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The Improper Payments Elimination and Recovery Act:
An Analysis of Five Years of Data

Staff Report

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Committee on Oversight and Government Reform

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Executive Summary

Ineffective financial management plagues the federal government. The Improper Payments Elimination and Recovery Act of 2010 (IPERA), which expanded the use of data to identify and control improper payments, makes the scope of the problem clear. This report examines federal improper payments after five years of IPERA reporting.

Improper payments are "any payment that should not have been made or that was made in an incorrect amount" which includes "any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts."[1]

The federal government has made nearly $600 billion improper payments in the past five years.

This definition includes payments in excess of the amount that should have been properly paid and payments that were less than the amounts that should have been properly paid.

With five years' worth of IPERA data now available, excessive improper payments costing taxpayers billions of dollars every year is clearly evident.[2]

Improper Payment means any payment that should not have been made or was made in an incorrect amount.

The federal government reported nearly $600 billion in improper payments in the past five years.[3] In FY 2015, the federal government reached a record number of improper payments, reporting $137 billion in improper payments government-wide.[4] More than 90 percent of improper payments were overpayments in FY 2015.[5]

In addition to reaching a record number of improper payments, in FY 2015 the federal government set another improper payments record – the record for the least number of agencies in compliance with IPERA. IPERA requires agencies to look for improper payments and assess whether programs are at risk of significant improper payments. Agencies must produce a statistically valid estimate of improper payments and conduct other analyses to reduce and recover improper payments. To ensure that agencies are making a good faith effort, Inspectors General (IG) are required to review their work.

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[1] Improper Payments Elimination and Recovery Act of 2010, Pub L. No. 111–204.
[2] *Id.*
[3] Gov't Accountability Office, *Improper Payments: Improvements Needed in Addressing Compliance Issues by CFO Act Agencies* (June 2016); Garrett Hatch, Cong. Research Serv., Improper Payments and Recovery Audits: Legislation, Implementation and Analysis (Oct. 13. 2013).
[4] Gov't Accountability Office, *Improper Payments: Improvements Needed in Addressing Compliance Issues by CFO Act Agencies* (June 2016).
[5] OMB, Paymentaccuracy.gov, *Overpayments vs. Underpayments (FY 2015), available at* https://paymentaccuracy.gov/govt-wide-over-under-payments (graph shows $126 billion in overpayments and $11 billion in underpayments).

In five years of reporting, nine of the 24 Chief Financial Officer (CFO) Act agencies have never complied with IPERA requirements (see page 8-10). In 2015, 16 CFO Act agencies were not compliant – the highest number of non-compliance in the past five years (see page 8-10). Just five agencies, all of which have never complied with IPERA, are responsible for 85 percent of the improper payments over the past five years (see page 10). The Department of Health and Human Services (HHS), one of the agencies with five years of noncompliance, has reported more than $363 billion in improper payments over five years (see page 10-11).

This report makes six recommendations to address noncompliance and improve improper payment rates (see page 15-17). The report also briefly discusses legal requirements and compliance with IPERA requirements (pages 4 -8), highlights the Department of Veterans Affairs as a case study of the importance of accurate estimates (pages 13-14), and discusses the need for additional data sources (pages 14-15). Each of the 24 Chief Financial Officer (CFO) Act agencies' FY 2015 IG IPERA reports are summarized to provide agency specific perspectives of improper payments.

Improper Payments Laws

Six IG Compliance Factors:

(1)Agency Financial Report

(2)Risk Assessments

(3)Publish Estimates

(4)Corrective Action Plans

(5)Reduction Targets

(6)<10% Rate

The first modern law to address improper payments was the Improper Payment Information Act of 2002 (IPIA).[6] IPIA requires all agencies to identify programs susceptible to significant improper payments, submit an estimated amount of improper payments to Congress, and report on actions to address improper payments. In FY 2001, before agencies began reporting under IPIA, agencies reported improper payment estimates of about $20 billion.[7] In the first year of IPIA reporting, FY 2004, the government-wide estimate reached $45 billion, but agencies had not yet included all of their risk-susceptible programs.[8]

IPERA Requirements

In 2010, IPERA expanded upon IPIA to require agencies to conduct more thorough improper payment reviews. The most significant changes IPERA made to IPIA involve more detailed requirements for reporting and estimates. Under IPERA, agencies are required to produce a statistically valid estimate, identify causes of improper payments, report to Congress on what additional resources are needed to correct the root causes, and report on actions to recover improper payments.

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[6] Improper Payment Information Act of 2002, Pub. L. No. 107-300.

[7] Gov't Accountability Office, *Improper Payments: Improvements Needed in Addressing Compliance Issues by CFO Act Agencies* (June 2016).

[8] *Id.*

Agencies report compliance with IPERA as part of their annual agency financial reports (AFR).[9]

Inspectors General Review

Inspectors General are required to annually review agency improper payment reporting and determine whether agencies have complied with IPERA requirements. Agencies are IPERA compliant if they meet the following six requirements:

(1) Publish an annual financial report (AFR) and post the report online,

(2) Conduct program specific risk assessments,

(3) Publish improper payment estimates for all programs identified as at risk of significant improper payments,

(4) Publish programmatic corrective action plans,

(5) Publish and meets improper payment reduction targets, and

(6) Reports improper payment rates of less than 10 percent for each program.

Risk Assessments

IPERA requires agencies to review all programs and activities at the agency for susceptibility to significant improper payments at least once every three years. OMB requires agencies to consider nine minimum risk factors: [10]

(1) Whether the program or activity is new to the agency,

(2) The complexity of the program or activity reviewed, particularly with respect to determining correct payment amounts,

(3) Volume of payments made annually,

(4) Whether payments or eligibility decisions are made outside of the agency,

(5) Recent major changes in program funding, authorities, practices or procedures,

(6) The level, experience, and quality of training for personnel responsible for making program eligibility determinations or certifying that payments are accurate,

(7) Inherent risks of improper payments due to the nature of agency programs or operations,

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[9] 31 U.S.C. § 3515.

[10] Office of Management and Budget, *OMB Circular A-123, Appendix C Requirements for Effective Estimation and Remediation of Improper Payments* (Oct. 20, 2014) *available at:* https://www.whitehouse.gov/sites/default/files/omb/memoranda/2015/m-15-02.pdf.

(8) Significant deficiencies in the audit reports of the agency, and

(9) Results of prior improper payment work.

OMB describes the risk assessment as "systematic" and requires agencies to maintain appropriate documentation.[11] Agencies are permitted to use both a quantitative method based on a statistical sample or a qualitative method such as a risk assessment questionnaire.[12]

Susceptible of Significant Improper Payments

The "susceptible of significant improper payments" designation is important. A significant designation means the agency must: (1) produce and publish a statistically valid estimate or estimate that is otherwise approved by OMB, (2) report a detailed corrective actions plan, (3) report on all actions the agency is taking to recover improper payments, and (4) conduct recovery audits.

A program is considered susceptible of significant improper payments if (1) the program has potentially $10 million in improper payments and a rate of at least 1.5 percent, or (2) has potentially $100 million in improper payments. Programs that do not meet those requirements may also be designated significant at the discretion of OMB. A program is also significant if it receives any funding from the Hurricane Sandy Disaster Relief Appropriations Act.[13]

Relief from Reporting

If an agency reports improper payments below the "significant" threshold for two consecutive years for a program, the agency may request relief from IPERA reporting for that program, meaning the agency would not be required to report improper payment estimates and other report requirements for the program. OMB will review the agency's request against the following five criteria:

(1) Whether the measuring and reporting of improper payments is a heavy burden,

(2) Whether there are legislative requirements or recent changes that affect the program's ability to estimate and report improper payments,

(3) Whether any audit findings indicate reasons to continue reporting,

(4) Whether the agency has appropriate controls, policies or corrective actions to mitigate the risk of fraud and errors, and

(5) Whether there are any other key factors that should be considered.[14]

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[11] *Id.*
[12] *Id.*
[13] Improper Payments Elimination and Recovery Act of 2010, Pub L. No. 111–204.
[14] Office of Management and Budget, OMB Circular A-123, Appendix C (Revised), April 14, 2011, at http://www.whitehouse.gov/sites/default/files/omb/memoranda/2011/m11-16.pdf.

An agency must return to conduct a new risk assessment if any of the following occur: (1) significant legislative or programmatic changes, (2) significant funding increase, or (3) any change that would result in potential program impact.

Payment Recapture Audits

Under IPERA, agencies are required to conduct recovery audits, which are also known as payment recapture audits, to identify improper payments that can be recovered by the agency. According to OMB, a recapture audit is "not an audit in the traditional sense. Rather it is a detective and corrective control activity designed to identify and recapture overpayments, and, as such, is a management function and responsibility."[15]

Agencies are responsible for ensuring payment recapture audit activities are cost effective. IPERA provides for agencies to use contractors to conduct the audits.

High Priority Programs

IPIA was amended for the second time in 2012 by the Improper Payments Elimination and Recovery Improvements Act (IPERIA).[16] IPERIA codified Executive Order 13520's requirement for the Office of Management and Budget to identify "high-priority" programs which require greater oversight due to high dollar values and high rates of improper payments, or programs at a higher risk of improper payments.[17] In Circular A-123, Appendix C, OMB defined high priority programs as susceptible for significant improper payments and reporting above $750 million improper payments a year.[18] Agencies are required to further report on improper payments for each program, including what actions the agency has taken or plans to take to recover improper payments. In FY 2015, OPM designated the following programs as high priority:[19]

1. Medicare Fee-For-Service (Department of Health and Human Services (HHS))
2. Medicaid (HHS)
3. Medicare Part C (HHS)
4. Medicare Part D (HHS)
5. Earned Income Tax Credit (Department of the Treasury)

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[15] Office of Management and Budget, *OMB Circular A-123, Appendix C Requirements for Effective Estimation and Remediation of Improper Payments* (Oct. 20, 2014) *available at* https://www.whitehouse.gov/sites/default/files/omb/memoranda/2015/m-15-02.pdf.
[16] Improper Payments Elimination and Recovery Improvements Act of 2012, Pub. L. No. 112 – 248.
[17] Office of Management and Budget, *OMB Circular A-123, Appendix C Requirements for Effective Estimation and Remediation of Improper Payments* (Oct. 20, 2014) *available at* https://www.whitehouse.gov/sites/default/files/omb/memoranda/2015/m-15-02.pdf.
[18] *Id.*
[19] Email from Office of Management and Budget staff to Com. on Oversight and Gov't Reform staff (June 27, 2016 7:27 P.M EST).

