H.R. 8343, ENHANCING IMPROPER PAYMENT ACCOUNTABILITY ACT

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The Enhancing Improper Payment Accountability Act would codify stringent and timely reporting requirements for new federal spending programs that dispense more than <u>$100 million annually</u> in their initial years of operation as well as for current programs that are required to report on improper payments but do not do so. When a report is not provided, the bill also directs federal agencies to provide a detailed explanation.

BACKGROUND

- According to the Government Accountability Office (GAO), "improper payments are payments that should not have been made or were made in the incorrect amount."
- Since 2003, the federal government has made **<u>$2.7 trillion</u>** in improper payments.
- In Fiscal Year (FY) 2023 alone, ***14 federal agencies*** reported a total of **<u>$236 billion</u>** in improper payments across ***71 government programs***. These inefficiencies reduce funding to programs and people in need.
- As new programs are created and federal spending soars, so does the risk of improper payments.
- Annual improper payments have increased from **<u>$106 billion</u>** in FY 2013 to **<u>$247 billion</u>** in FY 2022, a **<u>133 percent increase</u>**.

The true cost of improper payments is likely even higher than reported as some agencies with programs susceptible to significant improper payments do not report or report incomplete data.

THE PROBLEM

Agencies' internal controls for risk management can fail to highlight the susceptibility of new programs to significant financial waste, fraud, and abuse.

- A lack of permanent, structural risk management practices for new federal spending programs leaves them even more vulnerable to significant improper payments.

Gaps in improper payment reporting similarly disguise the full extent of fiscal mismanagement.

- In FY 2023, GAO identified eight programs considered susceptible to significant improper payments that were required to report estimates on improper payments but did not do so.
- GAO also found that **10 of the 24** largest executive branch agencies ***did not fully comply*** with reporting criteria from the Office of Management and Budget (OMB) and the Payment Integrity Information Act (PIIA).

THE SOLUTION

To reduce wasteful and fraudulent spending in new programs, the *Enhancing Improper Payment Accountability Act* would codify GAO recommendations to:

- Designate all new federal spending programs making more than **$100 million** in payments annually in the first three fiscal years as "susceptible to significant improper payments" in their initial four years of operation;
- Subject these programs to stringent and timely reporting requirements; and
- Require that agencies report on anti-fraud controls and fraud risk management efforts in their annual financial reports to Congress.

The *Enhancing Improper Payment Accountability Act* would also direct the President's Budget to disclose details on agencies and programs that are noncompliant with reporting requirements.

- Clear and in-depth reporting standards will allow the federal government to have a more accurate understanding of the problems agencies face in obtaining and relaying improper payment data.
- This good governance change will increase transparency in agencies.

All of this would support Congress and federal agencies in working toward preventing the occurrence of improper payments.

Preliminary cost estimates from the CBO indicate that the Enhancing Improper Payment Accountability Act will have an insignificant cost.