



Office of Audits  
Office of Inspector General  
U.S. General Services Administration

# GSA Complied With the Improper Payments Acts in Fiscal Year 2019

Report Number A200974/B/5/F20002  
May 15, 2020



---

## Office of Audits Office of Inspector General U.S. General Services Administration

---

We performed an audit of GSA's compliance with the Improper Payments Acts in Fiscal Year (FY) 2019 and have no reportable findings or recommendations.

We performed this audit as required by the Improper Payments Information Act of 2002, the Improper Payments Elimination and Recovery Act of 2010, and the Improper Payments Elimination and Recovery Improvement Act of 2012—collectively referred to as the Improper Payments Acts. These laws aim to eliminate and recover payments improperly made by federal agencies. The Improper Payments Acts require federal agencies to review their programs and identify those that are susceptible to significant improper payments. For programs identified, agencies are required to estimate, report, and reduce improper payments through corrective action. Each agency's Office of Inspector General is tasked with examining the agency's efforts. The objective of our audit was to determine if GSA complied with the Improper Payments Acts in FY 2019.

See **Appendix A** – Scope and Methodology for additional details.

### Background

In FY 2018, the federal government reported \$150 billion in estimated improper payments. Improper payments—payments that under statutory, contractual, administrative, or other legally applicable requirements should not have been made or were made in an incorrect amount—are a long-standing, widespread, and significant problem in the federal government. The goal of the Improper Payments Acts is for agencies to reduce and eventually eliminate improper payments in their programs.

### Guidance and Regulations

The Improper Payments Acts define improper payments as overpayments, underpayments, payments to ineligible recipients, payments for ineligible goods or services, duplicate payments, payments for goods or services not received, and payments that do not account for applicable discounts.

Office of Management and Budget (OMB) Memorandum M-18-20, issued on June 26, 2018, and OMB Circular No. A-136, *Financial Reporting Requirements*, revised on June 28, 2019—collectively referred to as OMB guidance—provide the most updated requirements for the

implementation of the Improper Payments Acts.<sup>1</sup> OMB has instructed agencies to report a payment as improper if they cannot determine whether the payment was correct due to lacking or insufficient documentation. OMB Memorandum M-18-20 defines a payment as any disbursement or transfer of federal funds to any non-federal person, non-federal entity, or federal employee that is made by a federal agency, federal contractor, federal grantee, or a governmental or other organization administering a federal program or activity.

The Improper Payments Acts require federal agencies to review their programs and identify those that are susceptible to significant improper payments. For programs identified, agencies are required to estimate, report, and reduce improper payments through corrective action.

These requirements were expanded by Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs*, which, among other things, required federal agencies to decrease improper payments by intensifying efforts to eliminate payment error, waste, fraud, and abuse in the major programs administered by the federal government.

To eliminate improper payments, OMB Memorandum M-18-20 states that an agency must first conduct a risk assessment to identify the programs most susceptible to significant improper payments. The memorandum specifies that improper payments are considered “significant” if, in a given year, the gross improper payments in a program: (1) exceed both 1.5 percent of the program payments and \$10 million or (2) exceed \$100 million regardless of the improper payment percentage. An agency is required to assess each program’s risk at least every 3 years.

If a program is susceptible to significant improper payments, the agency is required to estimate and report improper payments for that program annually, in addition to implementing corrective actions to reduce its improper payments. An agency must certify to OMB that the improper payments estimate is statistically valid. The estimates are then included in the accompanying materials to the Agency Financial Report (AFR). Agencies must also provide these estimates to OMB for inclusion in government-wide improper payment estimates.

However, if a program’s estimated and reported improper payments are below the statutory thresholds for a minimum of 2 consecutive years, the agency may request a relief from the annual reporting requirements for that program. This request must be submitted in writing to OMB and should include an assertion from the agency’s Office of Inspector General that it concurs with the agency’s request for relief. Requests may be submitted without an assertion from the agency’s Office of Inspector General if the agency notes the reason(s) the Office of Inspector General would not provide an assertion. If OMB approves the request, it issues a waiver for reporting requirements and the agency shall incorporate that program or activity into its risk assessment cycle.

