Report In Brief

U.S. Department of Commerce Office of Inspector General

March 25, 2011

Why We Did This Review

The Office of Inspector General (OIG) initiated this audit to review the Department's compliance with Office of Management and Budget (OMB) guidance for preventing and detecting grant fraud, waste, and abuse.

We focused on the Department's practices for reporting improper payments—payments that either should not have been made, or that were made to ineligible recipients or for ineligible goods and services—related to American Reinvestment and Recovery Act of 2009 (ARRA) funds.

In particular, we assessed whether the bureaus we reviewed (1) had processes in place to accurately report and recover improper payments; (2) completed risk assessments of ARRA grant programs and included risks specifically addressing fraud, waste, and abuse; (3) completed thorough internal controls assessments; and (4) complied with OMB's ARRA website requirements.

Background

The overarching goal of ARRA was to stimulate the U.S. economy by creating new jobs, investing in long-term growth, and encouraging accountability and transparency in government spending.

The Improper Payments Information Act of 2002 was enacted to increase public trust in government spending. The act requires the head of each agency to review its programs, which now include ARRA grants and contracts, for significant improper payments, and to report these payments to Congress.

Office of the Secretary

Commerce Needs to Strengthen Its Improper Payment Practices and Reporting *(OIG-11-021-A)*

What We Found

We sampled four bureaus—the Economic Development Administration (EDA), National Institute of Standards and Technology (NIST), National Oceanic and Atmospheric Administration (NOAA), and National Telecommunications and Information Administration (NTIA)—that received funding and awarded grants through ARRA. We found that the bureaus were generally in compliance with OMB guidance on improper payments and preventing and detecting grant fraud, waste, and abuse; however, several improvements should be made. We concluded that

1. Commerce did not have a comprehensive policy addressing all categories of improper payments; as a result, the four bureaus did not have practices in place to accurately report and recover improper payments. While the previous OMB guidance lacked clarity, recent draft guidance clearly identifies additional categories of payments.
2. Commerce did not elect to include grants in its improper payments reporting or annual recovery audits. By not including grants, the Department missed an opportunity to find and recover erroneous payments.
3. NIST, NOAA, and NTIA completed program risk assessments, but the assessments did not adequately measure the risk of fraud; EDA identified program risks, but did not determine a risk rating, which is an integral part of a risk assessment and is required by OMB guidance.
4. All of the bureaus we reviewed had completed internal controls assessments; however, these assessments were not included in the program risk assessments. The assessments also did not include specific fraud risk scenarios as a best practice.
5. All of the bureaus we reviewed were in compliance with OMB requirements to link their websites to the OIG website to report fraud, waste, and abuse.

What We Recommended

While we focused our review on the practices of these four bureaus, we addressed our recommendations to the Department as a whole since improper payments reporting is required for all programs and bureaus. We recommend the Department's Chief Financial Officer work with bureaus and programs to

1. provide additional improper payment guidance and training to Commerce bureaus to identify the categories, including grants, of improper payments that are required for improper payment reporting, and ensure that all categories are accurately and completely reported;
2. include grant payments in future recovery audits; and
3. expand internal control and program risk assessments to include specific fraud scenarios so that increased program and financial management attention can be focused on the likeliest risks for fraud, waste, and abuse.