

REPORT

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PROJECT ON GOVERNMENT OVERSIGHT

Improper Payments:

Federal Improper Payments
Are Significant, Costing
Taxpayers Billions

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By Nicholas Pacifico

Project On Government Oversight
1100 G St. NW Suite 500
Washington, DC 20005
(202) 347-1122 | www.pogo.org

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INTRODUCTION

The federal government makes payments in the wrong amount, to the wrong people, and for the wrong reason every year. These incorrect payments are called “improper payments” and they cost taxpayers hundreds of billions of dollars annually. Current efforts to prevent and recover these payments are lacking, and the parties involved face major barriers in effectively fixing this problem. The Project On Government Oversight is producing a series of reports to illuminate the realm of improper payments, ultimately hoping to provide recommendations to the executive branch on how to improve the identification, prevention, and recovery processes.

This first report describes the U.S. federal government’s concept of improper payments, and highlights their significance, their causes, and the barriers preventing their effective prevention and recovery. It is in response to the Government Accountability Office’s (GAO) October 2015 report titled *Addressing Improper Payments and the Tax Gap Would Improve the Government’s Fiscal Position*.¹ While the GAO report provides some valuable information, it does not provide a complete view of the situation. Most public information on improper payments is incomplete, out-of-date, inconsistent, or lacking in some other way. Additionally, there are indications that some agencies are not properly identifying or reporting their improper payments,² making any comparisons between the numbers necessarily suspect and limited in usefulness. This report hopes to provide an introduction to this topic for newcomers and to translate the information provided by the federal government and other sources into a more easily digestible form.

WHAT ARE IMPROPER PAYMENTS?

Definitions

Improper payment laws may define terms in ways that differ from general understanding. It is important to learn these definitions to be able to discuss these issues in a consistent manner.

¹ Government Accountability Office, *Addressing Improper Payments and the Tax Gap Would Improve the Government’s Fiscal Position*, October 1, 2015. <http://www.gao.gov/assets/680/672884.pdf> (Downloaded March 23, 2016) (Hereinafter *Addressing Improper Payments and the Tax Gap Would Improve the Government’s Fiscal Position*)

² *Addressing Improper Payments and the Tax Gap Would Improve the Government’s Fiscal Position*, PDF p. 24, Report p. 22; Department of Defense Office of the Inspector General, *DoD Met Most Requirements of the Improper Payments Elimination and Recovery Act in FY 2014, but Improper Payment Estimates Were Unreliable*, May 12, 2015. <http://www.dodig.mil/pubs/documents/DODIG-2015-121.pdf> (Downloaded May 3, 2016) (Hereinafter *DoD Met Most Requirements of the Improper Payments Elimination and Recovery Act in FY 2014, but Improper Payment Estimates Were Unreliable*); Department of Defense Office of the Inspector General, *DoD Met Most Requirements of the Improper Payments Elimination and Recovery Act in FY 2015, but Improper Payment Estimates Were Unreliable*, May 3, 2016. <http://www.dodig.mil/pubs/documents/DODIG-2016-086.pdf> (Downloaded May 3, 2016) (Hereinafter *DoD Met Most Requirements of the Improper Payments Elimination and Recovery Act in FY 2015, but Improper Payment Estimates Were Unreliable*)

Federal Government

Under improper payment law, the “federal government” includes:

1. Federal agencies,
2. Federal contractors,
3. Federal grantees, AND
4. Any other organizations administering a federal program or activity.³

Entities v. Individuals

The use of “entity” and “entities” refers to individual persons as well as traditional entities such as corporations, organizations, partnerships, agencies, and groups unless otherwise specified.

While individuals and entities are sometimes distinguished from each other in improper payment law, the only place we have found this distinction to matter is when an agency head is determining whether a payment legally qualifies as a high-dollar overpayment.⁴

Payments

Under improper payment law, a “payment” is any past or planned transfer of something valuable from the federal government to non-federal entities or federal employees.⁵

It is important to note that payments made from one part of the federal government to other parts of the federal government do not fall under improper payment law.⁶

Improper Payments

Under improper payment law, an “improper payment” is any payment made:

1. In the wrong amount,
2. To the wrong entity, OR
3. For the wrong reason.⁷

³ Memorandum from Shaun Donovan, Director of the Office of Management and Budget, to the Heads of Executive Departments and Agencies, regarding *Requirements for Effective Estimation and Remediation of Improper Payments*, October 20, 2014, PDF p. 10, Memo p. 7.

<https://www.whitehouse.gov/sites/default/files/omb/memoranda/2015/m-15-02.pdf> (Downloaded March 23, 2016) (Hereinafter *Requirements for Effective Estimation and Remediation of Improper Payments*)

⁴ *Requirements for Effective Estimation and Remediation of Improper Payments*, PDF p. 54, Memo p. 51.

⁵ Improper Payments Information Act of 2002, Section 2(g)(2)(A), 31 USC § 3321 note (as amended in 2013) (Hereinafter IPIA)

⁶ *Requirements for Effective Estimation and Remediation of Improper Payments*, PDF p. 10, Memo p. 7.

⁷ The definition of improper payments used to also include payments made at the wrong time, but the federal government has moved away from this definition and provides no guidance as to calculating improper payments for payments made at the wrong time. Thus, we did not include it in this report. See Office of Management and Budget, “PaymentAccuracy – FAQ.” <https://paymentaccuracy.gov/content/faq#1> (Downloaded March 23, 2016) (Hereinafter PaymentAccuracy – FAQ); IPIA, Section 2(g)(2)(A); *Requirements for Effective Estimation and Remediation of Improper Payments*, PDF p. 10, Memo p. 7.

This includes duplicate payments, payments that recipients use in an improper manner, and payments that cannot be proven to have been made in the right amount, to the right entity, and for the right reason.⁸

Improper payments are split into two categories to help better identify them:

1. Overpayments (paying an entity more than it was owed); and
2. Underpayments (paying an entity less than it was owed).

To elaborate, making a payment to a wrong entity or for the wrong reason is always an overpayment, as the entity receiving the payment should have received nothing. Duplicate payments are also classified as overpayments for similar reasons.⁹

In comparison, making a payment in the wrong amount could fall into either category depending on the amount an entity should have been paid and the amount the entity was actually paid. Comparing the information above determines whether the payment is an over- or underpayment.

For example, if the federal government paid \$5 but the payment should have been \$10, the law would classify the payment as an underpayment. However, if the federal government paid \$10 but payment should have been \$5, the law would classify the payment as an overpayment.

Selected Legal History

After decades of little to no oversight and an ever-increasing budget, the federal government realized that it needed to start verifying the accuracy of its payments.¹⁰ Congress enacted the “Improper Payments Information Act of 2002” (IPIA) to determine the extent of any problems by gathering estimates of improper payments from federal agencies.¹¹

The Improper Payments Information Act of 2002

IPIA requires the head of every executive agency to annually estimate the number of improper payments the agency makes and report those estimates to Congress.¹² Additionally, IPIA enlisted the Office of Management and Budget (OMB) to begin providing guidance as to best practices for the estimation and reporting of improper payments.¹³

⁸ PaymentAccuracy – FAQ

⁹ IPIA, Section 2(g)(2)(B).

