



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

**U.S. DEPARTMENT OF THE INTERIOR'S
COMPLIANCE WITH THE
IMPROPER PAYMENTS ELIMINATION
AND RECOVERY ACT OF 2010
IN ITS FISCAL YEAR 2018
AGENCY FINANCIAL REPORT**



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Memorandum

MAY 30 2019

To: Secretary Bernhardt

From: Stephen Hardgrove
Chief of Staff

A handwritten signature in black ink, appearing to read "Hardgrove", written over the printed name of Stephen Hardgrove.

Subject: Final Inspection Report – U.S. Department of the Interior’s Compliance With the Improper Payments Elimination and Recovery Act of 2010 in Its Fiscal Year 2018 Agency Financial Report
Report No. 2019-FIN-030

In accordance with guidance from the Office of Management and Budget (OMB), we reviewed the “Payment Integrity” section in the U.S. Department of the Interior’s *Agency Financial Report FY 2018* (AFR). Our objective was to determine whether the Department met the requirements of the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and accurately and completely reported on improper payments in its AFR and accompanying materials. The attachment provides our scope and methodology.

We found that the Department complied with all applicable IPERA reporting requirements for fiscal year (FY) 2018; the applicable requirements were the first and second requirements of six. Specifically, it complied with the first requirement by publishing the AFR and posting it on the Department’s website, and the second by conducting a program-specific risk assessment for seven programs that met the reporting threshold for the fiscal year. We did not consider the four remaining IPERA reporting requirements applicable for this reporting period because the Department did not identify any programs that were susceptible to significant improper payments. Our analysis supported the Department’s conclusion.

Background

IPERA, which became law on July 22, 2010, amended the Improper Payments Information Act of 2002 to prevent the loss of taxpayer dollars through improper payments. The OMB issued Governmentwide guidance on the implementation of IPERA in April 2011. This guidance was updated on October 20, 2014, as OMB Memorandum M-15-02 (Appendix C to Circular No. A-123, *Requirements for Effective Estimation and Remediation of Improper Payments*). On June 26, 2018, the OMB replaced M-15-02 with M-18-20 (Transmittal of Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement*) to transform the improper payment compliance framework and create a more unified, more comprehensive, and less burdensome set of requirements.

IPERA requires each Federal agency to follow the OMB guidance to periodically review and identify all programs and activities that may be susceptible to significant improper payments. IPERA defines significant improper payments as (1) more than \$10 million of all program or activity payments made during the fiscal year reported and 1.5 percent of total program outlays or (2) more than \$100 million. To comply with IPERA, the agency must:

1. Publish an AFR that included a section related to IPERA reporting and post the AFR on the agency website—<https://www.doi.gov/pfm/afr/2018>
2. Perform a program-specific risk assessment on any new programs, programs with significant increases in expenditures, or programs due for assessment on a 3-year cycle
3. Publish improper payment estimates for all programs identified as susceptible to significant improper payments under its risk assessment
4. Publish programmatic corrective action plans, on the actions it has taken to reduce improper payments for programs or activities that have significant improper payments
5. Publish, and meet, annual reduction targets for each program assessed to be at risk and estimated for improper payments
6. Report a gross improper payment rate of less than 10 percent for each program for which an improper payment rate estimate was obtained and published

OMB Memorandum M-18-20 requires agencies to institute a systematic method of reviewing all programs to identify those susceptible to significant improper payments. The OMB requires agencies to perform risk assessments at least once every 3 years for programs that are deemed to be not susceptible to significant improper payments. The Department last performed risk assessments of its programs deemed not susceptible in FY 2016 and is due to perform risk assessments of its programs in FY 2019. If a program that is on a 3-year risk assessment cycle experiences a significant increase in its funding level, the OMB requires the agencies to reassess the program's risk susceptibility during the next annual cycle. For newly established programs, agencies should also complete a risk assessment after the first 12 months of the program.

OMB Memorandum M-18-20 also requires that each agency's Inspector General review the agency's improper payment reporting published in the agency's annual *Performance and Accountability Report* (PAR) or AFR and accompanying materials to determine whether the agency has complied with IPERA.

