



Report In Brief

APRIL 15, 2014

Background

The **Improper Payments Information Act of 2002 (IPIA)** requires federal agencies to (1) identify programs susceptible to improper payments; (2) estimate improper payment amounts for such programs; and (3) report these estimates, along with actions taken to reduce improper payments for programs with estimates that exceed \$10 million in improper payments. The **Improper Payments Elimination and Recovery Act of 2010** and **Improper Payments Elimination and Recovery Improvement Act of 2012** amended IPIA by expanding on the previous requirements and broadening recovery requirements for overpayments.

Broadly defined, *improper payments* are those the federal government has made in the wrong amount, to the wrong entity, or for the wrong reason. Federal agencies reported that the improper payment rate was 3.53 percent for fiscal year (FY) 2013, a decrease from the prior year's rate of 4.35 percent.

In FY 2013 the Department reported \$57 thousand in improper payments from recapture audits and \$9.2 million in overpayments which were identified through its ongoing improper payment monitoring and minimization efforts.

Why We Did This Review

We initiated this engagement to review the Department's compliance with IPIA—as required by the Office of Management and Budget's (OMB's) government-wide implementation guidance, Circular A-123, *Management's Responsibility for Internal Controls*, Appendix C, "Requirements for Effective Measurement and Remediation of Improper Payments." Specifically, we (1) assessed whether the Department complied with all applicable reporting requirements and (2) evaluated the accuracy and completeness of its reporting as well as its performance in reducing and recapturing improper payments.

OFFICE OF THE SECRETARY

FY 2013 Compliance with Improper Payment Requirements

OIG-14-016-I

WHAT WE FOUND

To comply with IPIA and OMB Circular A-123, Appendix C, the Department implemented procedures in FY 2013 to detect and prevent improper payments—conducting program risk assessments, reviewing a sample of FY 2013 disbursements, performing payment recapture audits, and conducting routine monitoring procedures. These assessments revealed no programs or activities susceptible to significant risk of improper payments.

In addition, the Department's review did not identify any significant improper payments among its approximately \$13.7 billion in outlays. The Department's routine monitoring efforts in FY 2013 identified almost \$9.2 million in overpayments, of which more than \$5 million was confirmed by the Department as recaptured. Based on these activities, we found the Department met the applicable OMB criteria for compliance with IPIA. The Department has also implemented corrective actions to address the finding identified in our March 2013 report on improper payment practices and reporting. A summary of the Department's relevant FY 2013 practices and results appear in the U.S. Department of Commerce FY 2013 *Agency Financial Report*.

While the Department met the applicable compliance requirements for FY 2013, we determined that the Department could further improve its improper payment practices related to bureau reporting of quarterly improper payment data. For FY 2013, we found that the Department did not follow up with the bureaus to determine whether their quarterly improper payment data included any amounts related to the unresolved audits identified in prior years. As a result, we believe there is a risk that the Department should have reported additional improper payment amounts in FY 2013.

WHAT WE RECOMMEND

We recommend that the Deputy Chief Financial Officer and Director for Financial Management enhance the Department's processes to ensure that bureaus specifically provide, in their quarterly improper payment reporting, the status of unresolved audits identified in prior years and whether any improper payments were identified and recaptured upon final resolution.