6. Retirement, Survivors, and Disability Insurance (Social Security Administration (SSA))
7. Supplemental Security Income (SSA)
8. Supplemental Nutrition Assistance Program (Department of Agriculture (USDA))
9. National School Lunch Program (USDA)
10. National School Breakfast Program (USDA)
11. Federal Crop Insurance Program (USDA)
12. VA Community Care *[Formerly: Non-VA Care Medical]* (Department of Veterans Affairs (VA))
13. Compensation (VA)
14. Purchased Long Term Services and Supports (VA)
15. William D. Ford Federal Direct Loan Program (Department of Education (ED))
16. Pell Grants (ED)
17. Unemployment Insurance (Department of Labor (DOL))
18. Public Housing / Rental Assistance (Department of Housing and Urban Development (HUD))
19. 7(a) Guaranty Approvals (Small Business Administration (SBA))

Five Years of IPERA Compliance & Reporting

Over the course of five federal fiscal years, the agencies have persistently struggled with compliance. **FY 2015 was the least compliant year yet—sixteen agencies did not comply with IPERA requirements. Nine agencies have *never* complied with IPERA requirements.**

24 CFO Act Agencies	FY11	FY12	FY13	FY14	FY15	# of Years Not Compliant
USDA	✗	✗	✗	✗	✗	5
Dept. Commerce	✓	✓	✓	✓	✓	0

Dept. Defense	✓	✗	✗	✗	✗	4
Dept. Education	✓	✓	✓	✗	✗	2
Dept. Energy	✗	✓	✓	✓	✓	1
Dept. Health and Human Services	✗	✗	✗	✗	✗	5
Dept. Homeland Security	✗	✗	✗	✗	✗	5
Dept. Housing and Urban Development	✓	✓	✗	✗	✗	3
Dept. Interior	✗	✓	✓	✗	✗	3
Dept. Justice	✓	✓	✓	✓	✓	0
Dept. Labor	✗	✗	✗	✗	✗	5
Dept. State	✗	✓	✓	✓	✓	1
Dept. Transportation	✗	✗	✗	✗	✗	5
Dept. Treasury	✗	✗	✗	✗	✗	5
Dept. Veterans Affairs	✗	✗	✗	✗	✗	5
EPA	✓	✗	✓	✓	✗	2
GSA	✓	✓	✓	✗	✗	2
NASA	✗	✓	✓	✓	✓	1
National Science Foundation	✓	✗	NR*	✗	✓	3
Nuclear Regulatory Commission	✓	✓	✓	✓	✓	0
Office of Personnel Management	✗	✓	✓	✓	✗	2
Small Business Administration	✗	✗	✗	✗	✗	5

Social Security Administration	✗	✗	✗	✗	✗	5
U.S. Agency for International Development	✓	✓	✓	✓	✓	0
Total Not Compliant	**14**	**12**	**11**	**15**	**16**	

** In FY 2013, NSF did not publish improper payment data in its fiscal year 2013 report.*

Five Years of Improper Payments Estimates

Most agencies have reported more than a billion dollars in improper payments over the past five years. **The amount reported by the Department of Health and Human Services—more than $363 billion in improper payments over five years—is significantly higher than any other agency.** Other agencies with significant improper payments in the past five years include the Department of Treasury ($75.5 billion), the Social Security Administration ($39 billion), the Department of Labor ($38 billion), and the Department of Agriculture ($30 billion). **These five agencies account for 85 percent of improper payments over the last five years.**

24 CFO Act Agencies	FY11	FY12	FY13	FY14	FY15	Five Years of Improper Payments Estimates
USDA	$5,428	$5,507	$6,160	$6,924	$6,339	$30,358
Dept. Commerce	$0	$0	$0	$0	$0	$0
Dept. Defense	$915	$882	$1,065	$992	$1,256	$5,109
Dept. Education	$1,257	$857	$1,843	$2,249	$1,866	$8,073
Dept. Energy	$17	$13	$22	$20	$22	$94
Dept. Health and Human Services	$65,563	$64,771	$65,289	$78,383	$89,775	$363,781
Dept. Homeland Security	$222	$203	$178	$269	$217	$1,089
Dept. Housing and Urban Development	$959	$1,230	$1,324	$1,030	$1,300	$5,842
Dept. Interior	$0	$0	$0	$0	$0	$0

Dept. Justice	$0	$0	$0	$0	$0	$0
Dept. Labor	$13,709	$9,727	$6,230	$5,685	$3,638	$38,990
Dept. State	$0	$0	$0	$0	$0	$0
Dept. Transportation	$485	$158	$159	$311	$491	$1,604
Dept. Treasury	$15,200	$12,600	$14,450	$17,650	$15,600	$75,500
Dept. Veterans Affairs	$2,067	$792	$1,070	$1,580	$5,000	$10,486
EPA	$14	$78	$71	$18	$4	$185
GSA	n/a	n/a	$64	$44	$9	$117
NASA	$0	$0	$0	$0	$0	$0
National Science Foundation	$0	$0	$0	$0	$0	$0
Nuclear Regulatory Commission	$0	$0	$0	$0	$0	$0
Office of Personnel Management	$399	$484	$352	$408	$373	$2,016
Small Business Administration	$137	$484	$694	$748	$1,054	$3,118
Social Security Administration	$9,081	$7062	$6,783	$8,050	$9,802	$40,778
U.S. Agency for International Development	$27	$8	$6	$1	$0	$42

The above chart is a compilation of data obtained from each of the agencies' annual financial reports from fiscal years 2011 through 2015. (numbers in millions)

IPERA Compliance in FY 2015

In FY 2015, only eight agencies were compliant with all six IPERA requirements (Department of Commerce, Department of Justice, Department of State, EPA, NASA, National Science Foundation, Nuclear Regulatory Commission, and U.S. Agency for International Development). Of the six IPERA requirements, agencies most often failed to meet the IPERA requirement to reach their improper payment reduction goals. The second least met requirement was the requirement to reduce improper payment rates below ten percent.

24 CFO Act Agencies	IP Reduction Goal	< 10 % IP rate	AFR Reporting	Risk Assessments	Estimates Published	Corrective Action Plans	Total
USDA	✗	✗	✓	✓	✗	✓	3/6
Dept. Commerce	✓	✓	✓	✓	✓	N/A	5/5
Dept. Defense	✗	✓	✓	✓	✓	✓	5/6
Dept. Education	✗	✓	✓	✓	✓	✓	5/6
Dept. Energy	N/A	N/A	✓	✓	N/A	N/A	2/2
Dept. Health and Human Services	✗	✗	✓	✗	✗	✗	1/6
Dept. Homeland Security	✗	✓	✓	✓	✓	✓	5/6
Dept. Housing and Urban Development	✓	✗	✗	✓	✗	✗	4/6
Dept. Interior	✗	✗	✗	✓	✓	✗	4/6
Dept. Justice	N/A	✓	✓	✓	✓	N/A	4/4
Dept. Labor	✗	✗	✓	✓	✓	✓	4/6
Dept. State	N/A	N/A	N/A	✓	✓	N/A	2/2
Dept. Transportation	✗	✓	✗	✓	✓	✓	4/6
Dept. Treasury	✓	✗	✗	✗	✓	✓	3/6
Dept. Veterans Affairs	✗	✗	✓	✓	✓	✓	4/6
EPA	✓	✓	✓	✓	✓	N/A	5/5
GSA	✓	✓	✓	✓	✗	✓	5/6

NASA	✓	✓	✓	✓	✓	N/A	5/5
National Science Foundation	N/A	N/A	✓	✓	N/A	N/A	2/2
Nuclear Regulatory Commission	N/A	✓	✓	✓	N/A	N/A	3/3
Office of Personnel Management	✓	✓	✓	✗	✗	✓	4/6
Small Business Administration	✗	✗	✓	✓	✓	✓	4/6
Social Security Administration	✗	✓	✓	✓	✓	✓	5/6
U.S. Agency for International Development	N/A	N/A	✓	✓	N/A	N/A	2/2
Total Not Compliant	**11/18**	**8/20**	**5/23**	**3/24**	**5/20**	**3/15**	**16/24**

Effective Estimates: Why VA's Abysmal Improper Payment Rates Represent Progress

In the FY 2015 AFR, the VA reported improper payments rates previously unheard of in IPERA reporting. **Two programs—VA Community Care and Purchased Long Term Services and Support (PLTSS) —reported rates above 50 percent, 55 percent and 59 percent respectively.**[20] In the previous year, the same programs both reported rates below ten percent.[21] These rates are alarmingly high; however, the rates also show IPERA is effectively identifying programs that are making improper payments.

The VA IG found the dramatic increase in the rate is not a reflection of any increased problems at VA, rather it "occurred primarily because [the Veterans Health Administration] improved its sample evaluation procedures in FY 2015, which resulted in more improper

[20] OIG, VA, *Review of VA's Compliance with the Improper Payments Elimination and Recovery Act for FY 2015* (May 12, 2016).
[21] *Id.*

payments being identified."[22] That is to say, the improper payments have been there all along and it was not until this year that the VA found the errors.

The VA began looking at whether the contracts that supported the payments were valid and compliant with the Federal Acquisition Regulation (FAR) and other legal authorities.[23] In doing so, VA found a high rate of noncompliance.[24] According to the IG, "Without FAR-compliant contracts, and in the absence of other legal authorities, VA may not be able to demonstrate that it has obtained the best value product or service on a timely basis while maintaining the public's trust and fulfilling public policy objectives."[25]

By conducting a more thorough estimation process, the VA now has the information necessary to fix these errors. In the AFR, the VA promised to stop "inconsistent compliance with laws and regulations and reduce the improper payment rate through legislative proposals and business process re-engineering in FY 2016."[26] The corrective action plans in the AFR, another IPERA reporting requirement, provide details on how VA will keep this promise.

This is exactly how IPERA is supposed to work. When agencies and IGs take their obligations seriously, agencies produce good faith estimates that allow problems and errors to be identified. The requirement of corrective action plans ensures that agencies immediately start to think about how to fix the problems they have identified. The IG's required compliance review helps the public and Congress understand the agency's efforts and progress toward remediating the improper payments. As the VA IG stated in its compliance review, VA "not only reported more accurate improper payment information but established a baseline from which to measure future progress in addressing VA's compliance with laws and regulations."[27]

Increased Access to Reliable and Accurate Data is Needed to Combat Improper Payments

Access to and availability of reliable data is a substantial hurdle to preventing and resolving improper payments.[28] On Thursday September 22, 2016, the Committee on Oversight and Government Reform Subcommittee on Government Operations held a hearing titled "Examining Billion Dollar Waste Through Improper Payments," during which executive branch witnesses discussed both successes in improving improper payments through increased access to data, as well as the need for further data access.

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[22] *Id.*
[23] *Id.*
[24] *Id.*
[25] *Id.*
[26] VA, *2015 Agency Financial Report* (Nov. 16, 2015).
[27] OIG, VA, *Review of VA's Compliance with the Improper Payments Elimination and Recovery Act for FY 2015* (May 12, 2016).
[28] MITRE, *Government-wide Payment Integrity: New Approaches and Solutions Needed* (Feb. 2016), *available at:* https://www.mitre.org/sites/default/files/publications/16-0123-government-wide-payment-integrity-new-approaches-solutions.pdf.