---

<sup>1</sup> OMB Memorandum M-18-20 modified Appendix C to Circular No. A-123, *Requirements for Payment Integrity Improvement*, and provides comprehensive information regarding Improper Payments Acts processes and requirements. OMB Circular No. A-136 provides detailed instructions for the reporting of improper payments.

Because the aim of the Improper Payments Acts is to eliminate improper payments, agencies must implement a plan to reduce future improper payments. Agencies must identify root causes of improper payments and implement corrective actions to mitigate them. Agencies are also required to publish and meet annual reduction targets for programs susceptible to significant improper payments. Finally, agencies must ensure designated program officials are held accountable for reducing improper payments.

### **The Office of Inspector General's Role**

The Improper Payments Acts require the Office of Inspector General to test for compliance by determining if an agency:

- Published an AFR for the most recent fiscal year and posted it on the agency's website;
- Conducted a program-specific risk assessment for each program or activity;
- Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments;
- Published programmatic corrective action plans;
- Published and met annual reduction targets for each program assessed to be at risk and measured for improper payments; and
- Reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate is obtained and published in the AFR.

According to OMB Memorandum M-18-20, when determining compliance with the Improper Payments Acts, the agency Office of Inspector General should evaluate the accuracy and completeness of agency reporting and evaluate agency performance in reducing and recapturing improper payments.

### **FY 2018 Audit Results**

In FY 2018, GSA's improper payments reporting focused on its last high-risk program, the Rental of Space program. After testing, GSA reported an estimated \$16.7 million in improper payments for the Rental of Space program in its FY 2018 AFR.

Our audit of GSA's FY 2018 reporting found that GSA did not comply with two of the six requirements of the Improper Payments Acts. GSA did not: (1) publish an accurate improper payment estimate in its FY 2018 AFR and (2) publish accurate and complete improper payments data in its FY 2018 AFR. In addition, we found that GSA's risk assessment process was flawed and its procedures for the Do Not Pay initiative contained significant deficiencies and were ineffective.<sup>2</sup>

---

<sup>2</sup> GSA Did Not Comply with the Improper Payments Acts in Fiscal Year 2018 (Report Number A180103/B/3/F19002, May 31, 2019).

## GSA Obtains Waiver from Reporting on its High-Risk Program

Subsequent to publication of the FY 2018 AFR, GSA's Office of the Chief Financial Officer (OCFO) requested approval from OMB to remove its Rental of Space Program from the annual requirement to estimate improper payments. The OCFO cited the significant administrative burden to monitor and report on Rental of Space improper payments.

In a letter dated December 12, 2018, the OCFO also requested concurrence from our office to remove this program from the annual requirement to estimate improper payments in accordance with OMB Memorandum M-18-20. We did not concur with the OCFO's request, noting that our audits of GSA's compliance with the Improper Payments Acts for FYs 2017 and 2018 determined that GSA had not been in compliance due to issues related to the Rental of Space program and had not demonstrated that the Rental of Space program is no longer at high risk for improper payments.

On August 1, 2019, OMB approved the OCFO's request and provided a waiver from improper payment reporting for GSA's Rental of Space program.

As a result, GSA is only required to meet two of the Improper Payment Act's six requirements: (1) to publish and post an AFR for the most recent fiscal year and (2) to conduct program-specific risk assessments. The remaining four requirements apply only to high-risk programs. Because GSA no longer has any high-risk programs to report, it does not have to address those four requirements.

## Results

We determined that, in FY 2019, GSA complied with the Improper Payments Acts. As shown in *Figure 1*, GSA published an FY 2019 AFR and conducted applicable risk assessments, as required. The other four requirements were not applicable.

