



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 2017 AGENCY FINANCIAL REPORT



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Memorandum

MAY 14 2018

To: Secretary Zinke

From: Mary L. Kendall
Deputy Inspector General

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 2017 Agency Financial Report
Report No. 2018-FIN-035

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 fiscal year (FY) 2017 Agency Financial Report (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 FY 2017 AFR and accompanying materials. The attachment provides our scope and methodology.

We found that the Department complied with the first IPERA reporting requirement by publishing an AFR for FY 2017 and posting it on the Department’s website. We did not consider the five remaining IPERA reporting requirements applicable for this reporting period because the Department is currently operating under year 2 of a 3-year risk assessment and currently all programs have been assessed as low risk.

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*).

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. For each program and activity identified, the agency must produce a statistically valid estimate or an OMB-approved estimate of the improper payments and include the estimates in the materials accompanying its annual financial statements. The

agency then prepares a report on the actions it has taken to reduce improper payments for programs or activities that have significant improper payments. The report must describe the causes of the improper payments and include a corrective action plan.

To identify programs and activities susceptible to fraud, OMB Memorandum M-15-02 requires agencies to institute a systematic method of reviewing all programs and activities to identify those susceptible to significant improper payments. The OMB requires agencies to, at a minimum, assess risk against nine factors that are likely to contribute to improper payments. The Department performed a 3-year risk assessment in FY 2016 on 89 departmental programs and 7 “children” programs outside of the Department to be used for FY 2016–FY 2018 IPERA reporting.

OMB Memorandum M-15-02 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 that the Department complied with the first of six IPERA reporting requirements for FY 2017, as outlined in OMB Memorandum M-15-02, by publishing an AFR for FY 2017 that included a section related to IPERA reporting and by posting the AFR on its website—www.doi.gov/pfm/afr/2017. We found that the remaining five reporting requirements were not applicable for the FY 2017 reporting period because the Department performed risk assessments for 96 programs in FY 2016 and found all 96 programs to be low risk for significant improper payments (see Figure 1). The Department is required to conduct program risk assessments at least once every 3 years, and the Department is currently operating under year 2 of a 3-year risk assessment with the next round scheduled for FY 2019.

IPERA Requirement	Department Compliance
The agency published a PAR or AFR for the most recent fiscal year and posted that report on its website.	YES
The agency conducted a specific risk assessment for each program or activity in that fiscal year or obtained a waiver from the OMB.	N/A
The agency published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment.	N/A
The agency published programmatic corrective action plans in the PAR or AFR.	N/A
The agency published and met annual reduction targets for each program assessed to be at risk and measured for improper payments.	N/A
The agency reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the PAR or AFR.	N/A

Figure 1. IPERA criteria and the Department's compliance.

Since the Department expended Hurricane Sandy Funds during FY 2017, 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 risk assessment for the Hurricane Sandy program is due in fiscal year 2019.

There are two recommendations from our prior report that remain unimplemented. The Department's Office of Financial Management informed us that it plans to implement the recommendations by June 2018. We will review the effectiveness of the Department's implementation in a future IPERA report.

While we have no findings or recommendations related to this reporting, 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, however, you have any questions regarding our inspection, 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 fiscal year (FY) 2017 Agency Financial Report (AFR) to ensure it complied with IPERA reporting requirements. We conducted this inspection from March through April 2018.

To accomplish our objective, we—

- Reviewed the FY 2017 AFR for information reported on improper payments
- Reviewed the status of two open recommendations from our FY 2016 Improper Payments Elimination and Recovery Act (IPERA) compliance report
- Interviewed Office of Financial Management 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

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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