During the hearing, agencies reported that improved access to data has produced positive results. David Mader, Controller for the Office of Federal Financial Management of the Office of Management and Budget (OMB), explained that the Unemployment Insurance Program had decreased improper payments by $2 billion by using an enhanced National Directory of New Hires cross-match.[29] Assistant Deputy Commissioner of the Office of Retirement and Disability Policy at SSA, Marianna LaCanfora, extolled the value of data by highlighting the increased authority SSA received under the Bipartisan Budget Act:

> And thank you to the Congress for giving us the Bipartisan Budget Act. One of the most powerful provisions in there is our ability to use third party payroll data so that we do not need to rely on IRS data, which oftentimes comes very late in the process. We can get timely wage data from payroll providers, and we are working to implement that now. So moving from self reporting to data is where we think we're going to get a tremendous payoff in improper payment prevention going forward.[30]

However, data accessibility continues to be a hurdle for many agencies. Jeff Schramek, Assistant Commissioner for the Bureau of Debt Management Services at the Department of Treasury, explained that the Do Not Pay Center needs additional data sources:

> In addition, the President's fiscal year 2017 budget contains two proposals that would expand Do Not Pay's data sources. Specifically, one proposal would amend the Social Security Act to provide do not pay access to the full debt file. A second proposal would allow programs to access the National Directory of New Hires through Do Not Pay, if those programs are already authorized to use the data.[31]

The hearing also explored how Congress needs improved access to data to conduct effective oversight and legislative responsibilities. In 2010, IPERA included several reporting requirements for OMB on government-wide improper payments.[32] At the time, OMB established paymentaccuracy.gov, a website intended to provide information about improper payments and to meet the reporting requirements in the law.[33] However, the website fails to provide much of the information required in the law. During the hearing Mr. Mader committed to working to update the website to meet the requirements in the law and the needs of Congress.[34]

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[29] *Examining Billion Dollar Wates Through Improper Payments: Hearing Before the H. Comm. on Oversight and Gov't Reform Subcomm. on Gov't Operations*, 114th Cong. (Sept. 22, 2016).
[30] *Id.*
[31] *Id.*
[32] Improper Payments Elimination and Recovery Act of 2010, Pub L. No. 111–204.
[33] *Examining Billion Dollar Wates Through Improper Payments: Hearing Before the H. Comm. on Oversight and Gov't Reform Subcomm. on Gov't Operations*, 114th Cong. (Sept. 22, 2016).
[34] *Id.*

Recommendations

(1) Agencies must use reliable data and processes to ensure that improper payment estimates are accurate and complete.

Accurate and complete estimates are the first step in resolving the improper payment problem. As shown by the VA's improper payment estimates in FY 2015, the government-wide total of improper payments may be far more than the $137 billion reported. Several IGs report that agencies can do more to improve the accuracy of their estimates. The DOD IG, as an example, found that DOD's improper payment estimates were based on unreliable data and that DOD failed to assess billions of dollars of disbursed funds for improper payments (See pages 23-25). Every agency needs to use reliable data and conduct thorough assessments to ensure the agency reports accurate estimates.

(2) Agencies must resolve outstanding IG recommendations.

Each year every agency receives a review of its improper payment efforts from its IG, including recommendations that may assist the agency in resolving improper payments. However, some agencies have recommendations from IGs that have gone multiple years without being addressed. Agencies should review the IG reports and address all unaddressed recommendations.

(3) Nine agencies must comply with the law.

The following nine agencies have failed to meet IPERA requirements over the last five years: USDA, HHS, DHS, Labor, Transportation, Treasury, VA, SBA, and SSA. In total, these agencies account for 90 percent of federal improper payments. Congress should work with these agencies to identify the problems that prevent the agencies from meeting their obligations under IPERA and develop a five-year plan to resolve any critical challenges.

(4) Eleven agencies must comply with requirements to set and meet reduction targets.

In FY 2015, 18 CFO Act agencies were required to meet improper payment reduction goals. Only seven agencies meet their goals. The 11 agencies (USDA, DOD, Education, HHS, DHS, Interior, Labor, Transportation, VA, SBA, SSA) that failed to meet their goals should identify the root causes of the failure to meet those goals and work with the Office of Management and Budget to improve reduction goals in future years.

(5) The Do Not Pay Initiative must continue to expand access to data.

While Do Not Pay appears to be meeting the requirements in law to provide access to all statutorily required datasets, Do Not Pay provides very little beyond the statutory minimum. As increased access to data is shown to improve improper payment rates, Do Not Pay provide all agencies an opportunity to access as much reliable, accurate, and useful data as possible.

(6) OMB must improve government-wide reporting on improper payments.

OMB has failed to meet statutory reporting requirements since IPERA was enacted in 2010. Now that OMB is aware of the noncompliance, OMB has committed to resolving deficiencies in reporting by improving paymentaccuracy.gov. In the process of making those improvements, OMB should strive, not only to meet the letter of the law, but to truly make all improper payment data available in an easy to use format. OMB should consider data standardization and how it may improve reporting, increase efficiency, and expand understanding of improper payment data.

Summaries of Agency IPERA Reports

Department of Agriculture

Improper Payments Report FY 2015

Highlights

FY 2015 Estimate: $6.3 Billion

FY 2015 Rate: 5.7 percent

- For five consecutive years, the Department of Agriculture (USDA) has been non-compliant with IPERA.

- In FY 2015, USDA failed to meet three requirements:

  - USDA did not meet improper payment reduction goals.
  - USDA did not reduce improper payments to below ten percent.
  - USDA did not publish its improper payment estimate.

- In FY 2015, USDA reported 18 programs as at-risk of significant improper payments. Four USDA programs reported improper payments over $750 million, or more than ten percent of all payments:

1.	Supplemental Nutrition Assistance Program	$2.56B	3.7%
2.	National School Lunch Program	$1.77B	15.7%
3.	School Breakfast Program	$875M	23.0%
4.	Farm Security and Rural Investment Act Programs	$468 M	22.0%

Compliance with IPERA Requirements

IPERA Requirement	Compliance
Reduction Goal	Not Met
< 10% Rate	Not Met
Reporting in the Agency Financial Report	Met
Risk Assessment	Met
Publish Estimates	Not Met
Programmatic Corrective Action Plans	Met

Total	3/6

Programs with Risk of Significant Improper Payments with Rate and Amount

USDA Program	IP Estimate	Error Rate
1. Supplemental Nutrition Assistance Program (SNAP)	$2.56B	3.66%
2. National School Lunch Program	$1.77B	15.66%
3. School Breakfast Program	$875M	22.95%
4. Child and Adult Care Food Program	$7.8M	0.84%
5. Special Supplemental Nutrition Program for Women, Infants, and Children	$210 M	4.65%
6. Federal Crop Insurance Corporation	$302.15 M	2.20%
7. Livestock Forage Disaster Program (LFP)	$104 M	3.10%
8. Loan Deficiency Payments Program (LDP)	n/a	n/a
9. Livestock Indemnity Program	$4 M	6.36%
10. Supplemental Revenue Assistance Program (SURE)	$3 M	9.90%
11. Noninsured Assistance Program (NAP)	$12.8 M	7.36%
12. Hurricane Sandy – Emergency Conservation Program	$2,000	0.5%
13. Hurricane Sandy – Emergency Forest Restoration Program	$5,000	1.67%
14. Rental Assistance Program	$16.2M	1.41%
15. Farm Security and Rural Investment Act Programs (FSRIP)	$468 M	22.04%
16. Hurricane Sandy – Emergency Watershed Protection Program	n/a	0.0%
17. Hurricane Sandy – Emergency Forest Restoration Program	n/a	0.0%
18. Hurricane Sandy – Capital Improvement and Maintenance	$0M	0.06%

FY 2015 IG Findings

- USDA's overall improper payment rate has trended upward since FY 2011, largely due to a spike in the improper payment rate at Farm Security and Rural Investment Act Programs (FSRIP) in recent years. Some of the increase is due to improvements in FSRIP's improper payment sampling reviews, but most were related to eligibility issues because entity participants did not register for the System for Award Management (SAM), as required.

- Since 2009, USDA has spent $2.4 million to conduct feasibility studies to develop a dependable method of estimating improper payments for the Child and Adult Care Food Program, but the program continues to report only partial estimates.

- USDA used insufficient sampling methods to report improper payment estimates in the Federal Crop Insurance Corporation program (FCIC).

- OMB approved USDA's request to return two previously determined high-risk programs to USDA's three-year risk assessment cycle because improper payment estimates for those programs remained below the improper payment reporting thresholds for two or more consecutive years.

IG Recommendations

1. USDA should submit to Congress proposed statutory changes to bring FSRIP into compliance.

2. USDA should submit a plan to Congress and OMB describing the actions that the agency will take to make the following programs compliant: LFP, SURE, NAP, and SNAP.

Sources

OIG, USDA, *USDA's Fiscal Year 2015 Compliance with Improper Payment Requirements* (May 2016).

USDA, *Agency Financial Report: Creating a USDA for the 21st Century* (Feb. 12, 2016).

Department of Commerce

Improper Payments Report FY 2015

Highlights

FY 2015 Estimate: $0.00

FY 2015 Rate: 0 percent

- The Department of Commerce (DOC) has complied with IPERA for five consecutive years.

Compliance with IPERA Requirements

IPERA Requirement	**Compliance**
Reduction Goal	Met
< 10% Rate	Met
Reporting in the Agency Financial Report	Met
Risk Assessment	Met
Publish Estimates	Met
Programmatic Corrective Action Plans	N/A
Total	5/5

Programs with Risk of Significant Improper Payments with Rate and Amount

DOC Program	IP Estimate	Error Rate
1. National Oceanic and Atmospheric Administration (NOAA) Hurricane Sandy Funding	$0	0%

FY 2015 IG Findings

- DOC's annual financial report did not include approximately $25 million in amounts paid without proper documentation identified in OIG audit reports issued during FY 2015. DOC is still reviewing the $25 million more than a year later and as a result may have under reported improper payments.

IG Recommendations

1. DOC should develop control procedures to ensure that the evaluation of unsupported costs identified in OIG reports and the final determination of the propriety of these payments are made within a reasonable timeframe.

2. DOC should ensure that the AFR fully describes all required aspects of the Department's payment recapture audit efforts.

Sources

OIG, Dept. Commerce, *FY 2015 Compliance with Improper Payment Requirements* (May 11, 2016).

Dept. Commerce, *Agency Financial Report Fiscal Year 2015* (Nov. 13, 2015).

Department of Defense

Improper Payments Report FY 2015

Highlights

FY 2015 Estimate: $1.26 Billion

FY 2015 Rate: 2.2 percent

- In FY 2015, the Department of Defense (DOD) has been non-compliant with IPERA. DOD has been non-compliant for four of the past five years.
- In FY 2015, DOD did not meet the improper payments reduction target.
- DOD did not assess $327 billion in disbursed obligations for risk of improper payments.
- The IG found DOD's improper payment data and estimates are unreliable.

