



United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

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June 15, 1999

The Honorable Dan Burton
Chairman, Committee on Government Reform
House of Representatives

Subject: Comments on the "Government Waste Corrections Act of 1999" (H.R. 1827)

Dear Mr. Chairman:

As you requested, we reviewed your proposed legislation entitled the "Government Waste Corrections Act of 1999" (H.R. 1827). The act would require the use of "recovery auditing"¹ by Federal agencies and provide incentives to improve Federal management practices with the goal of reducing overpayments.

Recently, we issued two reports² on (1) DOD's demonstration program to evaluate the feasibility of using private contractors to identify overpayments made to vendors and (2) DOD's steps to expand the use of recovery auditing. In the first report, we concluded that recovery auditing offers potential to identify overpayments. However, we noted problems with DOD's implementation of the program and made recommendations to improve the program. In the second report, we pointed out that DOD was examining opportunities to further use recovery auditing.

We believe that your proposed act would be a positive step in the government's efforts to reduce overpayments and to obtain timely recovery of overpayments when they occur. The act also addresses recommendations we made in our recent report on DOD's demonstration program. This includes giving the head of an executive agency the option to perform recovery auditing with internal staff, by contract or through a combination of both internal staff and contract. It is very important that heads of agencies perform a sound evaluation of the applicability of recovery auditing

¹ Recovery auditing is a process to identify and recover overpayments. It began about 30 years ago, and it is used in several commercial industries and to a limited extent within DOD.

² Contract Management: Recovery Auditing Offers Potential to Identify Overpayments (GAO/NSIAD-99-12, Dec. 3, 1998); Contract Management: DOD Is Examining Opportunities to Further Use Recovery Auditing (GAO/NSIAD-99-78, Mar. 17, 1999).

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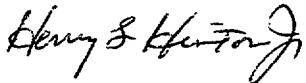
to their operations and the cost benefits of undertaking moderate internal recovery auditing before asking an external group to do such auditing.

It is also important that those performing recovery auditing periodically report on the factors causing overpayments and the steps that can be taken to reduce such overpayments. One of our criticisms of DOD's demonstration program was that DOD did not implement the contractor's recommendations to reduce overpayments. We are pleased to see that the act requires the contractor to provide periodic reports with recommendations on how to mitigate overpayment problems and that as a part of the agency's management improvement program, the agency is to give first priority to addressing problems that contribute to overpayments.

Finally, to encourage agencies to participate in recovery auditing, it is useful to provide means through which the agencies incurring expenses to support audit recovery can recover their costs. A positive feature of the proposed act is to allow applicable appropriations to be reimbursed for costs incurred by government activities in supporting recovery audit efforts.

We appreciate the opportunity to comment on this important piece of proposed legislation. If we can be of further assistance, please contact me at (202) 512-4300. Major contributors to this report are Charles W. Thompson and Daniel J. Hauser.

Sincerely yours,



Henry L. Hinton, Jr.
Assistant Comptroller General

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