



Report in Brief

May 12, 2017

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 2016 the Department reported \$4.8 million in overpayments, as well as \$5.4 million in recaptured overpayments identified through its ongoing improper payment monitoring, minimization, and payment recapture 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 Enterprise Risk Management and Internal Control*, appendix C, "Requirements for Effective Estimation and Remediation of Improper Payments." Our review objectives were to (1) assess whether the Department complied with all applicable improper payment requirements and (2) evaluate the accuracy and completeness of its reporting, as well as its performance in recapturing improper payments.

OFFICE OF THE SECRETARY

FY 2016 Compliance with Improper Payment Requirements

OIG-17-025-I

WHAT WE FOUND

Our review found that the Department met the OMB criteria for compliance with IPIA. To comply with IPIA, the Department must adhere to six requirements, four of which relate specifically to programs and activities susceptible to significant improper payments. The Department reported in its U.S. Department of Commerce FY 2016 *Agency Financial Report (AFR)* that programs and activities receiving funds under the Disaster Relief Appropriations Act of 2013 (Disaster Relief Appropriations Act) are susceptible to significant improper payments. Because the Department identified a program susceptible to significant improper payments during FY 2016, all of the OMB compliance requirements were applicable to the Department in FY 2016.

In addition, our evaluation of the Department's accuracy and completeness of its reporting, as well as its performance in recapturing improper payments, revealed that the Department can improve its AFR reporting, as it understated improper payment estimates for the funds NOAA received under the Disaster Relief Appropriations Act. We did not identify any findings related to the Department's FY 2016 payment recapture activities.

WHAT WE RECOMMEND

We recommend that the Deputy Chief Financial Officer and Director for Financial Management

1. develop a process to ensure that the sampling methodology and formulas in future statistical sampling and estimation plans are followed, in order to accurately calculate estimated improper payments for programs deemed susceptible to significant improper payments.