Compliance with IPERA Requirements

IPERA Requirement	**Compliance**
Reduction Goal	Not Met
< 10% Rate	Met
Reporting in the Agency Financial Report	Met
Risk Assessment	Met
Publish Estimates	Met
Programmatic Corrective Action Plans	Met
Total	5/6

Programs with Risk of Significant Improper Payments with Rate and Amount

DOD Program	IP Estimate	Error Rate
1. Military Health Benefits	$157.67 M	0.8%
2. Military Pay	$242.9 M	0.23%

3.	Civilian Pay	$57.2 M	0.10%
4.	Military Retirement	$20.8 M	0.04%
5.	Department of Defense Travel Pay	$521.47 M	7.9%
6.	Defense Finance and Accounting Service Commercial Pay	$256 M	0.09%
7.	US Army Corps of Engineers Commercial	$0	0%
8.	US Army Corps of Engineers Travel Pay	$0.04 M	0.02%
9.	Navy Enterprise Resource Planning Commercial Pay	$0	0%

FY 2015 IG Findings

- DOD was unable to verify that approximately $327 billion in disbursed obligations were assessed for risk of improper payments. DOD reported in the FY 2015 Agency Financial Report (AFR) that it disbursed $887.8 billion in budgetary resources, but only reviewed $560.8 billion.

- DOD excluded required information for the four payment programs that exceeded statutory thresholds for significant improper payments: Military Health Benefits, Military Pay, DOD Travel Pay, and Defense Finance and Accounting Service Commercial Pay.

- DOD did not include an assessment of the status of internal controls for Military Pay, DOD Travel Pay, and Defense Finance and Accounting Service (DFAS) Commercial Pay.

- DOD could not provide assurance that its improper payment estimate was based on accurate and complete data.

- DOD did not adhere to federal guidance when reporting the results of IPERA sampling.

- The IG identified deficiencies in the reliability of the data used to calculate the improper payment rates and opportunities to improve the precision of the estimates.

IG Recommendations

1. DOD should ensure future AFRs contain all required reporting information.

2. DOD should determine the source of all disbursed obligations not reviewed for improper payments and whether they are subject to improper payment reporting requirements.

3. DOD should coordinate with its agency components to develop sample designs that are stratified by an appropriate variable for each program that currently uses a simple random sample design.

4. DOD should coordinate with OMB and DFAS to review the DOD Travel Pay program and determine reauthorization proposals or proposed statutory changes that are necessary to bring the program into compliance, and submit a report to Congress as required.

Sources

OIG, DOD, *DOD Met most Requirements of the Improper Payments Elimination and Recovery Act in FY 2015, but Improper Payment Estimates Were Unreliable* (May 3, 2016).

DOD, *Agency Financial Report Fiscal Year 2015* (2015).

Department of Education

Improper Payments Report FY 2015

Highlights

FY 2015 Estimate: $1.87 Billion

FY 2015 Rate: 1.3 percent

- In FY 2015, the Department of Education (ED) was non-compliant with IPERA.
- In FY 2015 ED failed to meet one requirement:
  - ED did not meet improper payment reduction goals.
- ED 's methodology is flawed, which led to inaccurate and unreliable estimates.
- In FY 2015, ED reported three programs susceptible of significant improper payments. One ED program reported improper payments over $750 million, or more than ten percent of payments:

1. Federal Direct Loan Program $1.3 B 1.3%

Compliance with IPERA Requirements

IPERA Requirement	Compliance
Reduction Goal	Not Met
< 10% Rate	Met
Reporting in the Agency Financial Report	Met
Risk Assessment	Met
Publish Estimates	Met
Programmatic Corrective Action Plans	Met
Total	5/6

Programs with Risk of Significant Improper Payments with Rate and Amount

ED Program	IP Estimate	Error Rate
1. Federal Direct Loan Program	$1.3 B	1.3%
2. Pell Grants	$562 M	1.9%
3. Title I, Part A of the Elementary and Secondary Education Act	$19.95 M	0.13%

FY 2015 IG Findings

- ED’s improper payment methodologies for the Federal Pell Grant (Pell) and Direct Loan programs were flawed.
  - Estimation methodologies did not include all program reviews that could identify improper payments and excluded sources of improper payments.
  - Estimation methodologies could be significantly influenced by a single program review.
- ED did not meet reduction targets for the Federal Direct Loan program.
- ED needs to improve the accuracy and reliability of its improper payments estimates.
- OMB granted the Federal Family Education Loan program relief from reporting on August 4, 2015.

IG Recommendations

1. ED should analyze all available sources that identified improper payments for root causes and evaluate existing controls to determine whether additional controls can be implemented, intensified, or expanded to reduce or prevent improper payments.
2. If OMB determines additional funding is needed to help ED become compliant with IPERA, ED should take the necessary steps to implement OMB’s recommendation.
3. ED should revise the improper payment estimation methodologies to include all improper payments in the calculation of the improper payment estimates.
4. ED should revise the improper payment estimation methodologies to mitigate the potential for volatility that a single program review can have on the estimate.

5. ED should disclose in its annual reporting how the methodologies are sensitive to a single observation (such as student or school), either by providing examples or noting how results are weighted in arriving at the final improper payment estimates.

6. ED should revise the improper payment estimation methodologies to account for the program reviews that do not reach the program review report stage in time for inclusion in that fiscal year's estimated improper payment rates.

7. ED should publish the FY 2015 recalculated improper payment rates, notify OMB and Congress of any changes, and explain the basis for the revisions in the FY 2016 AFR.

8. ED should develop, implement, and monitor the effectiveness of internal controls for (1) the contractor's calculation of the improper payment estimates and (2) the Department's oversight and review of the work provided by the contractor.

9. ED should develop, implement and monitor the effectiveness of internal controls to ensure that all applicable program reviews issued prior to the documentation acceptance date are included in the improper payment estimates.

Sources

OIG, Dept. Education, *U.S. Department of Education's Compliance with Improper Payment Reporting Requirements for Fiscal Year 2015* (May 2016).

Dept. Education, *FY 215 Agency Financial Report* (Nov. 13, 2015).

Department of Energy

Improper Payments Report FY 2015

Highlights

FY 2015 Estimate: $22.45 Million

FY 2015 Rate: 0.06 percent

- In FY 2015, the Department of Energy (Energy) complied with IPERA. In five years, Energy has been non-compliant once.
- Energy does not have any programs susceptible to significant improper payments.

Compliance with IPERA Requirements

IPERA Requirement	**Compliance**
Reduction Goal	N/A
< 10% Rate	N/A
Reporting in the Agency Financial Report	Met
Risk Assessment	Met
Publish Estimates	N/A
Programmatic Corrective Action Plans	N/A
Total	2/2

Selected FY 2015 IG Findings

- Energy has not yet completed a recommendation from the Government Accountability Office's December 2014 report "DOE's Risk Assessments Should be Strengthened," to provide additional information regarding the amount and the extent to which improper payments could be occurring.

IG Recommendations

None provided.

Sources

KPMG, *Performance Audit of the Department of Energy's Improper Payment Report in the FY 2015 Agency Financial Report*, Prepared for Dept. Energy (April 6, 2016).

Dept. Energy, *Fiscal Year 2015 Agency Financial Report* (Nov. 16, 2015).

Department of Health and Human Services

Improper Payments Report FY 2015

Highlights

FY 2015 Estimate: $89.8 Billion

FY 2015 Rate: 10.2 percent

- The Department of Health and Human Services (HHS) has been non-compliant with IPERA for the past five consecutive years.

- In FY 2015, HHS failed to meet five of the six requirements:
  - HHS did not meet improper payment reduction goals.
  - HHS did not reduce improper payment rates below ten percent.
  - HHS did not adequately conduct risk assessments.
  - HHS did not publish improper payment estimates.
  - HHS did not report corrective action plans.

- In FY 2015, HHS reported eight programs as at-risk of significant improper payments. Four HHS programs reported improper payments over $750 million, or more than ten percent of payments:

1.	Medicare Fee-for-Service	$43.325B	12.1%
2.	Medicare Part C	$14.1 B	9.5%
3.	Medicare Prescription Drug Benefit (Part D)	$2.2 B	3.6%
4.	Medicaid	$29.1 B	9.8%

Compliance with IPERA Requirements

IPERA Requirement	Compliance
Reduction Goal	Not Met
< 10% Rate	Not Met
Reporting in the Agency Financial Report	Met
Risk Assessment	Not Met
Publish Estimates	Not Met

Programmatic Corrective Action Plans	Not Met
Total	1/6

Programs with Risk of Significant Improper Payments with Rate and Amount

HHS Program	IP Estimate	Error Rate
1. Medicare Fee-for-Service	$43.325B	12.1%
2. Medicare Advantage (Part C)	$14.1 B	9.5%
3. Medicare Prescription Drug Benefit (Part D)	$2.2 B	3.6%
4. Medicaid	$29.1 B	9.8%
5. Children's Health Insurance Program (CHIP)	$632 M	6.8%
6. Temporary Aid for Needy Families (TANF)	n/a	n/a
7. Foster Care	$30.7 M	3.7%
8. Child Care	$311.1 M	5.7%

FY 2015 IG Findings

- HHS did not calculate or report an improper payment estimate for TANF because it is a state-administered program and statutory limitations prohibit HHS from requiring states to participate in a TANF improper payment measurement. OMB, however, has designated TANF as a federal program susceptible to significant improper payments. Accordingly, HHS should have estimated and reported improper payments for TANF.

- HHS did not perform risk assessments of payments to employees and charge card payments, nor did it properly identify programs for improper payment risk assessment

- Statistical mistakes led to inaccurate confidence intervals for the Foster Care program.

- Medicare Fee-for-Service's error rate exceeded ten percent due to insufficient documentation and medical necessity errors.

- Medicare Advantage missed its target rate mainly due to insufficient documentation by third parties. Medicaid and CHIP did not achieve their target rates due to administrative errors made by state and local agencies.

- The Medicare Advantage (Part C) program had no recovery audit amounts reported in FY 2015.
- HHS has not fully addressed recommendations from the prior years' OIG Performance Audits related to improper payments, including the need to provide an improper payment estimate and corrective action plan for TANF, meet certain improper payment rate reduction targets, and reduce improper payment error rates to below 10 percent.

IG Recommendations

1. HHS failed to publish improper payment estimates for TANF. HHS should continue to work with OMB to implement one of the potential alternative approaches to reporting on TANF improper payments in FY 2016 and publish corrective action plans for TANF.

2. HHS should perform risk assessments for employee pay and charge cards and report findings in the FY 2016 AFR. HHS did not perform a risk assessment for this area, nor did it receive a waiver from OMB.

3. Because programs were not properly identified for the risk assessment, HHS should provide formal guidance on identifying programs and incorporate this guidance in its overall improper payment risk assessment methodology.

4. HHS and Administration for Children and Families (ACF) should continue working with the states to (1) provide technical assistance and training related to policy updates and (2) support Child Care and Development Fund programs in reaching reduction goal targets through implementing corrective action plans at the state level, if appropriate.

5. Update the estimation method for the standard error of the estimated improper payments at the state level to reflect that a ratio estimate has been used to estimate the improper payments at the state level.

6. Review descriptions of the Foster Care improper payment calculation within its HHS Agency Financial Report to ensure the process and amount for determining precision is representative of the process being utilized.

7. Focus on the root causes for Medicare fee-for-service's improper error rate percentage and evaluate critical and feasible action steps to decrease the improper error rate percentage below 10 percent.

8. Take action throughout the fiscal year to achieve its established improper payment target rates, particularly within CMS. (Communicate documentation requirements, monitor adherence to such requirements throughout the year, work with the states to bring their respective systems into compliance.)

