



Report in Brief

MAY 11, 2016

Background

The **Improper Payments Information Act of 2002 (IPIA)** requires federal agencies to (1) identify programs that may be susceptible to significant 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. The **Improper Payments Elimination and Recovery Act of 2010** and **Improper Payments Elimination and Recovery Improvement Act of 2012** amended IPIA by expanding on these previous requirements and broadening recovery requirements for overpayments.

Broadly defined, *improper payments* are those the federal government has made for the wrong amount, to the wrong entity, or for the wrong reason. In FY 2015 the Department reported \$32.3 million in overpayments, as well as \$6.9 million in recaptured overpayments 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 amended—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 2015 Compliance with Improper Payment Requirements

OIG-16-027-I

WHAT WE FOUND

To meet the requirements of IPIA, as amended, and OMB Circular A-123, Appendix C, the Department performed procedures and reported the results of its FY 2015 actions to detect and prevent improper payments, including: (1) risk assessments of selected programs and activities; (2) engagement of a contractor to obtain the status of sustained disallowed costs for grants and other cooperative agreements and perform payment recapture audits; (3) engagement of a contractor to develop a statistical sampling methodology and test a sample of disbursements made under the Disaster Relief Appropriations Act; (4) routine monitoring procedures; (5) disclosure of improper payment data in the FY 2015 *Agency Financial Report (AFR)*; and (6) publication and posting of the FY 2015 *AFR*.

Each year, the Department evaluates a subset of its programs and activities based on a 3-year rotational schedule for conducting risk assessments. During the FY 2015 risk assessment process, the Department did not identify any programs or activities susceptible to significant improper payments. However, as required by the Disaster Relief Appropriations Act of 2013, the Department identified in its *AFR* that the \$326 million received by NOAA under the Act is susceptible to significant improper payments. OMB requires the Department to calculate and report a statistically valid improper payment estimate for the FY 2015 reporting period. Accordingly, the Department engaged an independent contractor to perform the statistical sampling of disbursements under the Disaster Relief Appropriations Act resulting in an improper payment estimate for these funds. The independent contractor found no improper disbursements and provided an improper payment estimate of zero percent.

The Department reported these results in its FY 2015 *AFR*, along with other required information. Based on these activities, we found that the Department met the applicable OMB criteria for compliance with IPIA. However, the Department can further improve the accuracy and completeness of the improper payment and payment recapture data reported in the *AFR*.

WHAT WE RECOMMEND

We recommend that the Acting Deputy Chief Financial Officer and Director for Financial Management develop control procedures to ensure that

1. the evaluation of unsupported costs identified in OIG reports and final determination of the propriety of these payments are made within a reasonable timeframe (for example, 3 months); and
2. the *AFR* describes all required aspects of the Department's payment recapture audit efforts identified in OMB Circular A-136.