operations  
Committee on Oversight and Reform  
House of Representatives

# Appendix I: Reported Improper Payment Estimates and Rates by Agency and Program for Fiscal Years 2019 and 2018

Table 2 details the improper payment estimates and rates that federal agencies reported to the Office of Management and Budget or in their agency financial reports or performance and accountability reports for fiscal years 2019 and 2018.<sup>1</sup> In addition, as shown in the table 2, 17 programs had a substantial change in their reported improper payment estimates or rates between fiscal years 2018 and 2019.<sup>2</sup> The reasons for the changes, as reported in the agency financial reports, are detailed in appendix III.

**Table 2: Reported Improper Payment Estimates and Rates by Agency and Program for Fiscal Years 2019 and 2018**

Dollars in millions

Agency and program	Fiscal year 2019		Fiscal year 2018	
	Estimate (dollars)	Rate (percent) <sup>a</sup>	Estimate (dollars)	Rate (percent)
<b>Consumer Product Safety Commission</b>	<b>0.2</b>		<b>29.1</b>	
Non-Payroll	0.2	0.6	29.1	95.0
<b>Corporation for National and Community Service</b>	<b>91.9</b>		<b>76.0</b>	
AmeriCorps	39.0	16.5	40.1	16.4
The Foster Grandparent Program	25.7	27.8	18.2	20.8
The Retired and Senior Volunteer Program	16.2	37.3	7.0	17.3

<sup>1</sup>The estimated improper payment rate is the estimated amount in improper payments divided by the amount in program outlays for a given program in a given fiscal year.

<sup>2</sup>For the purpose of this report, we define “substantial change” as a change in (1) the improper payment estimate between fiscal year 2018 and fiscal year 2019 that is equal to or greater than \$1 billion or (2) the improper payment rate between fiscal year 2018 and fiscal year 2019 that is equal to or greater than 5 percent and the fiscal year 2019 improper payment estimate is over \$100 million.

**Appendix I: Reported Improper Payment  
Estimates and Rates by Agency and Program  
for Fiscal Years 2019 and 2018**

Agency and program	Fiscal year 2019		Fiscal year 2018	
	Estimate (dollars)	Rate (percent) <sup>a</sup>	Estimate (dollars)	Rate (percent)
The Senior Companion Program	11	28.3	10.7	28.2
<b>Department of Agriculture</b>	<b>6,762.0</b>		<b>6,104.8</b>	
Food and Nutrition Services Supplemental Nutrition Assistance Program	4,021.7	6.8	4,007.8	6.3
Food and Nutrition Services National School Lunch Program	1,142.4	9.1	1,155.4	9.4
Food and Nutrition Services School Breakfast Program	461.4	10.5	469.3	11.0
Food and Nutrition Services Special Supplemental Nutrition Program for Women, Infants, and Children - Total Program	68.4	2.0	194.2	5.4
Food and Nutrition Act Child and Adult Care Food Program	3.7	0.5	3.9	0.5
Farm Service Agency Livestock Forage Disaster Program	87.5	17.9	42.1	11.9
Farm Service Agency Noninsured Crop Disaster Assistance Program	42.5	23.1	26.6	16.4
Natural Resources Conservation Service Farm Security and Rural Investment Act Programs	37.0	1.3	21.3	0.8
Risk Management Agency Federal Crop Insurance Corporation Program Fund	282.5	3.00	184.2	1.8
Forest Service Capital Improvement and Maintenance (Harvey)	0.0	0.0	Not reported	Not reported
Farm Service Agency Hurricane Harvey - Emergency Conservation Program	3.0	15.9	Not reported	Not reported
Farm Service Agency Agriculture Risk and Price Loss Coverage <sup>b</sup>	612.0	16.1	Not reported	Not reported
<b>Department of Defense</b>	<b>8,680.2</b>		<b>1,193.1</b>	
Civilian Pay	96.7	0.1	85.0	0.1
Defense Finance and Accounting Service Commercial Pay	19.3	0.0	15.0	0.0
Department of Defense Travel Pay	366.5	4.8	365.3	4.6
Military Health Benefits	411.5	1.7	91.2	0.4
Military Pay <sup>b</sup>	7,450.3	7.3	305.8	0.3
Military Retirement	287.4	0.4	314.4	0.5
U.S. Army Corps of Engineers Commercial	47.8	0.2	15.0	0.1
U.S. Army Corps of Engineers Travel Pay	0.9	0.4	1.2	0.5
<b>Department of Education</b>	<b>1,133.2</b>		<b>6,055.3</b>	
Direct Loan <sup>b</sup>	483.1	0.5	3,752.9	4.0