9. HHS should continue to take steps to implement a Medicare Advantage (Part C) Recovery Audit Contractor (RAC) program and finalize the award in a timely manner with the intention to perform RAC audits in FY 2017.

Sources

OIG, Dept. Health and Human Services, *U.S. Department of Health and Human Services Met Many Requirements of the Improper Payments Information Act of 2002 but Did Not Fully Comply for Fiscal Year 2015* (May 2016).

Dept. Health and Human Services, *Fiscal Year 2015 Agency Financial Report* (Nov. 13, 2015).

Department of Homeland Security

Improper Payments Report FY 2015

Highlights

FY 2015 Estimate: $217.4 Million

FY 2015 Rate: 1.9 percent

- The Department of Homeland Security (DHS) has been non-compliant with IPERA for the past five consecutive years.

- In FY 2015, DHS failed to meet one requirement:
  - DHS did not meet improper payment reduction goals.

- In FY 2015, DHS reported nineteen programs as at-risk of significant improper payments.

Compliance with IPERA Requirements

IPERA Requirement	**Compliance**
Reduction Goal	Not Met
< 10% Rate	Met
Reporting in the Agency Financial Report	Met
Risk Assessment	Met
Publish Estimates	Met
Programmatic Corrective Action Plans	Met
Total	5/6

Programs with Risk of Significant Improper Payments with Rate and Amount

DHS Program	IP Estimate	Error Rate
1. Customs and Border Protection Refund and Drawback	$3.88 M	0.24%

2. Customs and Border Protection Administratively Uncontrollable Overtime	$0.84 M	0.25%
3. Hurricane Sandy – Customs and Border Protection Payments	$0.0007 M	0.14%
4. Hurricane Sandy – Domestic Nuclear Detection Office Systems Acquisition	$0	0%
5. Assistance to Firefighters Grant Program	$1.44 M	0.64%
6. Flood Hazard Mapping and Risk Analysis Program	$10.92 M	8.33%
7. Hurricane Sandy - Hazard Mitigation Payments	$0	0%
8. Homeland Security Grant Program	$17.96 M	1.2%
9. Hurricane Sandy - Individuals and Household Program	1.68 M	7.01%
10. National Flood Insurance Program	$1.47 M	0.16%
11. Port Security Grant Program	$2.02 M	0.67%
12. Hurricane Sandy – Federal Emergency Management Agency Public Assistance Program	$5.1 M	0.48%
13. Transit Security Grant Program	$3.12 M	0.88%
14. Hurricane Sandy – Federal Emergency Management Agency Vendor Pay	$54.99 M	7.5%
15. Enforcement and Removal Operations	$61.93 M	4.06%
16. Hurricane Sandy – Federal Protective Service Payments	$0	0%
17. Hurricane Sandy – Inspector General Payments	$0	0%
18. Hurricane Sandy – Science and Technology Research and Development	$0	0%
19. Hurricane Sandy – Coast Guard Acquisition/Constructions and Improvements, Operating Expenditures, and Expenditure, Collections, and Reimbursements	$0.57 M	1.44%

FY 2015 IG Findings

- DHS did not perform oversight of the components' improper payment testing and reporting. Specifically, it did not properly document its review of the components' risk assessments.

IG Recommendations

1. DHS should ensure that the Risk Management and Assurance Division strengthens its oversight to ensure proper documentation of its review of components' risk assessments.

2. DHS should ensure that the Risk Management and Assurance Division confirms its review and approval of the component risk assessments in a timely manner.

3. DHS should ensure that the Risk Management and Assurance Division has adequate personnel to ensure compliance with IPERA requirements.

4. DHS should ensure that the Risk Management and Assurance Division clearly designates contract deliverables for the risk assessment reviews.

5. DHS should ensure that the Risk Management and Assurance Division follows the OMB's requirement for agencies not compliant with IPERA and focus resources on corrective action that will help meet the OMB-approved reduction targets.

Sources

OIG, Dept. Homeland Security, *Department of Homeland Security's FY 2015 Compliance with Improper Payments Elimination and Recovery Act of 2010* (May 11, 2016).

Dept. Homeland Security, *Agency Financial Report Fiscal Year 2015* (Nov. 13, 2015).

Department of Housing and Urban Development

Improper Payments Report FY 2015

Highlights

FY 2015 Estimate: $1.3 Billion

FY 2015 Rate: 3.87 percent

- The Department of Housing and Urban Development (HUD) has been non-compliant with the Improper Payments Elimination and Recovery Act for three consecutive years.
- In FY 2015, HUD failed to meet two requirements:
  - HUD did not conduct an annual risk assessment in accordance with the OMB guidance.
  - HUD failed to meet its annual improper payment reduction target.
- In FY 2015 HUD reported two programs at risk of improper payments. One program reported improper payments above $750 million.

1. Rental Housing Assistance Programs (RHAP) $1.3 B 4.0%

Compliance with IPERA Requirements

IPERA Requirement	Compliance
Reduction Goal	Not Met
< 10% Rate	Met
Reporting in the Agency Financial Report	Met
Risk Assessment	Not Met
Publish Estimates	Met
Programmatic Corrective Action Plans	Met
Total	4/6

Programs with Risk of Significant Improper Payments with Rate and Amount

HUD Program	IP Estimate	Error Rate
1. Rental Housing Assistance Programs (RHAP)	$1.3 B	4.0%
2. Hurricane Sandy Related Funding	$18.81 M	1.15%

FY 2015 IG Findings

- Noted some issues concerning (1) the completeness and accuracy of HUD's improper payment data reporting, including payment recapture audit plans, and (2) the reasonableness of HUD's improper payment estimate for its Rental Housing Assistance Programs.

- As of the end of FY 2015, ten previous audit recommendations remained open.

- HUD did not (1) maintain adequate documentation to support its conclusion that certain programs and activities should be excluded from its payment recapture audit plan, (2) provide OMB and us a complete cost-benefit analysis and justification, and (3) disclose the cost-benefit analysis and justification for all programs excluded from the payment recapture audit plan in the AFR. All of these actions are required under OMB Circular A-123, appendix C.
- A billing error used to estimate improper payments for RHAP was not adjusted appropriately to reflect the billing error for fiscal year 2014, which was reported in the fiscal year 2015 AFR. In addition, the combined RHAP improper payment rate could be masking significant improper payment rates for one or more RHAP components.

- HUD did not fully comply with reporting requirements. Specifically, it did not comply with OMB requirements, accurately categorize its improper payment estimates, or identify or report high-dollar overpayments.

IG Recommendations

1. HUD should revise its risk assessment process to ensure that all HUD programs are (1) initially risk-assessed for improper payments or request a waiver from OMB, and if programs are determined to be low risk, reassess them on a 3-year cycle; and (2) risk assessed against all of the required risk factors.

2. HUD should establish policies and procedures to ensure that adequate documentation of the risk assessment process is maintained to facilitate an independent third-party's review of OCFO's compliance OMB requirements for risk assessments.

3. HUD should reassess the susceptibility of the FHA single family claims program to significant improper payments using a quantitative assessment method and provide the results and all of the supporting documentation to OIG for review.

4. HUD should revise its risk assessment process to (1) ensure that all FHA programs are assessed for significant improper payments or request a waiver from OMB; (2) establish a 3-year cycle to reassess all low-risk programs; and (3) ensure that consideration of all of the required risk factors is clearly documented.

5. HUD should develop, document, and implement formal policies and procedures to ensure that (1) all programs or activities that expend $1 million or more annually for each program office identified are included in either the program office's payment recapture audit plan or provide a justification and analysis showing why a payment recapture audit would not be cost effective for that program or activity and (2) justifications and analyses showing why a payment recapture audit would not be cost effective are maintained and adequately described in the AFR..

6. HUD should revisit the existing recovery audit plan and update it as needed to ensure that all programs and activities that expended more than $1 million annually were included in the recovery audit plan or excluded from the recovery audit plan and maintain the corresponding cost-benefit analyses supporting their exclusion.

7. HUD should resubmit the justifications for why a payment recapture audit would not be cost effective for each program that expended over $1 million or more to OMB and OIG for programs that were not already identified under a separate recovery audit plan.

8. HUD should adequately disclose in the AFR a complete list of all programs that were excluded from the payment recapture audit plan, along with HUD's justification and analysis for their exclusion.

9. HUD should develop and document a methodology for adjusting the billing error for factors that may change the billing error previously reported if a billing study is not performed annually.

10. HUD should ensure that the description of corrective actions in the AFR include an explanation of how the corrective actions address the root causes of problems.

11. HUD should amend its IPERA requirements checklist to ensure the descriptions of corrective actions include an explanation of how corrective actions address root causes.

12. HUD should establish and implement procedures to ensure that the required information specified in its AFR Requirements Checklist is adequately and specifically addressed and is included in the published AFR.

13. HUD should establish and implement a process to identify high-dollar overpayments and report them quarterly to OMB and us or submit a written request to OMB for an alternative reporting structure.

Sources

OIG, HUD, *Compliance with the Improper Payments Elimination and Recovery Act* (May 13, 2016)

HUD, *Agency Financial Report Fiscal Year 2015* (Nov. 23, 2015).

Department of Interior

Improper Payments Report FY 2015

Highlights

The Department of Interior did not report an improper payment estimate for FY 2015. The DOI IG reported that FY 2015 and FY 2014 estimates "were not based on a valid statistical sample and appear too low for high-risk disaster relief program expenditures."

- The Department of Interior (Interior) has been non-compliant with IPERA for the past three consecutive years.
- In FY 2015, Interior failed to meet two requirements:
  - Interior failed to complete the required risk assessments.
  - Interior did not publish improper payment estimates.
- In FY 2015, Interior reported one program susceptible to significant improper payments.

Compliance with IPERA Requirements

IPERA Requirement	**Compliance**
Reduction Goal	Met
< 10% Rate	Met
Reporting in the Agency Financial Report	Met
Risk Assessment	Not Met
Publish Estimates	Not Met
Programmatic Corrective Action Plans	Met
Total	4/6

Programs with Risk of Significant Improper Payments with Rate and Amount

Interior Program	IP Estimate	Error Rate
1. Hurricane Sandy Disaster Relief Act Program	$0	0%

FY 2015 IG Findings

- Interior did not conduct its triennial risk assessment as required by IPERA.
- Interior did not report a valid improper payment rate.
- The improper payment rates that Interior reported were not based on a valid statistical sample and appear too low for high-risk disaster-relief program expenditures.
- Interior did not have a Department-wide standardized statistical sampling and estimation plan that was prepared by a trained statistician and approved by OMB as required.

IG Recommendations

1. Interior should perform a risk assessment of all programs for its FY 2016 IPERA reporting.
2. Interior should establish a department-wide sampling methodology prepared by a trained statistician, as required. The methodology should be sufficient to produce a valid and consistent sample of disaster-relief transactions in order to project a valid estimated improper payment rate.
3. Interior should validate all sampling results to ensure that a valid rate is obtained before reporting in the Agency Financial Report.

Sources

Memorandum from OIG, Dept. Interior, *U.S. Department of Interior's Compliance with the Improper Payments Elimination and Recovery Act of 2010 in its Fiscal year 2015 "Agency Financial Report"* (May 2016)

Dept. Interior, *Agency Financial Report FY 2015* (Nov. 13, 2015).