¹⁰ Government Accountability Office, *Coordinated Approach Needed to Address the Government’s Improper Payments Problems*, August 2, 2002, PDF p. 5, Report p. 1. <http://www.gao.gov/assets/240/235337.pdf> (Downloaded May 5, 2016); Committee on Governmental Affairs, *Report on the Improper Payments Information Act of 2002*, November 4, 2002, PDF pp. 5-6, Report pp. 1-2. <https://www.gpo.gov/fdsys/pkg/CRPT-107srpt333/pdf/CRPT-107srpt333.pdf> (Downloaded May 5, 2016); *Requirements for Effective Estimation and Remediation of Improper Payments*, PDF p. 8, Memo p. 5.

¹¹ Public Law 107–300, November 26, 2002. (Hereinafter Pub. L. 107-300) This act—and its subsequent amendments and related executive orders—can be found in the notes to Title 31, Section 3321 of the United States Code (31 U.S.C. 3321).

¹² Pub. L. 107-300, Section 2(a)-(c).

¹³ Pub. L. 107-300, Section 2(f).

In 2009, after seven years of IPIA reporting and OMB guidelines, the federal government had a better understanding of the scope of the problem but improper payments continued to rise almost every year. Additionally, transparency on this issue was lacking and taxpayers wanted more information as to the extent of the improper payment problem.¹⁴ President Barack Obama attempted to fix some of these prevention and transparency issues with Executive Order 13520 (EO 13520) on November 20, 2009.¹⁵

Executive Order 13520

Executive Order 13520 aimed to enhance transparency around improper payments and create accountability and coordination among federal agencies in tackling this issue. This order urges agencies to put forth “every effort” to verify that the payments they make are correct.¹⁶ To help accomplish this, EO 13520 requires OMB to publicly release the improper payments data of high-risk agencies to allow for public scrutiny. This provision resulted in the creation of the website “PaymentAccuracy.gov” in 2010.¹⁷

While EO 13520 helped increase transparency of improper payments, there was still a lot more to be done. IPIA was amended twice to elaborate on and implement parts of the EO, and to solve additional shortcomings in identification, reporting, and prevention.

The Improper Payments Elimination and Recovery Act of 2010

The “Improper Payments Elimination and Recovery Act of 2010” (IPERA) was enacted on July 22, 2010, in order to expand requirements for identifying programs and activities susceptible to improper payments.¹⁸ IPERA requires the Director of OMB to review all federal programs and activities to identify any that have a high risk of significant improper payments.¹⁹ Programs and activities that have a high risk of significant improper payments are defined as making annual improper payments (i.e., overpayments plus underpayments) exceeding either: (1) \$10,000,000 and 1.5 percent of the program’s expenditures; or (2) just \$100,000,000.²⁰

IPERA imposes stricter reporting requirements onto programs and activities that the Director of OMB identifies as high risk.²¹ Agencies with high-risk programs must use statistically valid methods approved by the Director of OMB to estimate those programs’ improper payments, and

¹⁴ Office of Management and Budget, *Improving the Accuracy and Integrity of Federal Payments*, January 31, 2008, PDF p. 13, Report p. 8. https://www.whitehouse.gov/sites/default/files/omb/financial/fia/2007_ipia_final.pdf (Downloaded March 24, 2016)

¹⁵ Executive Order Number 13520, 74 Fed. Reg. 62201 (November 20, 2009). (Hereinafter EO 13520).

¹⁶ EO 13520.

¹⁷ Office of Management and Budget, “Payment Accuracy.” <https://paymentaccuracy.gov/> (Downloaded March 23, 2016)

¹⁸ Public Law 111-204, July 22, 2010. (Hereinafter Pub. L. 111-204)

¹⁹ Pub. L. 111-204, Section 2(a).

²⁰ Pub. L. 111-204, Section 2(a).

²¹ Pub. L. 111-204, Section 2(a).

must publically report the results in their Agency Financial Report (AFR), or other similar reports that are required by law.²²

While IPERA made some positive changes to improper payment law, it was quickly clear to Congress that more needed to be done, resulting in a second amendment to IPIA less than two years after IPERA.

Improper Payments Elimination and Recovery Improvement Act of 2012

Congress enacted the “Improper Payments Elimination and Recovery Improvement Act of 2012” (IPERIA) to “intensify efforts to identify, prevent, and recover” improper payments.²³ Specifically, IPERIA requires the Director of OMB to enhance his or her efforts to identify and evaluate high-risk federal programs by, in part, establishing targets for reducing improper payments.²⁴ OMB must also provide greater guidance as to improper payment estimation methods and must determine current and historical improper payment recovery rates and amounts in an effort to establish targets for recovering improper payments.²⁵

Agency reporting and prevention requirements were also revamped. IPERIA requires agencies to follow minimum procedures prior to making payments, including checking the following databases known collectively as the “Do Not Pay” list²⁶:

1. Social Security Administration’s Death Master File
2. General Services Administration’s Excluded Parties List System²⁷
3. Department of the Treasury’s Debt Check Database
4. Department of Housing and Urban Development’s Credit Alert System (also known as the Credit Alert Interactive Voice Response System)
5. Department of Health and Human Services Office of Inspector General’s List of Excluded Individuals/Entities
6. Information regarding incarcerated individuals maintained by the Commissioner of Social Security

To further the Do Not Pay list’s goals, OMB was required to provide Congress with a plan outlining the inclusion of other databases and how access would be provided to agencies and Inspectors General that need it.²⁸

²² Pub. L. 111-204, Sections 2(b) and 3(a)(2).

²³ Public Law 112-248, January 10, 2013. (Hereinafter Pub. L. 112-248)

²⁴ Pub. L. 112-248, Section 3(a)(2).

²⁵ Pub. L. 112-248, Sections 3(b)(2) and 6(b).

²⁶ Pub. L. 112-248, Section 5(a)(2).

²⁷ This database included information on grantees, contractors, and other parties that were to be excluded from eligibility for certain payments from the federal government. It has been replaced by the System for Award Management (SAM) and the Federal Award Performance and Integrity Information System (FAPIS). General Services Administration, “System for Award Management.” <https://www.sam.gov/portal/SAM/##> (Downloaded March 29, 2016); United States Navy, “FAPIS Public Access Main Page.” <https://www.fapis.gov/fapis/index.action> (Downloaded March 29, 2016)

²⁸ Pub. L. 112-248, Section 5(c).

Inspectors General and Improper Payments Law

While Congress made no mention of Inspectors General (IGs) in IPIA, IGs have come to play an important role in the detection, prevention, and recovery of improper payments.

