



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

APR 15 2014

Memorandum

To: Secretary Jewell

From: Mary L. Kendall
Deputy Inspector General

A handwritten signature in black ink, appearing to read "Mary L. Kendall", is written over the printed name and title.

Subject: Memorandum – U.S. Department of the Interior’s Compliance With the Improper Payments Elimination and Recovery Act of 2010 in the Fiscal Year 2013 “Agency Financial Report”
Report No. X-EV-OSS-0004-2014

This memorandum transmits the results of our review of the “Summary of Improper Payments” section in the U.S. Department of the Interior’s (DOI) fiscal year (FY) 2013 “Agency Financial Report” (AFR) to determine whether DOI met the requirements of the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Information Act of 2002 (IPIA). In addition, we evaluated DOI’s accuracy and completeness of reporting improper payments and its performance in reducing and recapturing improper payments.

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.

Background

IPERA, which became law on July 22, 2010, amended IPIA to prevent the loss of taxpayer dollars through improper payments. The Office of Management and Budget (OMB) issued Governmentwide guidance on the implementation of IPERA in April 2011.

IPERA requires the head of each agency to follow guidance provided by the OMB director to periodically review and identify all programs and activities that may be susceptible to significant improper payments. IPERA defines significant improper payments as 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 more than \$100 million in improper payments. 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 accompanying materials to the annual financial statements of the agency. The agency then prepares a report on the actions it has taken to reduce improper payments for programs or activities with significant improper payments. The report must describe the causes of the improper payments and include a corrective action plan.

An agency must report on the actions it took to recover improper payments identified in recovery audits required by IPERA. The reports should include—

- a discussion of the methods used to recover overpayments;
- the amounts recovered, amounts outstanding, and amounts determined not collectable, including the percentage of these amounts that represent the agency's total overpayments;
- a justification for determining why certain overpayments are not collectable;
- an aging schedule of the amounts outstanding;
- a summary of how the agency uses recovered amounts; and
- a discussion of any conditions causing improper payments and how those conditions are being resolved.

The agency must also provide a justification if it has determined that it was not cost effective to perform a recovery audit for any program or activity.

Responsibilities of the Agency's Inspector General

OMB guidance specifies that each agency's Inspector General should review the agency's improper payment reporting in its annual "Performance and Accountability Report" (PAR) or AFR and accompanying materials to determine whether the agency complied with IPERA.

According to OMB guidance, compliance with IPERA means that the agency has—

- published a PAR or AFR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency's website;
- conducted a specific risk assessment for each program or activity in FY 2013 that conforms with 31 U.S.C. § 3321 (if required) or obtain a waiver from OMB;
- published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required);
- published programmatic corrective action plans in the PAR or AFR (if required);
- published and met annual reduction targets for each program assessed to be at risk and measured for improper payments;
- 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; and
- reported information on its efforts to recapture improper payments.

If the Inspector General determines that an agency did not comply with all of these requirements, the agency did not comply with IPERA. The agency's Inspector General should also evaluate the agency's accuracy and completeness of reporting improper payments and its performance in reducing and recapturing improper payments.

Results of Review

We found that, as required by IPERA, DOI published an AFR for FY 2013 and posted that report on its website. Based on the results of its FY 2012 risk assessments and in accordance with OMB guidance, DOI placed its programs on a 3-year risk assessment cycle, with the next cycle due in FY 2015. In FY 2013, however, DOI received \$786.7 million to support Hurricane Sandy relief efforts. In accordance with OMB M-13-07, "Accountability for Funds Provided by the Disaster Relief Appropriations Act," Federal agencies that support Hurricane Sandy relief efforts must implement additional internal controls to prevent fraud, waste, and abuse of these funds. OMB M-13-07 also requires agencies to manage Hurricane Sandy relief funds in the same manner as programs designated as high risk for improper payments. As a result of these requirements, DOI will complete risk assessments on the FY 2013 high-risk programs and activities in FY 2014.

We also found that in FY 2013, DOI reestablished its recapture audit program with a pilot program in the Bureau of Land Management, the Bureau of Indian Affairs, the Bureau of Reclamation, and the U.S. Geological Survey. DOI expects completion of the audits in FY 2014 and will assess the cost effectiveness of expanding the recapture audit services to other bureaus after completing the pilot program.

We verified that DOI did not have to conduct any risk assessments in FY 2013, will complete risk assessments on the FY 2013 Hurricane Sandy high-risk programs and activities in FY 2014, and is currently conducting its payment recapture audit program. Therefore, we do not offer any recommendations. If you have any questions, please contact me at 202-208-5745.