**Appendix I: Reported Improper Payment  
Estimates and Rates by Agency and Program  
for Fiscal Years 2019 and 2018**

Agency and program	Fiscal year 2019		Fiscal year 2018	
	Estimate (dollars)	Rate (percent) <sup>a</sup>	Estimate (dollars)	Rate (percent)
Pell Grant <sup>b</sup>	646.1	2.2	2,302.4	8.2
Temporary Emergency Impact Aid for Displaced Students	3.9	2.4	Not reported	Not reported
Immediate Aid to Restart School Operations	0.0	0.0	Not reported	Not reported
<b>Department of Health and Human Services</b>	<b>106,671.7</b>		<b>86,462.3</b>	
Child Care and Development Fund	324.7	4.5	302.0	4.0
Children's Health Insurance Program <sup>b</sup>	2,736.4	15.8	1,389.6	8.6
Foster Care	7.1	4.9	29.8	7.6
Medicaid <sup>b</sup>	57,358.1	14.9	36,249.7	9.8
Medicare Fee-For-Service (Parts A and B) <sup>b</sup>	28,908.8	7.3	31,617.9	8.1
Medicare Advantage (Part C) <sup>b</sup>	16,728.6	7.9	15,554.3	8.1
Medicare Prescription Drug (Part D)	607.9	0.8	1,318.9	1.7
<b>Department of Homeland Security</b>	<b>76.6</b>		<b>70.6</b>	
Customs and Border Protection - Refund and Drawback	Not reported	Not reported	0.4	0.0
Federal Emergency Management Agency - Assistance to Firefighters Grant Program	Not reported	Not reported	4.1	1.3
Federal Emergency Management Agency - Flood Risk Map & Risk Analysis	0.0	0.0	0.3	0.2
Federal Emergency Management Agency - Homeland Security Grant Program	Not reported	Not reported	6.3	0.7
Federal Emergency Management Agency - National Flood Insurance Program	0.3	0.0	0.2	0.0
Federal Emergency Management Agency - Public Assistance Program	26.7	0.7	33.1	1.0
Federal Emergency Management Agency - Vendor Pay	44.6	1.0	26.1	1.7
Immigration and Customs Enforcement - Enforcement and Removal Operations	Not reported	Not reported	0.3	0.0
Federal Protective Services (Payroll)	4.9	2.4	Not reported	Not reported
<b>Department of Housing and Urban Development</b>	<b>80.5</b>		<b>85.8</b>	
Community Planning and Development/Disaster Relief Appropriations Act	Not reported	Not reported	14.7	0.7
Federal Housing Administration/Single Family Insurance Claims	72.6	0.9	16.4	0.2
Ginnie Mae - Contractor Payments	7.8	5.1	54.7	22.7
<b>Department of Labor</b>	<b>2,928.7</b>		<b>3,817.8</b>	
Federal Employees' Compensation Act	73.6	2.4	74.4	2.4
Unemployment Insurance	2,855.2	10.6	3,743.5	13.1