**Figure 1 – Summary of GSA's FY 2019 Compliance with the Improper Payments Acts**

| FY 2019 Overall Evaluation | Published an AFR | Conducted Risk Assessment | Published an Improper Payment Estimate | Published Corrective Action Plans | Published and is Meeting Reduction Targets | Reported an Improper Payment Rate Less Than 10 Percent |
|----------------------------|------------------|---------------------------|--|-----------------------------------|--|--|
| Compliant                  | Compliant        | Compliant                 | Not Applicable                         | Not Applicable                    | Not Applicable                             | Not Applicable   |

## GSA Comments

The OCFO agreed with our audit conclusion. The OCFO's written comments are included in their entirety as **Appendix B**.

## Audit Team

This audit was managed out of the Great Lakes Region Audit Office and conducted by the individuals listed below:

|                  |   |
|------------------|---|
| Adam Gooch       | Regional Inspector General for Auditing |
| Franklin Moy     | Audit Manager                           |
| Mikhail Kostikov | Auditor-In-Charge                       |
| Robert Lange     | Auditor                                 |

---

## ***Appendix A – Scope and Methodology***

---

We examined the OCFO's processes related to compliance with the Improper Payments Acts in FY 2019.

To accomplish our objective, we:

- Examined relevant criteria, including public laws, executive orders, OMB memorandums, and GSA directives;
- Evaluated the OCFO's actions to address recommendations in our FY 2018 audit report;
- Evaluated the OCFO's processes to identify and reduce improper payments;
- Selected and tested all 364 Rental of Space transactions the OCFO tested to determine if the OCFO reached correct determinations;
- Accessed GSA systems to pull lease agreements and other supporting documents to verify lease payments;
- Accessed GSA systems to verify payment information for Rental of Space program payments;
- Examined supporting documentation for the OCFO's reporting of improper payments in GSA's FY 2019 AFR;
- Held discussions with OCFO officials regarding improper payment identification, risk assessment, reporting, and recapture;
- Reviewed relevant criteria, including GSA lease contract requirements and Agency guidance;
- Corresponded with OMB officials regarding improper payment identification; and
- Reviewed previous Office of Inspector General improper payment reports.

We conducted the audit between October 2019 and February 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.

### **Internal Controls**

We determined internal controls were not significant to our audit objectives. Accordingly, we did not assess the design, implementation, and operating effectiveness of internal controls. Our assessment of internal controls was limited to those necessary to address the objective of the audit.

---

## Appendix B – GSA Comments

---



GSA Office of the Chief Financial Officer

MEMORANDUM FOR ADAM GOOCH

REGIONAL INSPECTOR GENERAL FOR AUDITING  
GREAT LAKES REGION AUDIT OFFICE (JA-5)

FROM GERARD BADORREK e-Signed by Gerard Badorrek  
CHIEF FINANCIAL OFFICER (B) on 2020-05-11  
2020-05-11

SUBJECT Response to Office of Inspector General Draft Report GSA  
*Complied With the Improper Payment Acts in Fiscal Year 2019*  
*Assignment Number A200974*

Thank you for the opportunity to comment on the Office of Inspector General Draft Report *GSA Complied with the Improper Payment Acts in Fiscal Year 2019 Assignment Number A200974*.

As you acknowledged in your report, the General Services Administration (GSA) fully complied with all of the required components of the Improper Payment Act.

GSA concurs with the report.

We appreciate the communication and diligence throughout this audit process.

Should you have any questions regarding this matter, please contact Kathy Hammer @ [kathy.hammer@gsa.gov](mailto:kathy.hammer@gsa.gov).

U.S. General Services Administration  
1800 F Street, NW  
Washington, DC 20405  
[www.gsa.gov](http://www.gsa.gov)



---

## ***Appendix C – Report Distribution***

---

GSA Administrator (A)

GSA Deputy Administrator (AD)

Chief Financial Officer (B)

Deputy Chief Financial Officer (B)

Chief of Staff (B)

Director of Financial Management (BG)

Chief Administrative Services Officer (H)

Audit Management Division (H1EB)

Assistant Inspector General for Auditing (JA)

Director, Audit Planning, Policy, and Operations Staff (JAO)

Office of Management and Budget (OMB)

Homeland Security and Governmental Affairs Committee (HSGAC)

House Committee on Oversight and Government Reform

Comptroller General (GAO)