Department of Justice

Improper Payments Report FY 2015

Highlights

FY 2015 Estimate: $0

FY 2015 Rate: 0 percent

- In FY 2015, the Department of Justice (DOJ) complied with IPERA. DOJ has complied with IPERA for five consecutive years.
- In FY 2015, DOJ had two program susceptible to significant improper payments.

Compliance with IPERA Requirements

IPERA Requirement	**Compliance**
Reduction Goal	n/a
< 10% Rate	Met
Reporting in the Agency Financial Report	Met
Risk Assessment	Met
Publish Estimates	Met
Programmatic Corrective Action Plans	n/a
Total	4/4

Programs with Risk of Significant Improper Payments with Rate and Amount

DOJ Program	IP Estimate	Error Rate
1. Law Enforcement Program (Sandy Relief)	$0	0%
2. Prisons and Detention Program (Sandy Relief)	$0	0%

FY 2015 IG Findings

- DOJ did not find any programs susceptible to significant improper payments, not including Hurricane Sandy programs.

IG Recommendations

None provided.

Sources

OIG, Dept. Justice, *Examination of the U.S. Department of Justice's Fiscal Year 2015 Compliance under the Improper Payments Elimination and Recovery Act of 2010* (May 2016).

Dept. Justice, *FY 2015 Agency Financial Report* (Nov. 12, 2015).

Department of Labor

Improper Payments Report FY 2015

Highlights

FY 2015 Estimate: $3.68 Billion

FY 2015 Rate: 10.73 percent

- The Department of Labor (DOL) has been non-compliant with IPERA for the past five consecutive years.
- In FY 2015, DOL failed to meet two requirements:
  - DOL failed to meet improper payment reduction targets.
  - DOL failed to reduce improper payments below ten percent of all payments.
- DOL has three programs at risk of improper payments. One DOL program reports improper payments above $750 million.

1. Unemployment Insurance (UI): $3.5 B 10.7%

Compliance with IPERA Requirements

IPERA Requirement	Compliance
Reduction Goal	Not Met
< 10% Rate	Not Met
Reporting in the Agency Financial Report	Met
Risk Assessment	Met
Publish Estimates	Met
Programmatic Corrective Action Plans	Met
Total	4/6

Programs with Risk of Significant Improper Payments with Rate and Amount

DOL Program	IP Estimate	Error Rate
1. Unemployment Insurance (UI):	$3.5 B	10.7%
2. Federal Employees Compensation Act (FECA)	$85.73 M	2.87%
3. Workforce Investment Act grants (WIA)	$22.3 M	0.88%

FY 2015 IG Findings

- DOL's improper payment estimate may not be valid because DOL excludes two categories of payments and does not determine and report the full effect of those exclusions in its estimates.
- DOL will conduct the next review for programs at risk of improper payments in FY 2016.
- DOL has not implemented previous IG recommendations that the IG continues to believe would improve compliance with improper payment laws.

IG Recommendations

1. DOL should improve the estimation methodology for the FECA program to ensure its completeness by including the initial payments made in the first 90 days of compensation and compensation payments for non-imaged cases. (May 15, 2015)
2. DOL should report in the AFR any limitations with the sampling methodology for the FECA program. (May 15, 2015)
3. DOL should identify the improper payment issues identified by fraud investigations and estimate the extent to which these issues exist in the payment population. (May 15, 2015)
4. DOL should consider methods for improving the WIA sampling methodology to provide a more complete estimate of improper payments and include information on the limitations of the data used in the estimation of WIA overpayment in the AFR. (March 15, 2015)
5. DOL should develop effective procedures, including seeking legislative authority to conduct matches with SSA retirement records, to ensure that claimants who receive SSA retirement benefits are identified timely and their FECA benefits are adjusted accordingly. (February 15, 2012)

Sources

OIG, Dept. Labor, *DOL Could Do More to Reduce Improper Payments and Improve Reporting* (May 16, 2016).

Dept. Labor, *Agency Financial Report Fiscal Year 2015* (Nov. 19, 2015).

Department of State

Improper Payments Report FY 2015

Highlights

FY 2015 Estimate: $0

FY 2015 Rate: 0 percent

- In FY2015, the Department of State (State) complied with the IPERA. In the past five years, State has been non-compliant once.
- State did not identify any program as at risk of significant improper payments.

Compliance with IPERA Requirements

IPERA Requirement	Compliance
Reduction Goal	n/a
< 10% Rate	n/a
Reporting in the Agency Financial Report	Met
Risk Assessment	Met
Publish Estimates	n/a
Programmatic Corrective Action Plans	n/a
Total	2/2

FY 2015 IG Findings

- State has not implemented its recommendations from the FY2014 audit.
- By failing to consider additional factors, State may not have identified all programs with increased risks of improper payments because of increased funding.
- State did not disclose the complete amount of improper payments recaptured outside its payment recapture audit activities in the Agency Financial Report (AFR).

IG Recommendations

1. State should expand its process to identify programs with significant funding changes to consider additional factors that may increase the risk of significant improper payments, including, at a minimum, the percentage increase of the change. (2015)

2. State should develop a method to include amounts of improper payments identified and recovered by all State offices and bureaus.

Sources

OIG, Dept. State, *Audit of Department of State FY 2015 Compliance with Improper Payment Requirements* (May 2015).

Dept. State, *Fiscal Year 2015 Agency Financial Report: Advancing America's Interests Through Global Leadership and Diplomacy* (Nov. 16, 2015).

Department of Transportation

Improper Payments Report FY 2015

Highlights

FY 2015 Estimate: $491 Million

FY 2015 Rate: 0.81 percent

- The Department of Transportation (DOT) has been non-compliant with the Improper Payments Elimination and Recovery Act for five consecutive years.
- In FY 2015, DOT failed to meet two requirements:
  - DOT did not meet reduction goals.
  - DOT did not effectively report payments in the Agency Financial Report (AFR).
- In FY 2015, DOT had eight programs susceptible to significant improper payments.

Compliance with IPERA Requirements

IPERA Requirement	**Compliance**
Reduction Goal	Not Met
< 10% Rate	Met
Reporting in the Agency Financial Report	Not Met
Risk Assessment	Met
Publish Estimates	Met
Programmatic Corrective Action Plans	Met
Total	4/6

Programs with Risk of Significant Improper Payments with Rate and Amount

DOT Program	IP Estimate	Error Rate
1. Federal Aviation Administration (FAA) Airport Improvement Program (AIP)	$1.27 M	0.04%
2. FAA Facilities & Equipment, Disaster Relief Appropriations Act (F&E – DRAA)	$0	0%
3. Federal Highway Administration (FHWA) Highway Planning and Construction	$479.2 M	1.08%
4. Federal Railroad Administration (FRA) Grants to Amtrak	$4.24 M	0.31%
5. FRA High-Speed Intercity Passenger Rail (HSIPR)	$0.36 M	0.03%
6. Federal Transit Administration (FTA) Formula Grants and Passenger Rail Investment and Improvement Act Projects	$5.09 M	0.05%
7. FTA Emergency Relief Program, Disaster Relief Appropriations Act (ERP-DRAA)	$0.17 M	0.03%
8. Maritime Administration (MARAD) Electronic Invoicing System – Ready Reserve Force – Ship Manager Payments (RRF)	$0.69 M	0.25%

FY 2015 IG Findings

- DOT did not sufficiently test all transactions and inaccurately reported some future outlays.
- DOT did not meet its improper payment reduction targets for 1 of 8 programs tested.

IG Recommendations

1. DOT should publish future year outlays in the AFRs that match the President's Budget as required by OMB A-136. (2016)
2. DOT should monitor FHWA's progress on the new corrective actions they initiated to reduce the HPC program improper payments and achieve the FY16 reduction target rates. (2016)
3. DOT should develop a process to provide greater oversight and review of contractors and employees that perform improper payment testing to ensure that the work has an audit trail and is accurate. (2015)

4. DOT should implement procedures to ensure guidance is distributed which increases grantee knowledge of documentation required to support a payment as proper. (2015)

5. DOT should provide specific documentation requirements and greater oversight of contractors who perform improper payment testing to ensure they test actual payments and verifies that each transaction has an audit trail and proper support. (2014)

6. DOT should provide specific documentation requirements and greater oversight and review of contractors that perform improper payment testing to ensure that the work has an audit trail and is accurate. (2013)

Sources

OIG, Dept. Transportation, *DOT's Fiscal Year 2015 Improper Payment Report Does Not Comply with IPERA Requirements* (May 13, 2016).

Dept. Transportation, *Agency Financial Report Fiscal Year 2015* (2015).

Department of Treasury

Improper Payments Report FY 2015

Highlights

FY 2015 Estimate: $15.6 Billion

FY 2015 Rate: 23.8 percent

- The Department of Treasury (Treasury) has been non-compliant with IPERA for five consecutive years.
- In FY 2015, Treasury failed to meet several requirements:
  - Treasury did not reduce improper payment rates below ten percent.
  - Treasury did not fully comply with reporting requirements for the AFR.
  - Treasury did not provide a valid assessment in its annual risk assessment process.
- Treasury had one program identified as being at risk of significant improper payments.
  1. Earned Income Tax Credit (EITC) $15.6 B 23.8%

Compliance with IPERA Requirements

IPERA Requirement	**Compliance**
Reduction Goal	Met
< 10% Rate	Not Met
Reporting in the Agency Financial Report	Not Met
Risk Assessment	Not Met
Publish Estimates	Met
Programmatic Corrective Action Plans	Met
Total	3/6

FY 2015 IG Findings

- Treasury's annual risk assessment process did not provide a valid assessment of refundable credit improper payments. Additional work is needed to assess the Additional Child Tax Credit (ACTC) and the American Opportunity Tax Credit (AOTC).
    - The Treasury Inspector General for Tax Administration (TIGTA) estimated ACTC had $5.7 billion, 24.2 percent, in improper payments and AOTC had $1.8 billion, 30.7 percent, in improper payments.
    - Using TIGTA's estimates, the IRS should have reported $22.1 billion in improper payments.
- Treasury had computation errors in recapture audit reporting.
- IRS has submitted a legislative proposal requesting correctable error authority, which would allow the IRS to correct simple math errors in tax returns, as part of its fiscal year 2017 budget submission.

IG Recommendations

1. Treasury should update its guidance to clarify the reporting requirements for payment recapture audits.
2. Treasury should strengthen its review and oversight of the data reported by components on payment recapture audits to accurately reflect the results of recapture audits.
3. Treasury and IRS should ensure TIGTA's recommendations related to the Additional Child Tax Credit (ACTC) and American Opportunity Tax Credit (AOTC) improper payments risk assessment processes are implemented, and appropriate action is taken to report on and reduce improper payments associated with these refundable tax credit programs.

Sources

OIG, Dept. Treasury, *Treasury Was Not in Compliance with IPERA for Fiscal Year 2015 Due to High Improper Payment Rate for the Earned Income Tax Credit Program* (May 13, 2016).

Dept. Treasury, *Agency Financial Report Fiscal Year 2015* (Nov. 16, 2015).