**Appendix I: Reported Improper Payment  
Estimates and Rates by Agency and Program  
for Fiscal Years 2019 and 2018**

Agency and program	Fiscal year 2019		Fiscal year 2018	
	Estimate (dollars)	Rate (percent) <sup>a</sup>	Estimate (dollars)	Rate (percent)
<b>Department of Transportation</b>	<b>395.7</b>		<b>1,006.0</b>	
Federal Highway Administration Highway Planning and Construction	395.7	0.9	997.0	2.2
Federal Transit Administration Emergency Relief Program - Disaster Relief Appropriations Act	Not reported	Not reported	9.0	1.7
<b>Department of the Treasury</b>	<b>26,627.0</b>		<b>18,443.5</b>	
Earned Income Tax Credit <sup>b</sup>	17,351.6	25.3	18,443.5	25.1
American Opportunity Tax Credit <sup>b</sup>	2051.9	26.0	Not reported	Not reported
Additional Child Tax Credit <sup>b</sup>	7,223.5	15.2	Not reported	Not reported
<b>Department of Veterans Affairs</b>	<b>11,990.4</b>		<b>14,735.1</b>	
Beneficiary Travel	180.2	18.8	216.0	23.5
Civilian Health and Medical Program of the Department of Veterans Affairs	20.6	1.6	85.3	6.9
Communications, Utilities, and Other Rent <sup>b</sup>	683.2	43.4	998.7	65.5
Compensation	53.8	0.1	399.2	0.6
Education - Chapter 33	56.9	0.5	74.0	0.7
Medical Care Contracts and Agreements	654.1	65.9	635.9	64.0
Pension	284.6	5.4	375.5	6.9
Prosthetics	60.3	2.1	1,020.7	39.7
Purchased Long Term Services and Support <sup>b</sup>	2,125.3	93.1	2,059.1	100.0
Supplies and Materials <sup>b</sup>	629.1	22.3	829.2	31.5
State Home Per Diem Grants	28.1	2.1	43.4	3.5
Community Care <sup>b</sup>	7,212.9	92.3	7,998.1	100.5
Dependency and Indemnity Compensation	1.0	0.0	Not reported	Not reported
Disaster Relief Fund	0.1	0.4	Not reported	Not reported
<b>Environmental Protection Agency</b>	<b>22.5</b>		<b>0.3</b>	
Grants	22.5	1.3	0.3	0.0
<b>Federal Communications Commission</b>	<b>285.4</b>		<b>296.6</b>	
Telecommunications Relay Service	2.0	0.2	0.3	0.0
Universal Service Fund - High Cost	0.7	0.0	1.2	0.0
Universal Service Fund - Lifeline <sup>b</sup>	108.9	9.3	227.0	18.5
Universal Service Fund - Schools & Libraries	139.7	6.3	68.0	2.6
Universal Service Fund Rural Health Care Program	34.2	11.5	Not reported	Not reported
<b>General Services Administration</b>	<b>Not reported</b>	<b>Not reported</b>	<b>16.7</b>	
Rental of Space	Not reported	Not reported	16.7	0.3
<b>Office of Personnel Management</b>	<b>339.4</b>		<b>355.5</b>	

**Appendix I: Reported Improper Payment  
Estimates and Rates by Agency and Program  
for Fiscal Years 2019 and 2018**

Agency and program	Fiscal year 2019		Fiscal year 2018	
	Estimate (dollars)	Rate (percent) <sup>a</sup>	Estimate (dollars)	Rate (percent)
Total Program Retirement	284.4	0.4	284.1	0.4
Federal Employees Health Benefits - ALL carriers	54.9	0.1	71.4	0.1
<b>Railroad Retirement Board</b>	<b>Not reported</b>	<b>Not reported</b>	<b>89.8</b>	
Railroad Medicare	Not reported	Not reported	89.8	10.5
<b>Small Business Administration</b>	<b>522.3</b>		<b>936.4</b>	
7(a) Guaranty Purchases	31.4	3.6	22.2	3.2
7(a) Guaranty Approvals	358.7	2.2	519.4	2.8
504 Certified Development Company Guaranty Approvals	26.7	0.6	118.1	2.6
Disaster Loan Disbursements	103.1	6.3	274.4	8.9
Disbursements for Goods & Services	Not reported	Not reported	2.3	1.9
Supplemental Disaster Relief Administrative Funds - Travel	2.3	2.9	Not reported	Not reported
Supplemental Disaster Relief Administrative Funds - Payroll	0.3	0.1	Not reported	Not reported
<b>Social Security Administration</b>	<b>8,180.0</b>		<b>10,915.3</b>	
Old-Age, Survivors and Disability Insurance <sup>b</sup>	2,651.3	0.3	6,157.8	0.7
Supplemental Security Income	5,528.8	9.7	4,757.4	8.4
<b>Total</b>	<b>174,787.5</b>	<b>5.1</b>	<b>150,689.8</b>	<b>4.6</b>

Source: GAO analysis of Office of Management and Budget data and agency financial reports for fiscal years 2019 and 2018. | GAO-20-344

Note: Totals may not agree because of rounding.

