

Federal Improper Payment Rate Rises for First Time in Five Years

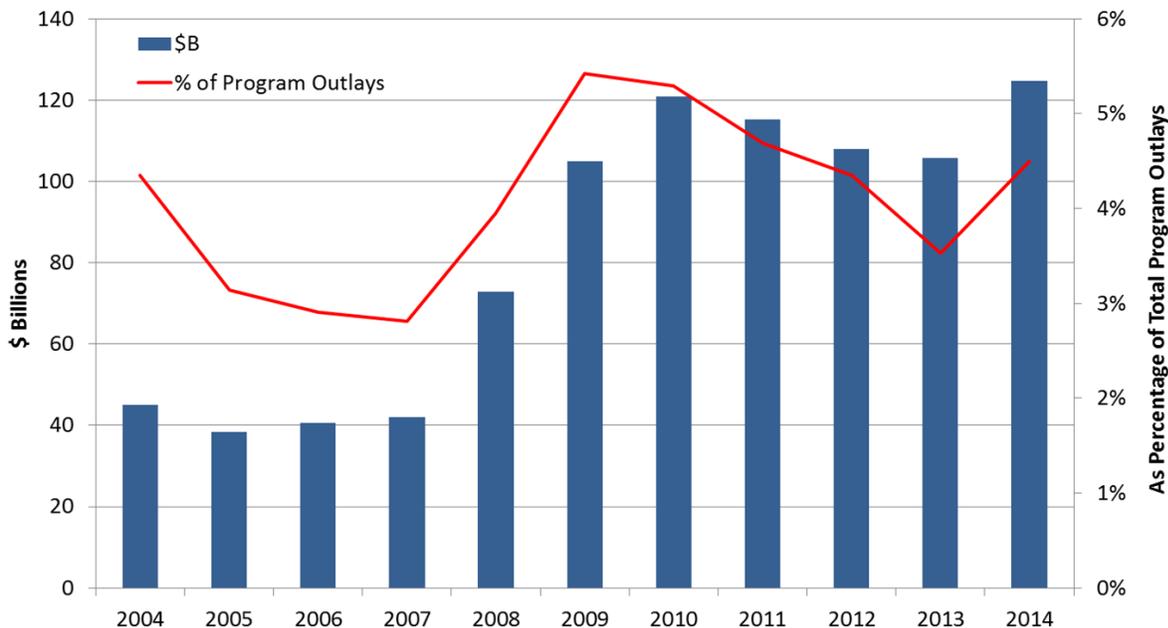
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The federal improper payment rate rose from 3.5% of program outlays in FY 2013 to 4.5% in FY 2014, amounting to \$124.7 billion up nearly \$19 billion from FY 2013.

The federal government hasn't seen a rise in the improper payment rate since FY 2009 when improper payments rose 5.4% over the FY 2008 rate. According to paymentaccuracy.gov, the improper payment goal for FY 2014 was 3.19% of total program outlays.

Federal Improper Payments



Source: OMB, GAO, Deltek

According to a recent [GAO report](#) on fragmentation, overlap, duplication, and improper payments, the rate increase was primarily due to estimates for Medicare, Medicaid, and the Earned Income Tax Credit, which account for over 76% of the government-wide estimate. The improper payment totals span 124 federal programs across 22 agencies.

Comptroller General Gene Dodaro told the Senate Budget Committee last week that the government has made progress in addressing program duplication and fragmentation. "For the first time in recent years, the government-wide improper payment estimate significantly increased."

GAO has made numerous recommendations it asserts could improve program management and help reduce improper payments such as improving the use of prepayment edits in Medicare and requiring states to audit Medicaid payments to and by managed care organizations.

Attention has been focused on improper payments for a number of years resulting in the enactment of the 2002, 2010 and 2012 improper payments acts. Until this past fiscal year, agencies have made headway in rooting out waste, fraud and abuse leading to a decline in improper payments and improper payment rates. However, agencies continue to face challenges, such as statutory limitations and compliance issues, in reducing improper payments.

OMB is in the process of updating some of its guidance to help agencies more easily identify improper payments. OMB is updating Circular A-123 to include GAO standards for internal management control assessments to limit fraud. The new Appendix C of A-123 will do the following:

- Reconcile most recent improper payment act requirements (IPERIA)
- Consolidate and streamline reporting requirements
- Provide more detailed categorization of improper payments and establish a taxonomy
- Add on an internal control framework for addressing improper payments

In an interview with Federal News Radio, OMB Controller David Mader stated, "OMB will be working closely with several of the departments over the course of 2015 to see if we can better understand what is driving the improper payment rate, and then stepping back and saying to ourselves, 'can we mitigate that risk, because it is a risk, by changing business processes, introducing technology, bringing in new data to look at and/or do we need some legislative fixes?'"