Department of Veterans Affairs

Improper Payments Report FY 2015

Highlights

FY 2015 Estimate: $5 Billion

FY 2015 Rate: 4.39 percent

- The Department of Veterans Affairs (VA) has been non-compliant with IPERA for the past five consecutive years.
- In FY 2015, the VA failed to meet two requirements:
  - VA did not meet the improper payment reduction target.
  - VA failed to reduce improper payments below ten percent.
- VA reported 14 programs at risk of significant improper payments. Three programs reported improper payments above $750 million, two of which had improper payment rates greater than fifty percent.

1.	Purchased Long Term Services and Support (PLTSS)	$875.12 M	59.14%
2.	VA Community Care	$2.14 B	54.77%
3.	Compensation	$1.36 B	2.33%

Compliance with IPERA Requirements

IPERA Requirement	Compliance
Reduction Goal	Not Met
< 10% Rate	Not Met
Reporting in the Agency Financial Report	Met
Risk Assessment	Met
Publish Estimates	Met
Programmatic Corrective Action Plans	Met
Total	4/6

Programs with Risk of Significant Improper Payments with Rate and Amount

VA Program	IP Estimate	Error Rate
1. Veterans Health Administration (VHA) Beneficiary Travel	$50.48 M	6.22%
2. VHA CHAMPVA	$38.75 M	3.41%
3. VHA Community Care	$2.142 B	54.77%
4. VHA Purchase Long Term Services and Supports	$875.12 M	59.14%
5. VHA State Home Per Diem Grants	$21.766 M	2.02%
6. VHA Supplies and Materials	$32.440 M	1.32%
7. Veterans Benefits Administration (VBA) Compensation	$1.361 B	2.33%
8. VBA Pension	$264.19 M	4.53%
9. VBA Vocational Rehabilitation and Employment Services (VR&E)	$11.26 M	1.04%
10. VBA Education – Chapter 33	$135.05 M	1.21%
11. VBA Education – Chapter 1606	$1.55 M	1.05%
12. VBA Education – Chapter 1607	$1.5 M	2.23%
13. Disaster Relief Act – Hurricane Sandy	$1.558 M	5.71%
14. Payments to Federal Employees (PFE) – Payroll	$38.46 M	0.15%

FY 2015 IG Findings

- VA reported $5 billion worth of improper payments in FY 2015, compared to $1.6 billion in FY 2014.
- The dramatic increase in improper payment rates occurred primarily because VA improved its sample evaluation procedures in FY 2015, which resulted in more improper payments being identified.
  - VA began verifying whether valid contracts supported the payments and found many contracts were not compliant with the Federal Acquisition Regulations (FAR).

  - Without FAR compliant contracts, VA cannot demonstrate that it obtained the best value.

- VA underestimated improper payments for the Supplies and Materials program. VA did not identify all improper payments in the sample used to estimate the program's improper payments.

- The VA Community Care and PLTSS programs did not achieve the expected level of precision for their improper payment estimates for FY 2015.

- The Compensation program reported much higher improper payments, which VA attributed to improved estimation methodologies, more experienced testers, and additional specialized training for testers.

- Eight programs did not meet reduction targets.

IG Recommendations

1. VA should implement the corrective action plan to make procurement practices compliant with laws and regulations.

2. VA should implement steps to achieve reduction targets.

3. VA should implement additional training for persons who evaluate IPERA samples.

4. The VA Under Secretary for Health should provide contract expertise to the IPERA review team.

5. VA should develop a solution for correcting the concurrent payment with DOD programs.

Sources

OIG, VA, *Review of VA's Compliance with the Improper Payments Elimination and Recovery Act for FY 2015* (May 12, 2016).

VA, *2015 Agency Financial Report* (Nov. 16, 2015).

Environmental Protection Agency

Improper Payments Report FY 2015

Highlights

FY 2015 Estimate: $3.74 million

FY 2015 Rate: 0.14 percent

- In FY 2015, the Environmental Protection Agency (EPA) complied with IPERA.
- In FY 2015, the EPA reported three programs susceptible to significant improper payments.

Compliance with IPERA Requirements

IPERA Requirement	**Compliance**
Reduction Goal	Met
< 10% Rate	Met
Reporting in the Agency Financial Report	Met
Risk Assessment	Met
Publish Estimates	Met
Programmatic Corrective Action Plans	N/A
Total	5/5

Programs with Risk of Significant Improper Payments with Rate and Amount

EPA Program	IP Estimate	Error Rate
1. Clean Water State Revolving Fund	$1.51 M	0.1%
2. Drinking Water State Revolving Fund	$2.23 M	0.19%
3. Hurricane Sandy Programs	$4,000	0.03%

Selected FY 2015 IG Findings

- EPA did not publish the revised, final AFR until January 2016, which had errors in the Improper Payments Compliance section of the AFR, resulting in overstated improper payments for the Hurricane Sandy and grants payment streams, and an under-reporting of total dollar outlays for the commodities payment stream.

- EPA limited the scope of the risk assessment for the contracts payment stream to the processing of invoices pursuant to appropriations law and the Prompt Payment Act, and to determining if the invoice was proper. Risk assessment did not take into consideration the programmatic risks associated with contracting or OIG audits or internal reviews conducted by the EPA.

- EPA underreported total dollar outlays, and the number of erroneous payments.

- Internal controls were not sufficient to identify and correct the human errors made during the reporting process. Further, staff did not follow established improper payment reporting procedures,

- EPA limited the scope of the contracts payment stream risk assessment, failing to assess all required programs. By limiting the scope of the risk assessment, the EPA is not adequately assessing the risk associated with compliance with the terms and conditions of contracts.

IG Recommendations

1. EPA should determine the reasons for the delays and errors in the publication of the FY 2015 AFR, and identify and implement internal controls to prevent these errors and delays.

2. EPA should amend the standard operating procedure for identifying and reporting improper payments for the commodities payment stream, and integrate the entire contracting process into the contracting payment process risk assessment.

3. EPA should finalize the grants payment stream's draft procedure for improper payment reporting, including cost-effective internal controls to produce reliable reports.

Sources

OIG, EPA, *EPA Complied with Improper Payment Legislation, but Stronger Internal Controls are Needed* (May 10, 2016).

EPA, *Fiscal Year 2015 Agency Financial Report* (Nov. 16, 2015).

General Services Administration

Improper Payments Report FY 2015

Highlights

FY 2015 Estimate: $8.92 million

FY 2015 Rate: 0 percent

- The General Services Administration (GSA) has been non-compliant with IPERA for two consecutive years.
- GSA did not comply with the requirement to test or report improper payment estimates for the Hurricane Sandy Disaster Relief Fund.
- In FY 2015, GSA reported four programs susceptible to significant improper payments.

Compliance with IPERA Requirements

IPERA Requirement	**Compliance**
Reduction Goal	Met
< 10% Rate	Met
Reporting in the Agency Financial Report	Met
Risk Assessment	Met
Publish Estimates	Not Met
Programmatic Corrective Action Plans	Met
Total	5/6

Programs with Risk of Significant Improper Payments with Rate and Amount

GSA Program	IP Estimate	Error Rate
1. Rental of Space	$6.9 M	0.12%
2. Building Operations – Utilities	$0.04 M	0.01%
3. Purchase Cards	$1.98 M	6.55%
4. Hurricane Sandy Fund	n/a	n/a

FY 2015 IG Findings

- GSA's Office of the Chief Financial Officer (OCFO) has constant turnover and may be understaffed. This likely contributed to the findings in the IG report.
- GSA's vendor payment continuous monitoring is a manual process, while other agencies use continuous monitoring software that provides real-time, continuous monitoring and flagging of high risk transactions. If GSA adopted such software, it could reduce its improper payments, collection costs, and payment recapture auditor commissions.
- GSA did not test the transactions of Hurricane Sandy Disaster Relief Funds due to the immateriality of the amounts ($11,434.00 in obligations and $569,131 in outlays). However, OMB guidance requires that agencies measure and report funds received under the Disaster Relief Appropriations Act of 2013, regardless of amount. After being notified by the IG, GSA tested the four payments and found no improper payments.
- The IG compared the estimated figures to actual improper payment figures and found that actual improper payments far exceeded the estimate. GSA identified FY 2015 Rental of Space improper payments of $29.5 million, a figure more than four times greater than OCFO's $6.9 million estimate.
- GSA switched from a quantitative to a qualitative approach to determine program risk, which relies on questionnaires that are vulnerable to inherent bias. Using a quantitative approach, as was used in FY 2012, could ensure reliable, objective results.

IG Recommendations

1. GSA should implement a process to ensure all required programs are tested and reported for improper payments and submit a plan for addressing noncompliance.

2. GSA should adopt a quantitative approach or develop an improved qualitative approach to increase reliability and objectivity of future risk assessment results.

3. GSA should ensure timely implementation of payment recapture audit recommendations, improve continuous monitoring processes, and identify and correct root causes of improper payments.

4. GSA should implement controls to ensure accurate and reliable reporting.

5. GSA should implement controls and develop and disseminate guidance for the claims review and validation process.

Sources

OIG, GSA, *GSA Did Not Fully comply with the Improper Payments Acts in FY 2015* (May 11, 2016).

GSA, *Agency Financial Report Fiscal Year 2015* (Nov. 10, 2015).

National Aeronautics and Space Administration

Improper Payments Report FY 2015

Highlights

FY 2015 Estimate: $0

FY 2015 Rate: 0 percent

- In FY 2015, the National Aeronautics and Space Administration (NASA) complied with IPERA. In the past five years, NASA was non-compliant once.
- In FY 2015, NASA found that no programs were at risk of improper payments.

Compliance with IPERA Requirements

IPERA Requirement	**Compliance**
Reduction Goal	Met
< 10% Rate	Met
Reporting in the Agency Financial Report	Met
Risk Assessment	Met
Publish Estimates	Met
Programmatic Corrective Action Plans	N/A
Total	5/5

FY 2015 IG Findings

- The IG found that overpayments may not be fully reported in the AFR because NASA only searched for collected payments.
- NASA can improve its risk assessment process by adjusting the weighted percentages it assigns to risk conditions and incorporating more agency specific risk conditions.

IG Recommendations

1. NASA should revisit the percentages assigned to the risk conditions to better reflect their relevance and significance and document the rationale for the percentages assigned.

2. NASA should incorporate a risk factor that considers the timeliness of incurred cost audits.

3. NASA should develop written policies and procedures detailing the process for reporting overpayments identified and recaptured from sources outside of payment recapture audits. At a minimum the policy should include the expectations, roles, and responsibilities of all involved parties and clear and descriptive instructions regarding how to identify amounts for reporting.

4. NASA should disseminate the appropriate system query logic to identify potential overpayments and train the affected organizations or individuals to execute the query and analyze the results.

5. NASA should obtain management decision letters issued by contracting officers to identify potential overpayments and report any overpayments determined to be improper in the AFR as overpayments identified from outside of payment recapture audits.

Sources

OIG, NASA, *NASA's Compliance with the Improper Payments Information Act for Fiscal Year 2015* (May 12, 2015).

NASA, *FY 2015 Agency Financial Report* (Nov. 13, 2015).