<sup>a</sup>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.

<sup>b</sup>This program had a change in (1) the reported improper payment estimate between fiscal years 2018 and 2019 that is equal to or greater than \$1 billion or (2) the improper payment rate between fiscal years 2018 and 2019 that is equal to or greater than 5 percent and the fiscal year 2019 improper payment estimate is over \$100 million.

# Appendix II: Agency-Reported Root Causes for Improper Payment Estimates for Fiscal Year 2019

Table 3 shows the government-wide agency-reported improper payment estimates and rates for fiscal year 2019, grouped by Office of Management and Budget (OMB) improper payment root cause categories.<sup>1</sup>

**Table 3: Agency-Reported Fiscal Year 2019 Improper Payment Estimates, by Office of Management and Budget Root Cause Category**

Dollars in billions

Office of Management and Budget root cause category	Reported fiscal year 2019 improper payment estimates (dollars)	Percentage
Insufficient documentation to determine	74.1	42.4
Administrative or process errors	39.1	22.4
Inability to authenticate eligibility	38.0	21.8
Program design or structural issue	14.1	8.0
Medical necessity	5.4	3.1
Failure to verify data	3.5	2.0
Other reason	0.6	0.3
<b>Total</b>	<b>174.8</b>	<b>100.0</b>

Source: GAO analysis of Office of Management and Budget data and fiscal year 2019 agency financial reports. | GAO-20-344

OMB defines the root cause categories as follows:

- Insufficient documentation to determine:** For this category, there is a lack of supporting documentation necessary to verify the accuracy of a payment identified in the improper payment testing sample. For example, a program does not have documentation to support a beneficiary's eligibility for a benefit, and without that particular

<sup>1</sup>Office of Management and Budget, *Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, OMB Memorandum M-18-20 (Washington, D.C.: June 26, 2018).



documentation, the agency is unable to discern that the payment was for the correct amount or went to the right recipient.

- **Administrative or process errors:** In this category, errors were caused by incorrect data entry, classifying, or processing of applications or payments. For example, an eligible beneficiary receives a payment that is too high or too low because of a data entry mistake (such as transposing a number) or an agency enters an incorrect invoice amount into its financial system.
- **Inability to authenticate eligibility:** In this category, an improper payment is made because the agency is unable to authenticate eligibility criteria. These types of errors include but are not limited to (1) inability to access data and (2) data needed do not exist.
- **Program design or structural issue:** For this category, improper payments result from the design of the program or a structural issue. For example, a scenario in which a program has a statutory (or regulatory) requirement to pay benefits when due, regardless of whether all the information has been received to confirm payment accuracy.
- **Medical necessity:** For this category, a medical provider delivers a service or item that does not meet coverage requirements for medical necessity (for example, providing a power wheelchair to a patient whose medical record does not support meeting coverage requirements for a power wheelchair).
- **Failure to verify data:** In this category, the agency (federal, state, or local), or another party administering federal dollars, fails to verify appropriate data to determine whether a recipient should be receiving a payment, even though such data exist in government or third-party databases. In these situations, the data needed exist, and the agency or other party administering federal dollars had access to them but did not check the payment against those data prior to making the payment.
- **Other reason:** This category covers when the improper payment does not meet any of the above categories.

# Appendix III: Programs with Substantial Changes in Reported Improper Payment Estimates or Rates from Fiscal Year 2018 to Fiscal Year 2019

Table 4 shows the 17 programs that had a substantial change in the improper payment estimates or rates between fiscal years 2018 and 2019, and the reasons for those changes, as reported in the agency financial reports.<sup>1</sup>

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<sup>1</sup>For the purpose of this report, we define “substantial change” as a change in (1) the improper payment estimate between fiscal year 2018 and fiscal year 2019 that is equal to or greater than \$1 billion or (2) the improper payment rate between fiscal year 2018 and fiscal year 2019 that is equal to or greater than 5 percent and the fiscal year 2019 improper payment estimate is over \$100 million.