The IGs' role in prevention begins with IPERA in 2010.²⁹ IPERA requires all IGs to determine whether their agency is in compliance with improper payment laws.³⁰ The IGs must then submit a report detailing this compliance to Congress and to their agency's head.³¹ IPERA also allows IGs to collect 5 percent of improper payment recoveries for use in investigating improper payments, creating an incentive for IGs to become more involved in the improper payment recovery process.³²

The IGs' role was reinforced in IPERIA, which requires IGs to receive reports regarding high-risk programs for additional oversight and review.³³ For each high-risk program report, the IG of each agency must review:

1. How the agency determined the risk level associated with the program
2. The quality of the improper payment estimates
3. The improper payment estimation methodology relating to the program
4. The oversight and financial controls used in the program to identify and prevent improper payments³⁴

The IG must then submit to Congress recommendations for modifying any agency plans relating to the high-risk program, including improvements to the agency's improper payment identification and estimation methods.³⁵ IPERIA also allows IGs and agency heads to enter into computer matching agreements with other IGs and agency heads in order to assist in the detection and prevention of improper payments.³⁶

While IGs could significantly enhance the effectiveness of improper payment prevention and recovery, current circumstances prevent them from reaching their full potential. One of the major barriers that IGs and agencies currently face in their prevention and recovery efforts is the ineffective identification of causes for improper payments.

²⁹ Pub. L. 111-204.

³⁰ Pub. L. 111-204, Section 3(b).

³¹ Pub. L. 111-204, Section 3(b)(1)-(2).

³² Pub. L. 111-204, Section 2(h)(3)(D).

³³ Pub. L. 112-248, Section 3(a)(2).

³⁴ Pub. L. 112-248, Section 3(a)(2).

³⁵ Pub. L. 112-248, Section 3(a)(2).

³⁶ Pub. L. 112-248, Section 5(e)(1).

CAUSES OF IMPROPER PAYMENTS

After agencies analyze their payment data and estimate improper payments, they are required to allocate a “root cause” for each type of improper payment.³⁷ Prior to 2015, agencies were required to identify whether improper payments were caused by documentation and administration errors, authentication and medical necessity errors, or verification errors.³⁸ These initial root-cause categories proved to be too vague and unhelpful in identifying effective solutions to improper payments so OMB implemented a new category system in 2015.³⁹ This new system requires agencies to use more detailed root-cause categories in the hopes that it will lead to more effective prevention and recovery.⁴⁰

New Root-Cause Categories

Insufficient documentation to determine accuracy of payment errors

Payment accuracy errors involving insufficient documentation occur when the documentation necessary to decide whether a payment was made properly is not available at the time the agency is reviewing improper payment data for a given year.⁴¹

For example, while reviewing its FY 2015 improper payment data, the Department of Health and Human Services (HHS) lacked the medical history for an individual whose foot surgery HHS paid for. The individual may or may not have been eligible to receive the surgery, but HHS had no way to decide one way or the other because it needed the medical history of the individual to make that decision. The document was assumingly available for the initial determination of eligibility, but not the review. HHS reported this payment as an improper payment, and its cause as insufficient documentation.⁴²

It is important to note that improper payments labeled with this root cause are calculated differently than other payments. See the Calculation Methods section below for more details.

³⁷ Office of Management and Budget, “PaymentAccuracy – About Improper Payments.”

<https://paymentaccuracy.gov/about-improper-payments> (Downloaded March 23, 2016); *Requirements for Effective Estimation and Remediation of Improper Payments*, PDF p. 9, Memo p. 6.

³⁸ Internet Archive, “PaymentAccuracy – About Improper Payments.”

<https://web.archive.org/web/20160201102842/https://paymentaccuracy.gov/about-improper-payments> (Downloaded March 23, 2016)

³⁹ *Requirements for Effective Estimation and Remediation of Improper Payments*, PDF pp. 29-31, Memo pp. 26-28.

⁴⁰ PaymentAccuracy – FAQ

⁴¹ Government Accountability Office, *Financial Audit: U.S. Government’s Fiscal Years 2015 and 2014 Consolidated Financial Statements*, February 25, 2016, PDF p. 49, Report p. 32.

<http://www.gao.gov/assets/680/675425.pdf> (Downloaded March 23, 2016) (Hereinafter *Financial Audit: U.S. Government’s Fiscal Years 2015 and 2014 Consolidated Financial Statements*); *Requirements for Effective Estimation and Remediation of Improper Payments*, PDF p. 30, Memo p. 27; PaymentAccuracy – FAQ.

⁴² *Financial Audit: U.S. Government’s Fiscal Years 2015 and 2014 Consolidated Financial Statements*, PDF pp. 49-50, Report pp. 32-33.

Inability to authenticate eligibility errors

The inability to authenticate eligibility occurs when an agency is physically or legally unable to confirm that an entity is eligible to receive a payment.⁴³ Physical inability refers to an agency's lack of ability to find information due to a physical barrier, such as when no database or other resource exists that could allow the agency to access needed information. Legal inability refers to legal barriers preventing the agency from acquiring information, such as a law that prohibits an agency's access to a database containing the needed information.

This root cause would apply, for example, where an agency is unable to confirm whether a child lived with a family for a certain amount of time—for the purpose of determining that a family is eligible for a tax credit—because no database exists with that information.⁴⁴ Alternatively, the root cause would also apply where an agency is unable to confirm a recipient's earnings or work status through an existing database because a statute prohibits the organization in control of the database from sharing access with the agency that needs it.

Administrative or process errors

Administrative or process errors occur when any entity administering a federal program incorrectly enters data or incorrectly classifies or processes applications or payments.⁴⁵

For example, this root cause would apply where an agency enters an incorrect invoice amount into its financial system resulting in an improper payment.

Medical necessity errors

Medical necessity errors occur in situations where medical providers deliver a service or item that is not necessary and appropriate based on medical evidence and standards.⁴⁶

For example, this root cause would apply where an agency provided a power wheelchair to a patient whose medical record did not support the medical need for one upon review.⁴⁷

Failure to verify data errors

Errors involving failures to verify data occur when the federal government or other agencies (state or local) fail to check the information required to determine whether a recipient should be

⁴³ *Requirements for Effective Estimation and Remediation of Improper Payments*, PDF p. 29, Memo p. 26; PaymentAccuracy – FAQ.

⁴⁴ *Financial Audit: U.S. Government's Fiscal Years 2015 and 2014 Consolidated Financial Statements*, PDF p. 50, Report p. 33.

⁴⁵ *Requirements for Effective Estimation and Remediation of Improper Payments*, PDF p. 30, Memo p. 27; PaymentAccuracy – FAQ.

⁴⁶ *Requirements for Effective Estimation and Remediation of Improper Payments*, PDF p. 30, Memo p. 27; PaymentAccuracy – FAQ.

⁴⁷ *Requirements for Effective Estimation and Remediation of Improper Payments*, PDF p. 30, Memo p. 27; PaymentAccuracy – FAQ.

receiving a payment, even though such data exists in government or third-party databases and is available to the entity making the payment.⁴⁸

For example, this root cause would apply where an agency does not check to see if an entity is dead, but pays the entity anyway. If a database including information on people who have died exists and the agency has access to it, the root cause would be failure to verify data.

Issues with program design or structure

Issues with program design or structure occur when the design or structure of the program requires or encourages payments to be made improperly.

