Report In Brief

MARCH 15, 2013

Background

Improper payments are those made by the federal government in the wrong amount, to the wrong entity, or for the wrong reason. Federal agencies reported estimated improper payments of almost $108 billion (more than 4 percent of outlays) for FY 2012.

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** (IPERA) amended IPIA by expanding on the previous requirements for identifying, estimating, and reporting on programs and activities which were vulnerable to significant improper payments and broadening recovery requirements for overpayments.

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 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 2012 Compliance with Improper Payment Requirements

OIG-13-020-I

WHAT WE FOUND

To comply with IPIA and OMB Circular A-123, Appendix C, the Department implemented procedures in FY 2012 to detect and prevent improper payments—conducting program risk assessments, reviewing a sample of FY 2012 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 $14.8 billion in outlays. The Department's routine monitoring efforts in FY 2012 identified almost $1.2 million in improper payments, of which more than $1 million was confirmed by the Department as recaptured. Based on these activities, we found the Department to be in compliance. The Department has also implemented corrective actions to address some of the issues identified in our March 2012 report on improper payment practices and reporting. A summary of the Department's relevant FY 2012 practices and results appear in the U.S. Department of Commerce FY 2012 *Performance and Accountability Report (PAR)*.

While the Department met the applicable compliance requirements for FY 2012, we determined that the Department could further improve its improper payment implementation strategy related to ***payments made without sufficient documentation***. An OIG audit found that the Department paid more than $300,000 in award fees without proper justification for one contract. This amount was considered an unsupported cost. Any such payment made without sufficient documentation to determine propriety represents an improper payment. However, this amount was not included in the Department's FY 2012 improper payment reporting in the *PAR*.

WHAT WE RECOMMEND

We recommend that the Department identify items that lack sufficient documentation from OIG audits and reviews of its programs and activities—and report the unsupported costs related to those items as improper payments in its annual *PAR*.