**Appendix III: Programs with Substantial  
Changes in Reported Improper Payment  
Estimates or Rates from Fiscal Year 2018 to  
Fiscal Year 2019**

**Table 4: Programs with Substantial Changes in Improper Payment Estimates or Rates between Fiscal Years 2018 and 2019**

Dollars in millions					
<b>Department/ program</b>	<b>Fiscal year 2019 reported improper payment estimate (dollars)</b>	<b>Fiscal year 2018 reported improper payment estimate (dollars)</b>	<b>Increase/(decrease) in reported improper payment estimate (dollars)</b>	<b>Increase/(decrease) in reported improper payment rate (percent)</b>	<b>Reason for increase or decrease as reported in the agency financial report</b>
Department of Health and Human Services (HHS)/Medicaid	57,358.1	36,249.7	21,108.4	5.1	HHS reintegrated the eligibility component of the Payment Error Rate Measurement (PERM) for Medicaid. <sup>a</sup> HHS's fiscal year 2019 agency financial report noted that another significant cause of improper payments for the Medicaid program is errors resulting from state noncompliance with provider screening and enrollment requirements.
Department of the Treasury (Treasury)/Additional Child Tax Credit	7,223.5	0.0	7,223.5	15.2	Treasury did not report an estimate for fiscal year 2018. Treasury's fiscal year 2019 agency financial report stated that this program was newly identified as susceptible to significant improper payments.
Department of Defense (DOD)/Military Pay	7,450.3	305.8	7,144.5	7.0	DOD's fiscal year 2019 agency financial report stated that DOD implemented a revised sampling plan and testing methodology for the Military Pay program, which included reviewing military service member entitlements paid with available supporting documentation. DOD also stated that the increase is a direct result of the revised testing methodology.
Social Security Administration (SSA)/Old-Age, Survivors and Disability Insurance	2,651.3	6,157.8	(3,506.6)	(0.4)	SSA's fiscal year 2019 agency financial report did not disclose a reason.

**Appendix III: Programs with Substantial  
Changes in Reported Improper Payment  
Estimates or Rates from Fiscal Year 2018 to  
Fiscal Year 2019**

<b>Department/ program</b>	<b>Fiscal year 2019 reported improper payment estimate (dollars)</b>	<b>Fiscal year 2018 reported improper payment estimate (dollars)</b>	<b>Increase/(decrease) in reported improper payment estimate (dollars)</b>	<b>Increase/(decrease) in reported improper payment rate (percent)</b>	<b>Reason for increase or decrease as reported in the agency financial report</b>
Department of Education/Direct Loan	483.1	3,752.9	(3,269.8)	(3.5)	The Department of Education's fiscal year 2019 agency financial report stated that the department implemented a new statistically valid estimation methodology for fiscal year 2019. The fiscal year 2018 estimate was based on a nonstatistical estimation methodology.
HHS/Medicare Fee- For-Service (Parts A and B)	28,908.8	31,617.9	(2,709.1)	(0.9)	HHS's fiscal year 2019 agency financial report stated that the estimate decreased from the prior year's reported estimate because of a reduction in improper payments for home health; Medicare Fee-For-Service Part B; and Durable Medical Equipment, Prosthetics, Orthotics, and Supplies claims.
Treasury/ American Opportunity Tax Credit	2,051.9	0.0	2,051.9	26.0	Treasury did not report an estimate for fiscal year 2018. Treasury's fiscal year 2019 agency financial report stated that this program was newly identified as susceptible to significant improper payments.
Department of Education/Pell Grant	646.1	2,302.4	(1,656.3)	(6.0)	The Department of Education's fiscal year 2019 agency financial report stated that the department implemented a new statistically valid estimation methodology for fiscal year 2019. The fiscal year 2018 methodology was based on a nonstatistical estimation methodology.

**Appendix III: Programs with Substantial  
Changes in Reported Improper Payment  
Estimates or Rates from Fiscal Year 2018 to  
Fiscal Year 2019**

