



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

GSA Complied with the Improper Payments Acts in Fiscal Year 2020

Report Number A210015/B/5/F21003
May 11, 2021



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We performed an audit of GSA’s compliance with the Improper Payments Acts in Fiscal Year (FY) 2020 and have no reportable findings or recommendations. However, we are reporting three observations for management’s attention.

We performed this audit as required by the Improper Payments Information Act of 2002, the Improper Payments Elimination and Recovery Act of 2010, the Improper Payments Elimination and Recovery Improvement Act of 2012, and the Payment Integrity Information Act of 2019 (PIIA)—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. The Improper Payments Acts require each agency’s Office of Inspector General (OIG) to assess agency compliance in six areas (as later described). The objective of our audit was to determine if GSA complied with the Improper Payments Acts in FY 2020.

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

Background

In FY 2020, the federal government reported over \$206 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 and Office of Management and Budget (OMB) guidance (see next page) 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, payments that do not account for applicable discounts, and payments supported by insufficient documentation.

In addition to the Improper Payments Acts, we used a combination of the following requirements to complete our FY 2020 audit:

- OMB Memorandum M-18-20, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement* (June 2018);
- OMB Memorandum M-18-14, *Implementation of Internal Controls and Grant Expenditures for the Disaster-Related Appropriations* (March 2018);
- OMB Circular A-136, *Financial Reporting Requirements* (August 2020);
- OMB Annual Data Call Instructions;
- OMB Payment Integrity Question and Answer Platform; and
- Council of the Inspectors General on Integrity and Efficiency guidance required under the PIIA.¹

These requirements were expanded by Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs*, which 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.

The Improper Payments Acts require federal agencies to review their programs and identify those that are susceptible to significant improper payments. OMB Memorandum M-18-20 states that improper payments are considered significant in a program, 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. If a program is identified as being susceptible to significant improper payments, agencies are required to estimate, report, and reduce improper payments through corrective action. An agency is required to assess each program's risk at least every 3 years.

OMB Memorandum M-18-14 requires that agencies receiving disaster relief funding implement improper payment measurements in the most cost-effective manner. 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.

The Office of Inspector General's Role

The Improper Payments Acts require the OIG 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;

¹ We used this guidance for our audit because the OMB guidance related to the PIIA was not expected to be issued until February 2021.

- Published and met annual reduction targets for each program assessed to be at risk and measured for improper payments; and
- Reported an 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 OIG should evaluate the accuracy and completeness of agency reporting and evaluate agency performance in reducing and recapturing improper payments.

Results

We determined that, in FY 2020, GSA complied with the Improper Payments Acts. As shown in *Figure 1*, GSA published an FY 2020 AFR, conducted applicable risk assessments, published an improper payment estimate, and reported an improper payment rate less than 10 percent, as required. For Disaster Relief, GSA’s only high-risk program, the Agency was not required to publish an action plan or publish and meet reduction targets; therefore, these requirements were not applicable.

Figure 1 – Summary of GSA’s FY 2020 Compliance with the Improper Payments Acts

FY 2020 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	Compliant	Not Applicable	Not Applicable	Compliant

There are no reportable findings or recommendations resulting from this audit. However, we identified three observations for management’s attention:

1. The FY 2020 AFR erroneously cited our improper payments audit for FY 2019 as being a “clear” audit of the GSA Office of the Chief Financial Officer’s (OCFO’s) internal controls over improper payments for leases.
2. The OCFO overstated GSA’s claims receivable aging balance by approximately \$3.5 million.
3. An OCFO key control over GSA’s Improper Payments Acts compliance and reporting was not effectively implemented or used.

Observations

Observation 1 – The FY 2020 AFR erroneously cited our improper payments audit for FY 2019 as being a “clear” audit of the OCFO’s internal controls over improper payments for leases.

In accordance with OMB Circular A-136, GSA is required to produce an AFR. The AFR presents GSA’s financial information relative to its mission and stewardship of the resources entrusted to the Agency. The AFR also highlights GSA’s priorities, accomplishments, and challenges.

As part of the AFR, GSA included our *Assessment of GSA’s Management and Performance Challenges for Fiscal Year 2021*, in which we detailed nine management challenges. The first challenge presented was “Establishing and Maintaining an Effective Internal Control Environment.” As part of the AFR, GSA responded to the identified management challenge stating, “PBS received a clear audit from the OIG’s review of OCFO Internal Controls over Improper Payments for leases.”

This is a mischaracterization of both the scope and the results of the improper payments audit for FY 2019.² We did not conduct a review of the OCFO’s internal controls over improper payments for leases as part of the audit and did not make any conclusions related to improper payment for leases. Accordingly, the statement is erroneous and misleading.

Observation 2 – The OCFO overstated GSA’s claims receivable aging balance by approximately \$3.5 million.

As part of the AFR reporting process, OMB requires GSA to report on aging of outstanding overpayments identified in the payment recapture audit. This information was required to be reported to OMB on the *paymentaccuracy.gov* website. The OCFO overstated the amount outstanding by approximately \$3.5 million for FY 2020 and reported it to OMB.

When we asked OCFO officials about this issue, they stated that the overstatement was due to a computational error. The formula used by the OCFO did not reduce the total outstanding overpayment amount by the amount collected at the end of FY 2020. They stated that the data is downloaded by October 15, 2020, and the due date for the OMB data call was October 16, 2020. According to the OCFO, this left them a limited amount of time to complete the complex analysis and submit it by the required due date.