For example, this root cause would occur if the design of Medicare requires it to pay benefits to an individual within 30 days of a request, regardless of whether or not all the information required to confirm the properness of the payment has been received.⁴⁹

Other reasons, including fraud

If a payment has been determined to be improper but does not fit into any of the categories above, agencies are supposed to determine what the cause is and explain the cause in detail in a footnote or narrative.⁵⁰

In instances where agencies are able to identify fraud as the root cause of the improper payment, they are supposed to report those payments under this category. However, an agency does not need to list such payments in this section of its AFR if it already reports them through another mechanism (e.g., a separate annual report to Congress).⁵¹

⁴⁸ *Requirements for Effective Estimation and Remediation of Improper Payments*, PDF p. 30, Memo p. 27; PaymentAccuracy – FAQ.

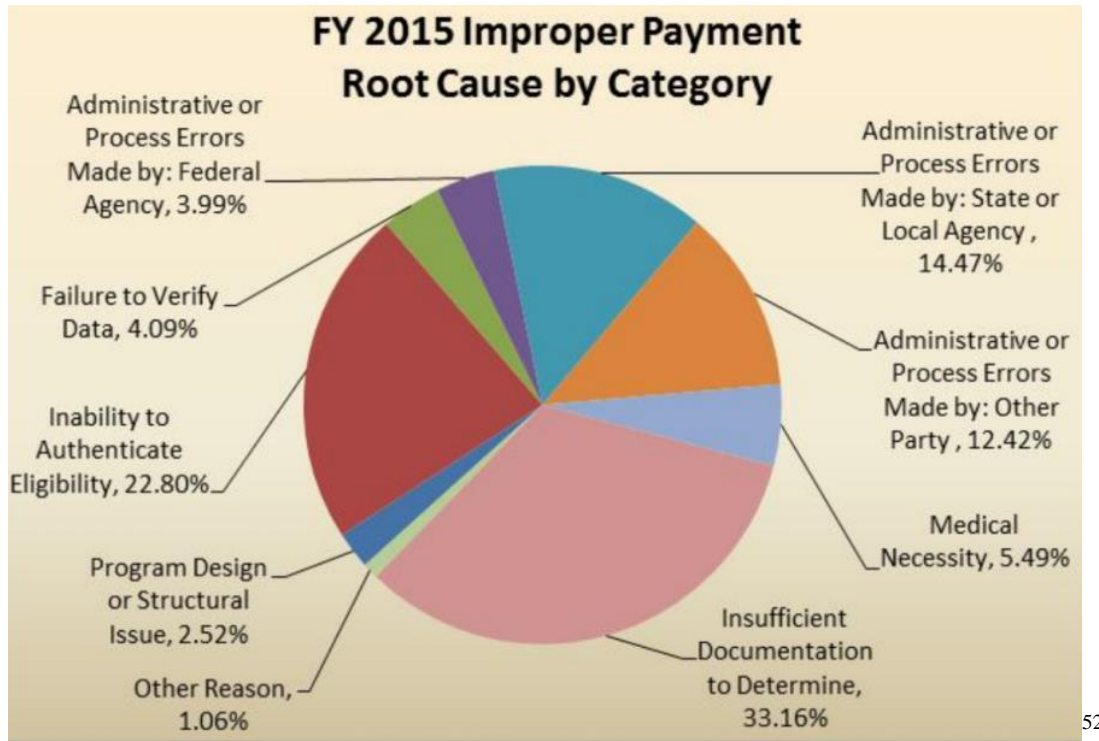
⁴⁹ *Requirements for Effective Estimation and Remediation of Improper Payments*, PDF p. 29, Memo p. 26; PaymentAccuracy – FAQ.

⁵⁰ *Requirements for Effective Estimation and Remediation of Improper Payments*, PDF p. 31, Memo p. 28; PaymentAccuracy – FAQ.

⁵¹ *Requirements for Effective Estimation and Remediation of Improper Payments*, PDF p. 31, Memo p. 28; PaymentAccuracy – FAQ.

Fiscal Year 2015 Root Causes

OMB expects this more detailed categorization of root causes to provide for more effective prevention and recovery of improper payments. While it is too soon to know if it will be successful, thinking about the current distribution of root-cause categories provides some interesting insights. The following chart from the Government Accountability Office for Fiscal Year (FY) 2015 provides the percentage breakdown of each root-cause category based on the dollar value of improper payments assigned to them:



First, when compared to the prior root-cause category system, this more detailed categorization seems like it will allow agencies to spend resources more effectively and potentially prevent improper payments caused by these problems. If, for instance, an agency knows its largest cause of improper payments is the inability to authenticate eligibility, it can focus on creating new databases and getting access to existing databases that have the information it needs rather than possibly wasting its limited time and resources on lower dollar-value causes. This can also help legislators determine whether laws are prohibiting agencies’ access to the databases needed to identify, prevent, and recover improper payments by quantifying this issue in actual dollars, incentivizing legislators to analyze current barriers to prevention and implement effective solutions. The previous, broader root-cause categories would not have allowed for such targeting.

⁵² *Financial Audit: U.S. Government’s Fiscal Years 2015 and 2014 Consolidated Financial Statements*, PDF p. 49, Report p. 32.

Second, knowing that a large portion of improper payments are reportedly caused by insufficient documentation improves the understanding of reported numbers. All improper payments with a root cause of insufficient documentation are supposed to be reported as the entire amount of the actual payment rather than the difference between the actual payment and the expected one (discussed in the Calculation Methods section below). If a large majority of these payments turn out to be appropriate, current improper payment numbers would turn out to be inflated. The federal government would want to know this before spending resources recovering payments that may not be improper. That said, sources have reported to POGO that agencies are given substantial opportunities to find and provide documentation for insufficient documentation cases, and thus it is unlikely that such payments will be proven to be proper.

The above demonstrates the importance of creating appropriate root-cause categories in addition to the importance of reporting root causes accurately. Without both, agencies cannot be sure where they should focus their efforts and resources, or where to even begin to effectively prevent and recover their improper payments. Lacking transparency and accuracy is also a major concern when looking at the number of improper payments reported by agencies.

THE NUMBERS (AND SOME CAVEATS)

The first thing to note is that the numbers of improper payments provided by agencies are estimates. Agencies cannot provide actual numbers of improper payments because they do not yet have systems that would allow them to track and follow up on the massive number of payments the federal government makes every year. Agencies currently use statistical methods to estimate the total number of improper payments they are making based on analyses of smaller groupings of payments. In-depth analysis of the statistical validity of the methodologies of each agency is beyond the scope of this report, but it is an important aspect of improper payments ripe for examination.