<b>Department/ program</b>	<b>Fiscal year 2019 reported improper payment estimate (dollars)</b>	<b>Fiscal year 2018 reported improper payment estimate (dollars)</b>	<b>Increase/(decrease) in reported improper payment estimate (dollars)</b>	<b>Increase/(decrease) in reported improper payment rate (percent)</b>	<b>Reason for increase or decrease as reported in the agency financial report</b>
HHS/Children's Health Insurance Program	2,736.4	1,389.6	1,346.8	7.3	HHS reintegrated the eligibility component of PERM for the Children's Health Insurance Program. <sup>a</sup> HHS's fiscal year 2019 agency financial report noted that another significant cause of improper payments for the Children's Health Insurance Program is states not following the appropriate process for screening and enrolling providers.
HHS/Medicare Advantage (Part C)	16,728.6	15,554.3	1,174.3	(0.2)	Although the improper payment estimate increased, the improper payment rate decreased. HHS's fiscal year 2019 agency financial report stated that Medicare Advantage organizations' submission of more accurate diagnoses for payment primarily drove the decrease in the improper payment rate.
Treasury/Earned Income Tax Credit	17,351.6	18,443.5	(1,091.9)	0.2	Treasury's fiscal year 2019 agency financial report did not disclose a reason. However, we noted a decrease in outlays of \$4.9 billion in fiscal year 2019, which likely contributed to the decrease in the improper payment amount.

**Appendix III: Programs with Substantial  
Changes in Reported Improper Payment  
Estimates or Rates from Fiscal Year 2018 to  
Fiscal Year 2019**

<b>Department/ program</b>	<b>Fiscal year 2019 reported improper payment estimate (dollars)</b>	<b>Fiscal year 2018 reported improper payment estimate (dollars)</b>	<b>Increase/(decrease) in reported improper payment estimate (dollars)</b>	<b>Increase/(decrease) in reported improper payment rate (percent)</b>	<b>Reason for increase or decrease as reported in the agency financial report</b>
Department of Veterans Affairs (VA)/Community Care	7,212.9	7,998.1	(785.2)	(8.2)	VA's fiscal year 2019 agency financial report did not disclose a reason. However, it stated that the VA Community Care program implemented corrective actions, such as ensuring the remaining Medicare Fee Schedules were updated in VA's Fee Basis Claims System, as well as implementing the VA MISSION Act in June 2019. In addition, the VA Community Care program incorporated corrective actions on the use of Community Care Networks and Veteran Care Agreements under the VA MISSION Act to ensure that authority is properly delegated or contracted rates are established for payments.
Department of Agriculture/Farm Service Agency Agriculture Risk and Price Loss Coverage	612.0	0.0	612.0	16.1	The Department of Agriculture did not report an estimate for fiscal year 2018. The department's agency financial report stated that this is the first year that improper payment estimates are being reported for this program.
VA/ Communications, Utilities, and Other Rents	683.2	998.7	(315.6)	(22.1)	VA's fiscal year 2019 agency financial report did not disclose a reason. However, it stated that in order to address the program or structural error root cause for improper payments in this program, in September 2019, VA removed unneeded instructions from regulations, thereby removing requirements imposing additional burdensome documentation.

**Appendix III: Programs with Substantial  
Changes in Reported Improper Payment  
Estimates or Rates from Fiscal Year 2018 to  
Fiscal Year 2019**

<b>Department/ program</b>	<b>Fiscal year 2019 reported improper payment estimate (dollars)</b>	<b>Fiscal year 2018 reported improper payment estimate (dollars)</b>	<b>Increase/(decrease) in reported improper payment estimate (dollars)</b>	<b>Increase/(decrease) in reported improper payment rate (percent)</b>	<b>Reason for increase or decrease as reported in the agency financial report</b>
VA/Supplies and Materials	629.1	829.2	(200.1)	(9.3)	VA's fiscal year 2019 agency financial report did not disclose a reason. However, it stated that in order to address the program or structural error root cause for improper payments in this program, in September 2019, VA removed unneeded instructions from regulations, thereby removing requirements imposing additional burdensome documentation.
Federal Communications Commission/ Universal Service Fund - Lifeline	108.9	227.0	(118.1)	(9.2)	The Federal Communications Commission's fiscal year 2019 agency financial report did not disclose a reason. In addition, the commission stated that it became aware of additional instances of noncompliance in this program and the actual improper payment rate may be higher than what was reported.