Observation 3 – An OCFO key control over GSA’s Improper Payments Acts compliance and reporting was not effectively implemented or used.

As part of our audit of GSA’s compliance with the Improper Payments Acts, we reviewed applicable internal controls. We obtained a copy of the OCFO’s standard operating procedures (SOP), created by the OCFO’s Internal Controls Compliance Branch. The SOP documents key

² *GSA Complied With the Improper Payments Acts in Fiscal Year 2019* (Report Number A200974/B/5/F20002, May 15, 2020).

processes, including payments review, recovery audit process, reporting requirements, program self-assessments, and work to support the statement of assurance. According to the OCFO, the SOP is updated as needed based on any new updated regulatory guidance and the results of the annual audit of improper payments conducted by our office.

One SOP key control over Improper Payments Acts compliance and reporting is the verification checklist. According to the OCFO, the verification checklist should be used to ensure all improper payments reporting requirements are documented in the AFR in accordance with OMB policy. Additionally, the SOP requires that the verification checklist be reviewed and updated annually. The SOP notes that the Internal Controls Compliance Branch Chief and Internal Controls Division Director will perform supervisory review to independently verify the accuracy of improper payment numbers and reporting of AFR tables. We identified weaknesses involving this key control's design, implementation, and operating effectiveness.

Our assessment of the verification checklist control's design revealed that it has not been updated or used since 2017. Due to the passing of the PIIA in 2020 and OMB guidance since 2017, the verification checklist should have been updated to ensure it stayed current. Further, the SOP makes it mandatory for the verification checklist to be updated annually. Finally, the checklist's outlined procedures were not performed or signed off on since 2017.

Conclusion

We determined that, in FY 2020, GSA complied with the Improper Payments Acts, and have no reportable findings or recommendations resulting from this audit. However, we identified three observations for management's attention. Except for the observations noted above, our evaluation of the accuracy and completeness of GSA's reporting and performance in reducing and recapturing improper payments showed that GSA's reporting and performance was adequate.

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
Seth Kidney	Management Analyst

Appendix A – Scope and Methodology

We examined the OCFO's processes related to compliance with the Improper Payments Acts in FY 2020.

To accomplish our objective, we:

- Examined relevant criteria, including public laws, executive orders, auditing and internal control standards, OMB memorandums, and GSA directives;
- Evaluated the OCFO's processes to identify and reduce improper payments;
- Tested all 48 Disaster Relief program transactions the OCFO tested;
- Accessed GSA systems to pull vendor invoice detail and other supporting documents to verify payments to vendors under the Disaster Relief program;
- Accessed GSA systems to verify payment information for Disaster Relief program payments;
- Examined supporting documentation for the OCFO's reporting on improper payments in GSA's FY 2020 AFR;
- Held discussions with OCFO officials regarding improper payment identification, risk assessment, reporting, and improper payments estimation;
- Reviewed previous GSA OIG improper payment reports;
- Reviewed the OCFO SOP document describing the controls, FY 2020 Internal Controls Division's Statement of Assurance, and the Disaster Relief program Improper Payments Acts compliance testing instructions;
- Evaluated the OCFO's adherence to the Government Accountability Office's (GAO's) *Standards for Internal Control in the Federal Government* for control environment, control activities, and operating effectiveness; and
- Assessed the design, implementation, and operating effectiveness of relevant internal controls.

We conducted the audit between October 2020 and February 2021 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 objective.

Internal Controls

We assessed internal controls significant within the context of our audit objective against GAO-14-704G, *Standards for Internal Control in the Federal Government*. Our assessment is not intended to provide assurance on GSA's internal control structure as a whole. GSA management is responsible for establishing and maintaining internal controls.

In planning and performing our audit, we identified the following internal control components and underlying internal control principles as significant to the audit objective:

Internal Control Components	Internal Control Principles
Control Environment	The oversight body should oversee the entity's internal control system.
Control Activities	Management should design control activities to achieve objectives and respond to risks.
Monitoring	Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

We assessed the design, implementation, and operating effectiveness of these internal controls. The methodology above describes the scope of our assessment and the report observations include any internal control deficiencies we identified. Because our audit was limited to these internal control components and underlying principles, it may not have disclosed all existing internal control deficiencies.

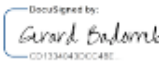
Appendix B – GSA Comments

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U.S. General Services Administration

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

FROM GERARD BADORREK (B)
CHIEF FINANCIAL OFFICER 

SUBJECT Response to Office of the Inspector General Draft Report GSA
Complied With the Improper Payments Acts in Fiscal Year 2020
Assignment Number A210015

Thank you for the opportunity to comment on the Office of the Inspector General draft Report *GSA Complied with the Improper Payments Acts in Fiscal Year 2020 Assignment Number A210015*.

As you acknowledge in your report, the General Services Administration (GSA) fully complied with the requirements of the Improper Payment Act in Fiscal Year 2020.

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 at kathy.hammer@gsa.gov.

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Appendix C – Report Distribution

Acting GSA Administrator (A)

GSA Deputy Administrator (AD)

Chief Financial Officer (B)

Acting Deputy Chief Financial Officer (B)

Chief of Staff (B)

Deputy Chief of Staff (B)

Director of Financial Management (BG)

Office of Audit Management and Accountability (BA)

Assistant Inspector General for Auditing (JA)

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

Office of Management and Budget

Committee on Homeland Security and Governmental Affairs of the Senate

Committee on Oversight and Reform of the House of Representatives

Comptroller General of the United States