Report In Brief

MAY 15, 2015

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. In FY 2014 the Department reported $9.4 million in overpayments, of which more than $7.2 million were identified through its ongoing improper payment monitoring and minimization efforts and recaptured.

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 Control*, Appendix C, "Requirements for Effective Estimation 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 2014 Compliance with Improper Payment Requirements

OIG-15-029-I

WHAT WE FOUND

To comply with IPIA and OMB Circular A-123, Appendix C, the Department implemented procedures in FY 2014 to detect and prevent improper payments—conducting selected program risk assessments, engaging a contractor to perform payment recapture audits, conducting routine monitoring procedures, disclosing required data in the U.S. Department of Commerce FY 2014 *Agency Financial Report* (*AFR*), and publishing and posting on the web the FY 2014 *AFR*. These assessments revealed no programs or activities susceptible to significant risk of improper payments.

During the FY 2014 risk assessment process, the Department did not identify any programs or activities susceptible to significant improper payments. The Department's routine monitoring efforts in FY 2014 did identify almost $9.4 million in overpayments, of which more than $7.2 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. A summary of the Department's relevant FY 2014 practices and results appear in the Department's FY 2014 *AFR*.

Our review of the actions taken by the Department to comply with IPIA and OMB requirements identified that the Department can further improve the risk assessment process. Specifically, we found that the risk assessment process could be improved in the following three areas: consideration of required risk factors; inclusion of payments to employees; and documentation of significant changes in legislation and funding of its programs and activities.

WHAT WE RECOMMEND

We recommend that the Deputy Chief Financial Officer and Director for Financial Management strengthen the risk assessment process by

1. adding assessment areas that result in consideration of all OMB required risk factors and providing guidance on topic requirements or factors that should be addressed within each area of the risk assessment;
2. establishing a policy or procedure to ensure that changes and updates to laws and regulations affecting improper payment requirements are identified and implemented timely, including providing notification of such changes to bureaus; and
3. providing bureaus with guidelines to determine what constitutes significant changes in legislation and funding within the Department's programs and activities and requesting timely notification of such changes so that program and activity risk assessment can be performed in the next annual cycle.