Second, POGO questions the accuracy of some of the improper payment numbers reported. We know there are many great public servants who work hard to combat improper payments, but something is preventing their efforts from fixing the problem. Some agencies are reporting unbelievable numbers given their financial track records, and sources have stated to POGO that many organizations are doing a much worse job at identifying and reporting improper payments than others. Some agencies, like the Department of Health and Human Services, are reportedly doing an excellent job at identifying and reporting improper payments, but their recovery efforts still need some work.⁵³ Others, including the Department of Defense, have unbelievably low improper payment rates given the amount of payments they make and their history of overspending and poor financial oversight.⁵⁴ These issues cause POGO to believe that reported

⁵³ Government Accountability Office, *Fundamental Improvements Needed in CMS's Effort to Recover Substantial Amounts of Improper Payments*, April 8, 2016. <http://www.gao.gov/assets/680/676441.pdf> (Downloaded May 9, 2016)

⁵⁴ See Martin Matishak, "The Pentagon Overpaid \$425 Million of Taxpayer Money for Official Travel," *The Fiscal Times*, March 11, 2016. <http://www.thefiscaltimes.com/2016/03/11/Pentagon-Overpaid-425-Million-Taxpayer-Money-Official-Travel> (Downloaded March 23, 2016) (Hereinafter *The Fiscal Times*, "The Pentagon Overpaid \$425 Million of Taxpayer Money for Official Travel"); Project On Government Oversight, "The Unredacted Truth About Spare Parts Overcharges," February 23, 2015. <http://www.pogo.org/our-work/straus-military-reform->

improper payment numbers need further verification and transparency before being generally accepted.

Additionally, sources have cautioned POGO that some agencies are not following the OMB calculation guidance discussed below. The next section explains another factor that is potentially causing the total dollar value of reported improper payments to be inflated. OMB and other agencies have not responded to our requests for clarification on how agencies are calculating improper payments, and POGO has yet to find evidence one way or another. We are still looking into these warnings, but we hope this report will encourage employees from OMB and other agencies to speak with us about improper payments and about their efforts to identify, report, and prevent them.

The calculation information below is based on the most recent guidance provided by OMB in October 2014, and that is what this report will assume agencies are using as their basis for improper payment calculations until evidence demonstrates otherwise.

Calculation Methods⁵⁵

OMB guidance states that agencies are supposed to calculate improper payments by taking the difference between the actual payment and what the payment should have been, rather than just reporting the total actual payment amount as improper.

For example, if an agency owes \$100, but makes a \$110 payment instead, then the improper payment amount reported should be a \$10 overpayment, rather than \$110. Similarly, if a \$100 payment was due, but \$90 was paid, then the improper payment amount reported should be a \$10 underpayment, rather than the actual payment amount of \$90.

The rules are different for improper payments caused by insufficient documentation. For example, if a \$100 payment was due and made, but there is insufficient documentation to verify the appropriateness of the payment, then the improper payment amount reported would be a \$100 overpayment. This is because the agency is unable to justify that it made the payment accurately. No payment should have been made in the eyes of improper payment law, so the intended payment should be \$0.

After calculating improper payments for various subsets of payments, agencies use statistical methodologies to estimate total improper payments for their agency, resulting in the improper payment totals reported to the public.

project/defense-budget/2015/20150223-the-unredacted-truth-about-spare-parts-overcharges.html (Hereinafter POGO, “The Unredacted Truth About Spare Parts Overcharges”); Scot J. Paltrow, “Behind the Pentagon’s doctored ledgers, a running tally of epic waste,” *Reuters Investigates*, November 18, 2013.

<http://www.reuters.com/investigates/pentagon/#article/part2> (Downloaded March 23, 2016) (Hereinafter *Reuters Investigates*, “Behind the Pentagon’s doctored ledgers, a running tally of epic waste”)

⁵⁵ *Requirements for Effective Estimation and Remediation of Improper Payments*, PDF p. 10, Memo p. 7.

Trends

The significance of improper payments can be better understood by looking at current improper payment totals, the recent trends in those totals, and the breakdown of improper payments by agency and high-risk program.

Overpayments v. Underpayments

The annual improper payment totals agencies report include both overpayments and underpayments. It is important to know how total overpayments compare to total underpayments so that we can determine whether a program or activity is spending more (making more overpayments than underpayments) or spending less (making more underpayments than overpayments) than it should be.

Overpayments in FY 2015 accounted for about 92 percent of total improper payments—\$126 billion in overpayments versus \$11 billion in underpayments.⁵⁶ Overpayments in FY 2014 accounted for about 91 percent of total improper payments—\$113 billion in overpayments versus \$11 billion in underpayments. The historical average for overpayments is about 88 percent, and has fluctuated between 84 percent and 92 percent.⁵⁷

⁵⁶ Office of Management and Budget, “PaymentAccuracy – Overpayments vs. Underpayments (FY 2015).” <https://paymentaccuracy.gov/govt-wide-over-under-payments> (Downloaded March 23, 2016) (Hereinafter PaymentAccuracy – Overpayments vs. Underpayments (FY 2015))

⁵⁷ 2012: Internet Archive, “PaymentAccuracy – Overpayments vs. Underpayments (FY 2012).” <https://web.archive.org/web/20130215230007/http://www.paymentaccuracy.gov/govt-wide-over-under-payments> (Downloaded March 23, 2016); 2013: Internet Archive, “PaymentAccuracy – Overpayments vs. Underpayments (FY 2013).” <https://web.archive.org/web/20140811002409/http://www.paymentaccuracy.gov/govt-wide-over-under-payments> (Downloaded March 23, 2016); 2014: Internet Archive, “PaymentAccuracy – Overpayments vs. Underpayments (FY 2014).” <https://web.archive.org/web/20150916121003/https://paymentaccuracy.gov/govt-wide-over-under-payments> (Downloaded March 23, 2016); PaymentAccuracy – Overpayments vs. Underpayments (FY 2015)

History of Total Improper Payments⁵⁸

Year	Total IP (\$ Billions)	Change from PY (\$ Billions)	Change from PY (%)	Total Error Rate (%)
2015	136.9	+12.3	+9.87	4.39
2014	124.6	+18.8	+17.77	4.02
2013	105.8	-1.3	-1.21	3.53
2012	107.1	-8.6	-7.43	4.35
2011	115.7	-4.9	-4.06	4.69
2010	120.6	+11.4	+10.44	5.29
2009	109.2	+36.7	+50.62	5.42
2008	72.5	+23.5	+47.95	3.95
2007	49	+8	+19.51	2.81
2006	41	+2	+5.13	2.91
2005	39	-7	-15.17	3.14
2004	46	+11	+31.4	4.35
2003	35	N/A	N/A	N/A

Key: IP = Improper Payments
PY = Previous Year

Fiscal Year 2015 marks a milestone for improper payments—the cumulative improper payments since the reporting of improper payments began in 2003 exceeded \$1 trillion. Specifically, improper payments since the beginning of FY 2003 total about \$1.102 trillion as of the end of FY 2015. Using the average overpayment percentage of about 88 percent, it can be estimated that about \$970 billion of that total is overpayments. This is a huge loss for taxpayers over only 12 years, and, if nothing changes, this situation looks to become worse.

Error Rates

Another important aspect of improper payment numbers is “error rates.” An error rate is the amount of improper payment dollars divided by total dollars spent. Total dollars spent by a program, agency, or government is often referred to as “total outlays.” Error rates are reported at the government-wide level all the way down to the program level. It is important to know which level you are looking at to understand the significance of the error rate. Additionally, at the government-wide level, total program outlays are not equal to total annual expenditures for the United States.