**Appendix III: Programs with Substantial  
Changes in Reported Improper Payment  
Estimates or Rates from Fiscal Year 2018 to  
Fiscal Year 2019**

<b>Department/ program</b>	<b>Fiscal year 2019 reported improper payment estimate (dollars)</b>	<b>Fiscal year 2018 reported improper payment estimate (dollars)</b>	<b>Increase/(decrease) in reported improper payment estimate (dollars)</b>	<b>Increase/(decrease) in reported improper payment rate (percent)</b>	<b>Reason for increase or decrease as reported in the agency financial report</b>
VA/Purchased Long Term Services and Support	2,125.3	2,059.1	66.2	(6.9)	VA's fiscal year 2019 agency financial report did not disclose a reason. However, it stated that VA implemented corrective actions, including (1) developing new fact sheets for providers on common billing errors, (2) providing monthly staff training on avoiding ineligible vendors and incorrect rates by verifying approved vendor list prior to authorization, and (3) incorporating corrective actions on the use of Community Care Networks and Veteran Care Agreements under the VA MISSION Act to ensure that authority is properly delegated or contracted rates are established for payments.

Source: GAO analysis of Office of Management and Budget data and agency financial reports for fiscal years 2019 and 2018. | GAO-20-344

<sup>a</sup>From fiscal years 2015 through 2018, HHS did not estimate improper payments attributed to eligibility determinations for Medicaid and the Children's Health Insurance Program; however, HHS did include a proxy estimate, which was the last reported rate in fiscal year 2014 for the eligibility component, while it worked to update this component. For fiscal year 2019, HHS estimated improper payments attributed to eligibility determinations in 17 states. HHS's national eligibility improper payment rate for fiscal year 2019 still includes a proxy estimate for 34 remaining states that have not yet been measured since the reintegration of the PERM eligibility component.



# Appendix IV: Fiscal Year 2018 CFO Act Agencies' IPERA Compliance as Reported by Their Inspectors General

Figure 5 details the Chief Financial Officers Act of 1990 (CFO Act) agencies' overall compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA), as well as the agencies' compliance with each of the six IPERA criteria for fiscal year 2018, as reported by their inspectors general.

**Appendix IV: Fiscal Year 2018 CFO Act  
Agencies' IPERA Compliance as Reported by  
Their Inspectors General**

**Figure 9: Fiscal Year 2018 Chief Financial Officers Act of 1990 Agencies' Compliance with IPERA as Reported by Their Inspectors General**

Agency	Overall compliance	Published a financial report	Conducted program-specific risk assessments	Published improper payment estimates	Published corrective action plans	Published and met reduction targets	Reported improper payment rates below 10%	Total non-compliance
Department of Agriculture	X	✓	✓	✓	✓	X	X	2
Department of Commerce	✓	✓	NA	NA	NA	NA	NA	0
Department of Defense	X	✓	✓	X	X	X	✓	3
Department of Education	✓	✓	✓	✓	✓	✓	✓	0
Department of Energy	✓	✓	✓	NA	NA	NA	NA	0
Department of Health and Human Services	X	✓	✓	X	X	X	✓ <sup>a</sup>	3
Department of Homeland Security	X	X	✓	✓	✓	X	✓	2
Department of Housing and Urban Development	X	✓	✓	X	NA	✓	X	2
Department of the Interior	✓	✓	✓	NA	NA	NA	NA	0
Department of Justice	✓	✓	✓	NA	NA	NA	NA	0
Department of Labor	X	✓	✓	✓	✓	✓	X	1
Department of State	✓	✓	✓	NA	NA	NA	NA	0
Department of Transportation	X	✓	✓	✓	✓	X	✓	1
Department of the Treasury	X	✓	✓	✓	✓	NA	X	1
Department of Veterans Affairs	X	✓	✓	✓	✓	X	X	2
Environmental Protection Agency	✓	✓	✓	✓	NA	✓	✓	0
General Services Administration	X	X	✓	X	✓	✓	✓	2
National Aeronautics and Space Administration	✓	✓	✓	NA	NA	NA	NA	0
National Science Foundation	✓	✓	✓	NA	NA	NA	NA	0
Nuclear Regulatory Commission	✓	✓	✓	NA	NA	NA	NA	0
Office of Personnel Management	✓	✓	✓	✓	✓	✓	✓	0
Small Business Administration	X	✓	✓	✓	✓	X	✓	1
Social Security Administration	X	✓	✓	✓	✓	X	✓	1
U.S. Agency for International Development	✓	✓	✓	NA	NA	NA	NA	0
<b>Noncompliant agencies</b>	<b>12</b>	<b>2</b>	<b>0</b>	<b>4</b>	<b>2</b>	<b>8</b>	<b>5</b>	
<b>Compliant agencies</b>	<b>12</b>	<b>22</b>	<b>23</b>	<b>11</b>	<b>11</b>	<b>6</b>	<b>10</b>	
<b>Not applicable</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>9</b>	<b>11</b>	<b>10</b>	<b>9</b>	