Results of Inspection

We found the Department complied with all applicable IPERA reporting requirements for fiscal year (FY) 2018; the applicable requirements were the first and second requirements of six. Specifically, it complied with the first requirement by publishing an AFR that included a section related to IPERA reporting and posting the AFR on its website—<https://www.doi.gov/pfm/afr/2018>. It complied with the second IPERA reporting requirement for

FY 2018 by performing the risk assessments on seven programs that were new or had significant increases in expenditures in FY 2018 (see Figure 1 on page 3). We determined that each program's risk assessment score was below the threshold that would have required the Department to report an improper payment estimate for the program. The four remaining IPERA reporting requirements were not applicable for this reporting period because the Department did not identify any programs that were susceptible to significant improper payments.

**Figure I. IPERA Criteria and the Department's Compliance
for Its Seven Applicable Programs**

PROGRAM	AFR/PAR	Risk Assessment	Improper Payment Estimate	Corrective Action Plans	Reduction Targets	Improper Payment Rate <10%
Land Acquisition (BLM)	Compliant	Compliant	N/A	N/A	N/A	N/A
ONRR Operations (DO)	Compliant	Compliant	N/A	N/A	N/A	N/A
National Wildlife Refuge Fund (FWS)	Compliant	Compliant	N/A	N/A	N/A	N/A
FWS Federal Aid-Highways (Liquidation of Contract Authorization) , DOT (FWS)	Compliant	Compliant	N/A	N/A	N/A	N/A
Concessioner Improvement Accounts (NPS)	Compliant	Compliant	N/A	N/A	N/A	N/A
BOR Central Utah Project Completion Account (BOR)	Compliant	Compliant	N/A	N/A	N/A	N/A
Utah Reclamation Mitigation and Conservation Account (BOR)	Compliant	Compliant	N/A	N/A	N/A	N/A

BLM – Bureau of Land Management
 BOR – Bureau of Reclamation
 DO – Departmental Offices
 DOT – Department of Transportation
 FWS – U.S. Fish and Wildlife Service
 NPS – National Park Service
 ONRR – Office of Natural Resources Revenue

The Department expended Hurricane Sandy Funds during FY 2018, so it is required by the Disaster Relief Act to identify these funds as susceptible to significant improper payments

and determine and report an improper payment estimate. During FY 2017, the Department applied for and received a waiver from the OMB for relief from the Act's requirement for reporting an improper payment estimate, but the OMB requested that the Hurricane Sandy program be placed on a cycle of risk assessment every 3 years. The next risk assessment for the Hurricane Sandy program is due in FY 2019. In addition, the OMB issued Memorandum M-18-14, *Implementation of Internal Controls and Grant Expenditures for the Disaster-Related Appropriations*, in FY 2018 requiring that beginning with FY 2019 reporting, disaster relief programs with expenditures meeting or exceeding \$10 million will automatically be considered susceptible to improper payments and therefore require an improper payment rate to be calculated and reported in the Department's AFR.

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit, inspection, and evaluation reports issued; actions taken to implement our recommendations; and recommendations that have not been implemented. We do not require a formal response to this report. If you have any questions regarding our inspection or require further information, please contact me at 202-208-5745.

Attachment

Scope and Methodology

The scope of this inspection was to review the improper payment information contained in the U.S. Department of the Interior's *Agency Financial Report FY 2018* (AFR) to ensure it complied with Improper Payments Elimination and Recovery Act of 2010 (IPERA) reporting requirements. We conducted this inspection from April through May 2019.

To accomplish our objective, we:

- Reviewed the AFR for information reported on improper payments
- Interviewed Office of Financial Management (PFM) staff
- Reviewed the Department's request for and the Office of Management and Budget's waiver of the IPERA requirement to report an improper payment rate for Hurricane Sandy relief program funding
- Reviewed the PFM's seven program-specific risk assessments
- Reviewed the Department's internal control over the preparation and reporting of the AFR.

We conducted our inspection in accordance with the Quality Standards for Inspection and Evaluation as put forth by the Council of the Inspectors General on Integrity and Efficiency. We believe that the work performed provides a reasonable basis for our conclusions.

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