⁵⁸ Improper payment totals for 2003-2013: *Addressing Improper Payments and the Tax Gap Would Improve the Government’s Fiscal Position*, PDF p. 6, Report p. 4; Improper payment totals for 2014-2015: *Financial Audit: U.S. Government’s Fiscal Years 2015 and 2014 Consolidated Financial Statements*, PDF p. 49, Report p. 32; Error rates for 2004-2015; Office of Management and Budget, “PaymentAccuracy – Improper Payment Rates Across the Federal Government (FYs 2004-2015).” <https://paymentaccuracy.gov/govt-wide-improper-rates> (Downloaded March 23, 2016)

For example, in FY 2015, the government-wide error rate was 4.39 percent and the total improper payments were \$136.9 billion. This means that agencies reported about \$3.118 trillion in total outlays. Comparatively, the federal government is estimated to have spent \$3.901 trillion in FY 2015.⁵⁹ Therefore, about \$800 billion (or about 20.07 percent) of expenditures either was not subject to the improper payment law or were incorrectly not reported in FY 2015.

In FY 2004 the error rate was 4.35 percent and total improper payments were \$46 billion. This means that agencies reported about \$1.057 trillion in total outlays. Again, for comparison, the federal government is estimated to have spent \$2.292 trillion in FY 2004.⁶⁰ Thus, about \$1.235 trillion (or 53.88 percent) of expenditures either did not fall under improper payment law or were incorrectly not reported or in FY 2004.

So, what does this mean?

First, comparing error rates across years means little without also comparing total expenditures. Sure, 2004 and 2015 had similar error rates, but the amount of missing data makes the comparison a lot less helpful. If any of the expenditures in 2004 were actually outlays that should have been reported under the law, and if none of those outlays were improper payments, the error rate plummets. If all of them were improper payments, the error rate skyrockets. And anywhere in between. The same can be said to a lesser extent about the 20 percent of unreported expenditures in 2015, highlighting the need for even more accuracy in improper payment reporting.

Second, on a positive note from a transparency perspective, a higher percentage of expenditures are now analyzed under improper payment law. The federal government has gone from having over 50 percent of all its expenditures not being analyzed for improper payments in 2004 to only around 20 percent left unanalyzed in 2015. Whether these expenditures are accurately analyzed for improper payments is another question, but at least there is now precedent of these programs falling under the improper payment system.

Improper payments data can also be further broken down by agency and program, providing needed information about differences in identification and prevention methods among agencies.

⁵⁹ Office of Management and Budget, "Fiscal Year 2015 Historical Tables," *Budget of the U.S. Government*, PDF p. 29, Report p. 25. <https://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/hist.pdf> (Downloaded March 23, 2016) (Hereinafter Fiscal Year 2015 Historical Tables)

⁶⁰ Fiscal Year 2015 Historical Tables, PDF p. 28, Report p. 24.

FY 2015 Improper PaymentsFY 2015 Improper Payment Totals by Agency, Sorted by Improper Payment⁶¹

Agency	Outlays for Reported Programs (\$ Millions)	Improper Payments (\$ Millions)	Error Rate (%)
Department of Health and Human Services	882,173	89,775	10.18
Department of the Treasury	65,600	15,600	23.78
Social Security Administration	936,164	9,800 ⁶²	1.05
Department of Agriculture	111,263	6,339	5.70
Department of Veterans Affairs	113,465	4,976	4.39
Department of Labor	38,413	3,638	9.47
Department of Education	144,396	1,866	1.29
Department of Housing and Urban Development	32,001	1,301	4.06
Department of Defense – Military Programs	560,770	1,256	0.22
Small Business Administration	20,790	1,054	5.07
Department of Transportation	60,296	491	0.81
Office of Personnel Management	177,266	440	0.25
Department of Homeland Security	11,592	217	1.88
Federal Communications Commission	8,568	155	1.81
Railroad Retirement Board	12,328	72	0.58
Corporation for National Community Service	346	15	4.19
General Services Administration	422,002	9	0.00
Environmental Protection Agency	2,714	4	0.14
Department of Commerce	113	0	0.00
Department of the Interior	165	0	0.00
Department of Justice	2	0	0.00

⁶¹ All values were calculated using the relevant agency’s improper payment information provided in their Agency Financial Report except for the Social Security Administration. The SSA’s AFR information was significantly different from that reported on PaymentAccuracy in March 2016. SSA states in its AFR that it used rough estimates for FY 2015 as more accurate estimates would not be available until April 2016, but it seems as though PaymentAccuracy had the more updated information during its analysis period. See Appendix B for links to the above agencies’ AFRs.

⁶² Office of Management and Budget, “PaymentAccuracy – Supplemental Security Income (SSI).” <https://paymentaccuracy.gov/tracked/supplemental-security-income-ssi-2015> (Downloaded March 23, 2016); Office of Management and Budget, “PaymentAccuracy – Retirement, Survivors, and Disability Insurance (RSDI).” <https://paymentaccuracy.gov/tracked/retirement-survivors-and-disability-insurance-rsdi-2015>

FY 2015 Improper Payment Totals for Programs with Over \$1 Billion in Improper Payments,
Sorted by Dollar Value⁶³

Program	Agency	Dollars (\$ Millions)	Error Rate (%)
Medicare Fee-for-Service	HHS	43,300	12.1
Medicaid	HHS	29,100	9.8
Earned Income Tax Credit (EITC)	Treasury	15,600	23.8
Medicare Advantage (Part C)	HHS	14,100	9.5
Retirement, Survivors, and Disability Insurance (RSDI)	SSA	5,000	0.6
Supplemental Security Income (SSI)	SSA	4,800	8.4
Unemployment Insurance (UI)	Labor	3,500	10.7
Supplemental Nutrition Assistance Program (SNAP)	USDA	2,600	3.7
Medicare Prescription Drug Benefit (Part D)	HHS	2,200	3.6
National School Lunch Program (NSLP)	USDA	1,800	15.7
Rental Housing Assistance Programs	HUD	1,300	4.0
William D. Ford Federal Direct Loan Program	Education	1,300	1.3

FY 2015 Improper Payment Totals for Programs with Over \$1 Billion in Improper Payments,
Sorted by Error Rate

Program	Agency	Dollars (\$ Millions)	Error Rate (%)
Earned Income Tax Credit (EITC)	Treasury	15,600	23.8
National School Lunch Program (NSLP)	USDA	1,800	15.7
Medicare Fee-for-Service	HHS	43,300	12.1
Unemployment Insurance (UI)	Labor	3,500	10.7
Medicaid	HHS	29,100	9.8
Medicare Advantage (Part C)	HHS	14,100	9.5
Supplemental Security Income (SSI)	SSA	4,800	8.4
Rental Housing Assistance Programs	HUD	1,300	4.0
Supplemental Nutrition Assistance Program (SNAP)	USDA	2,600	3.7
Medicare Prescription Drug Benefit (Part D)	HHS	2,200	3.6
William D. Ford Federal Direct Loan Program	Education	1,300	1.3
Retirement, Survivors, and Disability Insurance (RSDI)	SSA	5,000	0.6

⁶³ Office of Management and Budget, "PaymentAccuracy – High-Error Programs."
<https://paymentaccuracy.gov/high-priority-programs> (Downloaded March 23, 2016) (Hereinafter PaymentAccuracy – High-Error Programs)

Keeping in mind the potential problems with the accuracy of reported improper payment numbers, the above at least shows the current level of improper payment identification and reporting for each agency. Analyzing the top four agencies and programs by total improper payments and by error rate illuminates some useful information, as does looking at the surprisingly low numbers reported by the Department of Defense. As for the top programs:

The top four agencies by improper payment totals for FY 2015 are:

1. The Department of Health and Human Services (HHS) with \$89.8 billion
2. The Department of the Treasury (Treasury) with \$15.6 billion
3. The Social Security Administration (SSA) with \$9.8 billion
4. The Department of Agriculture (USDA) with \$6.3 billion

The top four agencies by error rate for FY 2015 are:

1. Treasury with 23.78 percent
2. HHS with 10.18 percent
3. The Department of Labor (Labor) with 9.47 percent
4. USDA with 5.70 percent

Again, whether the rankings are due to better identification and reporting of improper payments by some agencies over others is unknown, but these agencies are good ones to examine initially as they all at least have some problems preventing improper payments.

