Report in Brief

May 2, 2018

Background

As required by the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Appendix C, "Requirements for Effective Estimation and Remediation of Improper Payments"—government-wide guidance on detecting and preventing improper payments—we initiated this review to determine whether the Department complied with the Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA). We also reviewed whether the Department complied with applicable provisions of OMB Circular A-136 (revised August 2017), and OMB Circular A-123, Appendix C, as amended by OMB Memorandum M-15-02.

Broadly defined, *improper payments* (IPs) are those the federal government has made for the wrong amount, to the wrong entity, or for the wrong reason. Congress enacted IPIA to require agency management to plan and take actions to reduce such payments. It requires federal agencies to (1) identify programs and activities that may be susceptible to significant IPs, (2) estimate IP amounts for such programs and activities, and (3) report these estimates along with actions taken to reduce IPs for programs and activities with estimates that exceed $10 million. IPERA and IPERIA amended IPIA by expanding on these previous requirements and broadening recovery requirements for overpayments.

Why We Did This Review

Our review objectives were to (1) evaluate the Department's FY 2017 compliance with IPIA, as amended, and (2) review the accuracy and completeness of the Department's improper payment reporting in the *U.S. Department of Commerce FY 2017 Agency Financial Report* (*AFR*).

OFFICE OF THE SECRETARY

FY 2017 Compliance with Improper Payment Requirements

OIG-18-019-I

WHAT WE FOUND

To comply with IPIA, the Department must adhere to six requirements, four of which relate specifically to programs and activities susceptible to significant IPs. The Department's annual risk assessment process did not identify such programs and activities, however, the Department receives funds under the Disaster Relief Appropriations Act of 2013 (Disaster Relief Appropriations Act) which are deemed susceptible to significant IPs for the purposes of IPIA.

Our review found that the Department did not comply with IPIA, because it did not meet one of the six criteria for compliance. Nonetheless, nothing came to our attention during our review suggesting that the IP reporting within the *FY 2017 AFR* was inaccurate or incomplete.

WHAT WE RECOMMEND

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

1. Develop a documented policy and methodology for establishing an IP target rate that includes consideration of factors that could affect the IP rate.
2. Implement a process to address cause(s) of increases in the estimated IP rates.