



Highlights of [GAO-09-442](#), a report to congressional requesters

Why GAO Did This Study

The Department of Defense (DOD) is required, as are other federal executive agencies, to report improper payment information under the Improper Payments Information Act of 2002 (IPIA) and recovery auditing information under section 831 of the National Defense Authorization Act for Fiscal Year 2002, commonly known as the Recovery Auditing Act. The DOD Office of Inspector General has previously reported deficiencies at DOD related to these acts and GAO's prior work on DOD's reporting of its fiscal year 2006 travel improper payments estimate also identified shortcomings. Because of these and other long-standing weaknesses, the subcommittee asked GAO to examine DOD's fiscal year 2007 improper payment and recovery audit reporting to determine whether adequate processes existed to address both statutory requirements. To complete this work, GAO reviewed DOD's annual reports, conducted site visits, and met with cognizant DOD officials.

What GAO Recommends

GAO made 13 recommendations aimed at improving DOD's efforts to strengthen its improper payment and recovery auditing processes. DOD concurred with only one of our recommendations and provided technical comments which we incorporated as appropriate. GAO continues to believe the recommendations are appropriate to meet the intent of both acts and improve management of these key activities.

[View GAO-09-442](#) or [key components](#). For more information, contact Kay L. Daly at (202) 512-9095 or dalykl@gao.gov.

IMPROPER PAYMENTS

Significant Improvements Needed in DOD's Efforts to Address Improper Payment and Recovery Auditing Requirements

What GAO Found

DOD's process for addressing IPIA requirements had significant weaknesses. For example, as shown in the figure below, DOD did not conduct risk assessments for all of its payment activities as \$322 billion in agency outlays were excluded from the amounts assessed. For those payment activities reviewed, DOD assessed the risk of improper payments occurring as low despite the department's long-standing financial management weaknesses and could not provide documentation supporting the methodologies used and the final risk level. GAO also found that DOD did not estimate improper payments for commercial pay under IPIA requirements, its largest payment activity. Further, the Office of the Comptroller's oversight and monitoring activities were inadequate because they did not include verifying the accuracy and completeness of the information in the agency's financial report (AFR).

DOD's Fiscal Year 2007 Payment Population Subjected to the Risk Assessment and Estimation Processes under IPIA

Agency outlays \$815 Billion	
Risk assessments done \$493 Billion	Risk assessments not done \$322 Billion
Estimates done for five payment activities ^a \$152.7 Billion	Estimates not done for one payment activity—commercial pay \$340.3 Billion

Source: GAO analysis of DOD fiscal year 2007 payment activity outlays.

^aThe five payment activities include civilian pay, military health benefits, military pay, military retirement pay, and travel pay.

In addition to not estimating improper payments for commercial pay, DOD's processes for identifying and recovering commercial overpayments were inadequate, because they were not designed for this purpose as required by the Recovery Auditing Act. For example, GAO found that contract closeout processes were designed to ensure that applicable administrative actions had been completed (e.g., all classified documents were disposed of) and not to specifically identify contract overpayments. DOD also lacked detailed guidance on how to conduct a recovery audit program and did not fully address the recovery auditing reporting requirements in its AFR, such as disclosing the total cost associated with its recovery auditing activities. The Office of the Comptroller also did not verify the accuracy and completeness of the recovery audit information in the AFR, which resulted in \$20.5 billion being excluded from its universe of commercial payments. DOD stated that its processes were sufficient to address the requirements of both acts, but since then has taken some actions, such as updating relevant guidance. Until these critical deficiencies are addressed, DOD will be unable to determine the extent to which improper payments exist and are subsequently recovered.