The Department of Health and Human Services

HHS is a huge outlier in the improper payment totals category. It reported substantially more improper payments than the rest of the agencies in FY 2015, with over 65 percent of their payments for the year being improper. HHS has consistently been at the top of the “most improper payments” category since the beginning of improper payment reporting.

The main contributors to HHS’s improper payment totals are the Medicare and Medicaid programs. Just Medicare Fee-For-Service was responsible for \$43.3 billion in improper payments in FY 2015. Medicaid was responsible for \$29.1 billion. These two programs account for over 80 percent of HHS’s improper payment total.

In FY 2015, Medicare reported insufficient documentation errors as the root cause for about 70 percent of its improper payments.⁶⁴ Administrative and process errors by non-agency entities reportedly caused 17 percent of its improper payments, while medical necessity errors accounted for the remaining 13 percent.⁶⁵

⁶⁴ The Department of Health and Human Services, *Fiscal Year 2015 Agency Financial Report*, November 13, 2015, PDF p. 183, Report p. 179. <http://www.hhs.gov/sites/default/files/afr/fy-2015-hhs-agency-financial-report.pdf> (Downloaded March 29, 2016) (Hereinafter HHS AFR (FY 2015))

⁶⁵ HHS AFR (FY 2015), PDF p. 183, Report p. 179.

Medicaid reported much different causes, with about 58 percent of its improper payments being caused by administrative or process errors at the state level.⁶⁶ About 30 percent of Medicaid's improper payments were caused by its inability to authenticate the eligibility of recipients. Most of the remaining improper payments were caused by insufficient documentation errors, but about 3 percent were caused by administrative or process errors by non-agency entities.⁶⁷

The Department of the Treasury

Treasury is the runner-up in improper payment totals and has the highest error rate out of programs with more than \$1 billion in improper payments. Treasury only reports on one program, yet consistently finds itself at the top of the improper payment-total and error-rate lists.

The only program Treasury reports on is the Internal Revenue Service's Earned Income Tax Credit program (EITC). This program reported \$15.6 billion in improper payments in FY 2015 and had an error rate of 23.8 percent.

Inability to authenticate eligibility was reported as the cause for over 94 percent of the EITC's improper payments.⁶⁸ Program and structural issues accounted for the rest.⁶⁹

The Social Security Administration

SSA comes in third for total improper payments, but has a staggeringly low error rate of 0.76 percent. SSA has been near the top of the total improper payments category since its inception.

The majority of SSA's improper payment total comes from the Retirement, Survivors, and Disability Insurance (RSDI)⁷⁰ and Supplemental Security Income (SSI) programs. RSDI had about \$5 billion in improper payments while SSI had about \$4.8 billion. The error rate for RSDI is about 0.6 percent, while SSI had an error rate of about 8.4 percent.

SSA did not break down its FY 2015 root causes in its AFR because the improper payment numbers were not ready when the report released. Instead, the agency broke down its FY 2014 improper payments using the new categories. Although the 2015 root-cause data isn't available, the data from 2014 may provide a glimpse into the reasons for SSA's current improper payments.

⁶⁶ HHS AFR (FY 2015), PDF p. 184, Report p. 180.

⁶⁷ HHS AFR (FY 2015), PDF p. 184, Report p. 180.

⁶⁸ Department of the Treasury, *Fiscal Year 2015 Agency Financial Report*, November 16, 2015, PDF p. 212, Report p. 198. https://www.treasury.gov/about/budget-performance/annual-performance-plan/Documents/AFR_FINAL_2015.pdf (Downloaded March 29, 2016) (Hereinafter Treasury AFR (FY 2015))

⁶⁹ Treasury AFR (FY 2015), PDF p. 212, Report p. 198.

⁷⁰ Also known as the Old Age, Survivors, and Disability Insurance (OASDI) program.

In FY 2014, over 62 percent of RSDI's improper payments were caused by failures to verify eligibility data.⁷¹ The other 38 percent were caused by administrative and process errors at the federal agency level.⁷²

Almost 87 percent of SSI's improper payments were caused by inability-to-authenticate errors.⁷³ The rest of the improper payment root causes were split about evenly between administrative and process errors by federal agencies, and errors from failures to verify eligibility data.⁷⁴

The Department of Agriculture

USDA comes in fourth for both total improper payments and error rates.

The Supplemental Nutrition Assistance Program (SNAP), the National School Lunch program, and the School Breakfast program are the major contributors to the USDA's improper payment total and error rate. SNAP had \$2.6 billion, School Lunch had \$1.8 billion, and School Breakfast had \$0.9 billion in improper payments.⁷⁵ School Breakfast has an improper payment rate of 23 percent, while School Lunch has a 15.7 percent error rate and SNAP has a 3.7 percent error rate.⁷⁶

USDA determined that the root cause for 100 percent of both the School Lunch's and School Breakfast's improper payments was administrative or process errors by non-governmental agencies.⁷⁷ As for SNAP, administrative or process errors was listed as the root cause for over 62 percent of its improper payments, but these errors were reportedly made by state agencies.⁷⁸ The remaining 38 percent of SNAP's improper payments were in the "other reason" category, for which USDA indicated that the improper payments were caused by errors made by clients.⁷⁹

The Department of Labor

Labor has the third highest error rate (and the sixth highest improper payment total).

The main contributor to Labor's improper payment total is the Unemployment Insurance program, which reported \$3.5 billion in improper payments and an error rate of 10.7 percent.

⁷¹ Social Security Administration, *Fiscal Year 2015 Agency Financial Report*, November 9, 2015, PDF p. 183, Report p. 183. <https://www.ssa.gov/finance/2015/Full%20FY%202015%20AFR.pdf> (Downloaded March 29, 2016) (Hereinafter SSA AFR (FY 2015))

⁷² SSA AFR (FY 2015), PDF p. 183, Report p. 183.

⁷³ SSA AFR (FY 2015), PDF p. 183, Report p. 183.

⁷⁴ SSA AFR (FY 2015), PDF p. 183, Report p. 183.

