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United States Senate
WASHINGTON, DC 20510

June 26, 2001

The Honorable Hubert Bell
Nuclear Regulatory Commission
Mail Stop T5 D28
Washington, DC 20555

Dear Inspector General Bell:

We are confident you agree that administration of government funds is an essential public trust and that agencies have a clear duty to ensure that this money is properly spent in support of the agency's missions and goals. Yet, the General Accounting Office (GAO) has reported that in FY 1998 and FY 1999 agencies have made between \$19.1 billion and \$20.7 billion in improper payments. According to the GAO, these payments may stem from agency errors, such as duplicate payments; poor management of agency programs; or "outright fraud and abuse by program participants and/or agency employees." Since most agencies do not include estimates of their improper payments in their annual financial statements, the full amount of such payments probably is significantly greater. As GAO states, improper payments can result in wasteful spending, government programs serving fewer people, or a higher relative tax burden.

Chairman Lieberman asked the GAO to study the best practices used by private industry, state and local governments, foreign governments and some federal agencies to reduce improper payments. The enclosed executive guide, "Strategies to Manage Improper Payments," outlines these strategies and notes that many of the causes of improper payments can be traced to breakdowns in internal controls, such as insufficient oversight and monitoring, inadequate eligibility controls, and automated system deficiencies.

We are writing to the 24 major departments and agencies asking that they review this report with a focus on evaluating the adequacy of their internal controls and implementing those strategies that are appropriate for each agency. We would appreciate your assessment of your agency's efforts in the following areas:

- GAO's executive guide breaks down the strategic actions agencies should take to reduce improper payments into five general components of internal control. The first of these components is described as the "control environment." What does your agency plan to do to "creat[e] a culture of accountability that provides a positive and supportive attitude toward improvement and the achievement of established program outcomes" as GAO suggests?

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- GAO's second component is "risk assessment," which it recommends that agencies undertake to determine the nature and extent of the problem and identify the most significant problems. To what extent are improper payments in your agency the result of agency error, a need for improved oversight and monitoring, inadequate eligibility controls, fraud, or other causes? What is the amount of improper payments your agency has made in the last two fiscal years?
- GAO suggests that the first "risk assessment" strategy is to "institute a systematic process to estimate the level of improper payments being made by the organization." If you do not yet know the nature and extent of your agency's improper payments, what is your agency doing to find out?
- GAO recommends that, once an agency has identified areas that are at risk and quantified the possible extent of the risk, and the agency has committed to reducing the risk, the agency must take action to achieve its goals. In addition, GAO notes that agency managers need relevant, reliable and timely information from both internal and external sources to achieve their goals. What efforts are underway at your agency to design and implement a plan for significantly reducing the amount of, and the potential for making, improper payments? How does this plan address security and privacy concerns related to the information needed to carry out the plan? What is your assessment of your agency's plans to address these issues, the goals it expects to achieve, and its timetable for completing these actions?
- The final component of GAO's internal control model is "monitoring," which allows the agency to track its improvement initiatives over time and identify additional actions needed to further improve efficiency and effectiveness. How will your agency track and report on its progress? Does it, or will it, "establish agency-specific goals and measures for reducing improper payments?" Will your agency provide its estimates of improper payments in its annual financial statements or in some other transparent way?

We look forward to your input on the above questions and any thoughts you may have on the GAO report. Thank you for your attention to this matter.



Joseph I. Lieberman
Chairman

Sincerely,



Fred Thompson
Ranking Member