✓ agency's inspector general reported compliant     
 X agency's inspector general reported noncompliant     
 NA agency's inspector general reported that criterion is not applicable to the agency

IPERA: Improper Payments Elimination and Recovery Act of 2010

Source: GAO analysis of Chief Financial Officers Act of 1990 agencies' fiscal year 2018 IPERA compliance reports. | GAO-20-344

<sup>a</sup>All Department of Health and Human Services (HHS) programs were reported as compliant with the IPERA criterion for the reported improper payment rates to be below 10 percent, except for the Temporary Assistance for Needy Families (TANF) program. HHS's inspector general did not make a compliance determination for TANF and noted that an improper payment estimate was not published because of statutory limitations.

# Appendix V: Comments from the U.S. Agency for International Development



February 13, 2020

Beryl H. Davis  
Director, Financial Management and Assurance  
U.S. Government Accountability Office  
441 G Street, N.W.  
Washington, D.C. 20226

Dear Ms. Davis:

I am pleased to provide the formal response of the U.S. Agency for International Development (USAID) to the draft report produced by the U. S. Government Accountability Office (GAO) titled, *PAYMENT INTEGRITY: Federal Agencies' Estimates of [Fiscal Year] FY 2019 Improper Payments* (GAO-20-344)

The GAO's draft report identifies USAID as one of 12 Departments and Agencies subject to the Chief Financial Officers Act of 1990 that are in overall compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) for Fiscal Year (FY) 2018, as reported by their Inspectors General.

USAID has a rigorous payment process supported by an extensive core financial system and procedural controls that have led to a consistently low rate of erroneous payments, as audited annually by the USAID Office of Inspector General. As a result, the Office of Management and Budget has granted USAID relief from a number of reporting requirements, which demonstrates our continued prudent and diligent stewardship of taxpayer dollars. USAID published our rate of improper payments (0.038 percent) in our *Agency Financial Report* for FY 2019, available at: [www.usaid.gov/results-and-data/progress-data/agency-financial-report/fy-2019](http://www.usaid.gov/results-and-data/progress-data/agency-financial-report/fy-2019).

I am transmitting this letter for inclusion in the GAO's final report. Thank you for the opportunity to respond to the draft report, and for the courtesies extended by your staff while conducting this engagement. We appreciate the opportunity to participate in the evaluation of our compliance with IPERA.

Sincerely,

Fredrick Nutt  
Assistant Administrator  
Bureau for Management

U.S. Agency for International Development  
1300 Pennsylvania Avenue, NW  
Washington, DC 20523  
[www.usaid.gov](http://www.usaid.gov)

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## Text of Appendix V: Comments from the U.S. Agency for International Development

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Director, Financial Management and Assurance

U.S. Government Accountability Office 441 G Street, N.W.

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Sincerely

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**Appendix V: Comments from the U.S. Agency  
for International Development**

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Frederick Nutt

Assistant Administrator

Bureau for Management

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# Appendix VI: GAO Contact and Staff Acknowledgments

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## GAO Contact

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

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## Staff Acknowledgments

In addition to the contact named above, Matt Valenta (Assistant Director), Cherry Vasquez (Auditor in Charge), Pat Frey, Jason Kelly, Jim Kernen, Anne Thomas, Judy Tsan, and Landon Western made key contributions to this report.

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Washington, DC 20548

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U.S. Government Accountability Office, 441 G Street NW, Room 7149  
Washington, DC 20548

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## Strategic Planning and External Liaison

James-Christian Blockwood, Managing Director, [spel@gao.gov](mailto:spel@gao.gov), (202) 512-4707  
U.S. Government Accountability Office, 441 G Street NW, Room 7814,  
Washington, DC 20548