⁷⁵ PaymentAccuracy – High-Error Programs

⁷⁶ PaymentAccuracy – High-Error Programs

⁷⁷ Department of Agriculture, *Fiscal Year 2015 Agency Financial Report*, February 12, 2016, PDF p. 240, Report p. 228. <http://www.usda.gov/documents/usda-fy15-agency-financial-report.pdf> (Downloaded March 29, 2016) (Hereinafter USDA AFR (FY 2015))

⁷⁸ USDA AFR (FY 2015), PDF p. 240, Report p. 228.

⁷⁹ USDA AFR (FY 2015), PDF p. 240, Report p. 228.

Almost 82 percent of Labor’s improper payments were caused by inability-to-authenticate errors.⁸⁰ The rest were almost equally split between failure-to-verify errors, administrative and process errors at the state agency level, and other errors. Labor indicated that the improper payments in the “other” category were in that category because the payments were in the process of being re-collected by state agencies at the time of sample selection.⁸¹

Labor is currently conducting a study of the design and structure of the Unemployment Insurance program to determine if it is causing some of the improper payments. The distribution above might become inaccurate as a result.

The Department of Defense

Finally comes the Department of Defense (DoD), which does not make our “Top Four” lists above but needs mentioning. DoD has been repeatedly told that its improper payment reporting methods are inaccurate and that it is not taking the right steps to prevent improper payments.⁸² DoD is known for its poor financial oversight and wasteful spending, yet is reporting that it is making improper payments in only 0.22 percent of its \$560 billion in outlays.⁸³ Additionally, sources have reported to POGO that the DoD considers identifying and preventing improper payments from contract related activities a low priority. This raises serious questions about the accuracy of DoD’s identification and reporting. It’s clearly time for an analysis of the management culture at DoD to assess any weaknesses regarding improper payment prevention and recovery prioritization.

CONCLUSION

Ultimately, improper payments is a complex problem that adversely affects taxpayers every year. This complexity makes effectively combatting improper payments difficult, even for the departments and agencies who are making these payments and are much better versed in improper payment terminology. Without external pressure by taxpayers, this problem may continue to be a low priority at some agencies. Consolidating available information and introducing this topic to a wider audience is an important step towards fixing this issue.

This is POGO’s first in a series of reports attempting to illuminate the realm of improper payments and enhance prevention and recovery efforts. There are many problems that we did not

⁸⁰ Department of Labor, *Fiscal Year 2015 Agency Financial Report*, November 19, 2015, PDF p. 169, Report p. 169. <http://www.dol.gov/sec/media/reports/annual2015/2015annualreport.pdf> (Downloaded March 29, 2016) (Hereinafter Labor AFR (FY 2015))

⁸¹ Labor AFR (FY 2015), PDF p. 170, Report p. 170.

⁸² Government Accountability Office, *Significant Improvements Needed in Efforts to Address Improper Payment Requirements*, May 2013. <http://www.gao.gov/assets/660/654534.pdf>; DoD Met Most Requirements of the Improper Payments Elimination and Recovery Act in FY 2014, but Improper Payment Estimates Were Unreliable; Department of Defense Office of the Inspector General, *DoD Actions Were Not Adequate to Reduce Improper Travel Payments*, March 10, 2016. <http://www.dodig.mil/pubs/documents/DODIG-2016-060.pdf>; DoD Met Most Requirements of the Improper Payments Elimination and Recovery Act in FY 2015, but Improper Payment Estimates Were Unreliable

⁸³ *The Fiscal Times*, “The Pentagon Overpaid \$425 Million of Taxpayer Money for Official Travel”; POGO, “The Unredacted Truth About Spare Parts Overcharges”; *Reuters Investigates*, “Behind the Pentagon’s doctored ledgers, a running tally of epic waste.”

get to thoroughly discuss in this initial report. The federal government needs to improve the accuracy of improper payment identification and estimation, and needs to maintain its efforts in ensuring that root causes are being identified properly. Additionally, Inspectors General need to fulfill their obligations under improper payment law to improve this system, and legislators need to make sure that agencies and IGs have access to data they need to effectively combat improper payments. Without more transparency and accountability from the federal government, in addition to pressure from the taxpayers who are affected by this every year, the improper payment problem cannot be solved and will continue indefinitely.

Appendix A

Selected Online Improper Payment Resources

PaymentAccuracy.gov

<http://paymentaccuracy.gov>

PaymentAccuracy contains information about:

- 1) Historical rates and amounts of improper payments for all agencies
- 2) Detailed information about high-risk programs and activities
- 3) Infographics based on the improper payment data in the system

OMB Memorandum M-15-02 about *Requirements for Effective Estimation and Remediation of Improper Payments*

<https://www.whitehouse.gov/sites/default/files/omb/memoranda/2015/m-15-02.pdf>

This memo overhauls Appendix C to Circular No. A-123 to create a more unified, comprehensive, and less burdensome set of improper-payment guidelines for agencies to follow. It also does an excellent job of detailing the requirements of the law and explaining some of the finer points of improper payments in general.

OMB's Improper Payment Website

https://www.whitehouse.gov/omb/financial_fia_improper/

The website houses a collection of links to some of the major laws and Office of Management and Budget guidelines regarding improper payments. It also houses a dataset of all of OMB's improper payments made between 2004 and 2011. POGO hopes this will be updated in the future to include more current information, but we assume that PaymentAccuracy is now serving as the primary resource for improper payments data.

Appendix B
Agency Financial Report Links

Agency	Link
Corporation for National Community Service	http://www.nationalservice.gov/about/budget-and-performance/performance-and-accountability-reports
Department of Agriculture	http://www.usda.gov/wps/portal/usda/usdahome?navid=PERFORMANCE_IMP
Department of Commerce	http://www.osec.doc.gov/ofm/OFM_Publications.html
Department of Defense	http://comptroller.defense.gov/FinancialManagement/Reports.aspx
Department of Education	http://www2.ed.gov/about/reports/annual/index.html
Department of Energy	http://energy.gov/cfo/reports/agency-financial-reports
Department of Health and Human Services	http://www.hhs.gov/afr/
Department of Homeland Security	https://www.dhs.gov/performance-accountability
Department of Housing and Urban Development	http://portal.hud.gov/hudportal/HUD?src=/program_offices/cfo/reports/cforept
Department of Justice	https://www.justice.gov/about/budget-and-performance
Department of Labor	http://www.dol.gov/general/aboutdol
Department of the Interior	https://www.doi.gov/pfm/afr
Department of the Treasury	https://www.treasury.gov/about/budget-performance/annual-performance-plan/Pages/default.aspx
Department of Transportation	https://www.transportation.gov/mission/budget/dot-budget-and-performance-documents
Department of Veterans Affairs	http://www.va.gov/finance/afr/index.asp
Environmental Protection Agency	https://www.epa.gov/planandbudget/results
Federal Communications Commission	https://www.fcc.gov/about/strategic-plans-budget
General Services Administration	http://www.gsa.gov/portal/category/100380
Office of Personnel Management	https://www.opm.gov/about-us/budget-performance/performance/
Railroad Retirement Board	https://www.rrb.gov/mep/fin_act_stat.asp
Small Business Administration	https://www.sba.gov/about-sba/sba-performance/performance-budget-finances/agency-financial-reports
Social Security Administration	https://www.ssa.gov/finance/