National Science Foundation

Improper Payments Report FY 2015

Highlights

FY 2015 Estimate: $ 0

FY 2015 Rate: 0 %

- In FY 2015, the National Science Foundation (NSF) complied with IPERA reporting requirements. However, NSF has been non-compliant in two of the last five years.

Compliance with IPERA Requirements

IPERA Requirement	**Compliance**
Reduction Goal	N/A
< 10% Rate	N/A
Reporting in the Agency Financial Report	Yes
Risk Assessment	Yes
Publish Estimates	N/A
Programmatic Corrective Action Plans	N/A
Total	2/2

FY 2015 IG Findings

- NSF grant recipients are generally not required to present supporting documentation, such as invoices and receipts, in order to receive payments from the agency.
    - As a result, NSF issues approximately $6 billion annually in grant and cooperative agreement payments without verification.
    - NSF relies almost completely on the recipients' systems of internal control to ensure that only proper payments are requested and that any improper payments are self-identified and corrected by the recipient.

- NSF may not have fully explored the agency's susceptibility to improper payments due to significant limitations in its analysis of six of the nine OMB risk factors and its assessment of NSF payments to employees.

- NSF chose to take a qualitative approach to the risk assessment, interviewing employees with a questionnaire, instead of a quantitative approach.

  - In some instances, the interviews did not address areas of known risks in sufficient detail to provide a systematic risk assessment.

  - It was unclear why some questions and not others were asked.

  - NSF accepted answers at face value and did not obtain supporting information.

- NSF did not conduct IPERA-specific testing on payroll in FY 2015 or interview NSF's Division of Human Resource Management (HRM), the division responsible for salary and benefits process, during the IPERA risk assessment.

IG Recommendations

1. NSF should allow sufficient time to conduct a thorough and robust assessment of the agency's susceptibility to improper payments.

2. NSF should add a quantitative approach to risk assessments to gain insight on how funds are used by awardees and assess whether primary and secondary payments were proper.

3. Document the policies and procedures to be followed during the IPERA risk assessment and require staff and contractors to follow these policies and procedures.

4. Discuss all relevant OMB risk factors with the relevant leadership and staff, including a cross-section of those responsible for making and managing individual awards, from NSF's Divisions and Offices responsible for the program and activities under IPERA.

5. NSF should clarify the meaning of inherent risk during staff interviews.

6. NSF should utilize OIG investigation findings, as well as NSF's own internal reports, to identify risks associated with improper payments.

7. NSF should include a thorough review of payments to employees in the risk assessment.

8. NSF should include in the risk assessment a clearly documented crosswalk between any leveraged internal control test work and the IPERA risk assessment.

Sources

OIG, NSF, *National Science Foundation's Compliance with the Improper Payments Elimination and Recovery Act for Fiscal Year 2015* (May 12, 2016).

NSF, *FY 2015 Agency Financial Report* (Nov. 16, 2015).

Nuclear Regulatory Commission

Improper Payments Report FY 2015

Highlights

FY 2015 Estimate: $0

FY 2015 Rate: 0 percent

- The Nuclear Regulatory Commission (NRC) has complied with IPERA for five consecutive years.
- NRC does not have any programs susceptible to significant improper payments.

Compliance with IPERA Requirements

IPERA Requirement	Compliance
Reduction Goal	N/A
< 10% Rate	Yes
Reporting in the Agency Financial Report	Yes
Risk Assessment	Yes
Publish Estimates	N/A
Programmatic Corrective Action Plans	N/A
Total	3/3

FY 2015 IG Findings

- NRC is in compliance and reporting was accurate and complete.
- NRC conducts future risk assessments on a triennial basis. The results of the FY 2014 risk assessment did not identify any programs that were susceptible to making significant improper payments. The next NRC risk assessment will take place in FY 2017.

IG Recommendations

None provided.

Sources

OIG, NRC, *Audit of NRC's Fiscal Year 2015 Compliance with Improper Payment Laws* (April 29, 2016).

NRC, *Fiscal Year 2015 Summary of Performance and Financial Information* (Feb. 1, 2016).

Office of Personnel Management

Improper Payments Report FY 2015

Highlights

FY 2015 Estimate: $372.6 Million

FY 2015 Rate: 0.29 percent

- In FY 2015, the Office of Personnel Management (OPM) was non-compliant with IPERA. This is the second time in the past five years that OPM did not comply with IPERA.
- In FY 2015, OPM failed to meet two requirements:
  - OPM did not publish improper payment estimates.
  - OPM did not adequately perform risk assessments.
- In FY 2015, OPM reported two programs susceptible of significant improper payments.

Compliance with IPERA Requirements

IPERA Requirement	**Compliance**
Reduction Goal	Met
< 10% Rate	Met
Reporting in the Agency Financial Report	Met
Risk Assessment	Not Met
Publish Estimates	Not Met
Programmatic Corrective Action Plans	Met
Total	4/6

Programs with Risk of Significant Improper Payments with Rate and Amount

OPM Program	IP Estimate	Error Rate
1. Retirement Services	$304.2 M	0.38%
2. Federal Employee Health Benefits	$68.43 M	0.14%

Selected FY 2015 IG Findings

- Two recommendations from the FY2014 audit remain outstanding.
- OPM did not properly categorize the root causes of the retirement programs improper payments. The IG identified three more root causes categories that should have been used.
- OPM's risk assessment methodology failed to address all nine required risk factors.
- OPM's scoring methodology contained multiple errors, such as duplicate rating scales and illogical scoring options.
- Risk assessments for several programs lacked sufficient documentation to support the results.
- Information in the AFR was inaccurate according to supporting documentation.

IG Recommendations

1. OPM should implement controls to identify and evaluate the root causes of the improper payment estimates, to ensure the root causes for the retirement benefits program's improper payments are properly categorized.
2. OPM should revise the risk assessment methodology to ensure the score point values are clearly defined and logical, and ensure that all required risk factors are included in the risk assessment tool.
3. OPM should re-evaluate the risk assessments performed over the Background Investigations, Federal Employees' Group Life Insurance, Vendor Payments, Travel Card, and Payroll programs to ensure that programs are not susceptible to significant improper payments.
4. OPM should strengthen their procedures to ensure that the improper payments information reported in OPM's Agency Financial Report is supported, reviewed, and validated for accuracy prior to the information's inclusion in the AFR. (2015)

5. OPM should strengthen its oversight controls over the improper payments data reported in the AFR to ensure that it accurately reflects supporting data. (2014)

6. In the FY 2016 AFR, OPM should correct all of the errors identified in the FY 2015 AFR Table 14, *Status of Internal Controls*.

Sources

OIG, OPM, *Audit of the U.S. Office of Personnel Management's Fiscal Year Improper Payments Reporting* (May 11, 2016).

OPM, *Agency Financial Report Fiscal Year 2015* (Nov. 16, 2015).

Small Business Administration

Improper Payments Report FY 2015

Highlights

FY 2015 Estimate: $1.05 Billion

FY 2015 Rate: 5.07 percent

- The Small Business Administration (SBA) has been non-compliant with IPERA reporting requirements for five consecutive years.
- In FY 2051, SBA failed to meet two requirements:
    - SBA did not meet reduction goals.
    - SBA did not reduce all program improper payment rates below 10%.
- SBA reported nine programs as at risk of significant improper payments. Two programs reported improper payments above $750 million, or more than ten percent of payments.

1.	Section 7 (a) Loan Guaranty Approvals	$848 M	5.59%
2.	Disbursements for Goods and Services	$14.3 M	13.52%

Compliance with IPERA Requirements

IPERA Requirement	**Compliance**
Reduction Goal	Not met
< 10% Rate	Not met
Reporting in the Agency Financial Report	Met
Risk Assessment	Met
Publish Estimates	Met
Programmatic Corrective Action Plans	Met
Total	4/6

Programs with Risk of Significant Improper Payments with Rate and Amount

SBA Program	IP Estimate	Error Rate
1. Section 7(a) Loan Guaranty Purchases	$7.91 M	0.9%
2. Section 7(a) Loan Guaranty Approvals	$848.08 M	5.59%
3. Section 504 CDC Loan Guaranty Approvals	$158.2 M	3.78%
4. Disaster Direct Loan Program	$24.6 M	8.13%
5. Disbursements for Goods and Services	$14.3 M	13.52%
6. Hurricane Sandy Disaster Relief Grants	$130,051	3.02%
7. Hurricane Sandy Disaster Relief Administrative Funds – Payroll	$410,000	0.3%
8. Hurricane Sandy Disaster Relief Administrative Funds – Travel	$12,000	0.12%
9. Hurricane Sandy Disaster Relief Administrative Funds – Purchase Cards	$5,000	1%

FY 2015 IG Findings

- SBA's disbursements for goods and services had an improper payment rate that exceeded the ten percent threshold.
- Four SBA programs did not meet their reduction targets: Sections 7(a) and 504 loan guaranty approvals, Hurricane Sandy disaster relief grants, and disbursements for goods and services.
- The primary cause of SBA's improper payments was insufficient support for the reimbursement of lender expenses.
- SBA needs to improve improper payment controls and processes for Hurricane Sandy disaster relief grants and 7(a) loan guaranty purchases—particularly controls responsible for ensuring reported improper payment rates are accurate and test plans are complete.
- SBA plans to submit a plan to Congress describing the actions that SBA will take to address its non-compliance with IPERA regarding Sections 7(a) and 504 loan guaranty approvals, and Hurricane Sandy disaster relief grants.

IG Recommendations

1. SBA should continue to work with OMB to ensure supplemental measurements to reduce improper payments in the 7(a) Loan Guaranty Approvals Program are developed within the required timeframe and provided to OMB. (This recommendation has been implemented and is therefore considered closed.)

2. SBA should submit to Congress the following: a) Reauthorization proposals for each (discretionary) program or activity that has not been in compliance for three or more consecutive fiscal years; or b) Proposed statutory changes necessary to bring the program or activity into compliance.

3. SBA should submit to the Congress and OMB plans for the 504 Loan Program and for the Hurricane Sandy Disaster Relief Grants program that includes: a) Measurable milestones for becoming compliant with IPERA; b) Designation of an accountable senior agency official; and c) The establishment of an accountability mechanism, describing the actions the agency will take to become compliant.

Sources

OIG, SBA, *SBA's FY 2015 Progress in Reducing Improper Payments* (May 13, 2016).

SBA, *Agency Financial Report Fiscal Year 2015: Today's SBA: Smart, Bold, Accessible* (Nov. 16, 2015).

Social Security Administration

Improper Payments Report FY 2015

Highlights

FY 2015 Estimate: $ 9.8 Billion

FY 2015 Rate: 0.75 percent

- The Social Security Administration (SSA) has been non-compliant with the IPERA for the past five consecutive years.
- In FY 2015, SSA failed to meet one requirement:
    - SSA did not meet the reduction targets.
- In FY 2015, SSA reported two programs as at-risk of significant improper payments, both reported improper payments over $ 750 million.

1.	Supplemental Security Income (SSI)	$3.6 B	0.4 %
2.	Old-Age, Survivors and Disability Insurance (OASDI)	$3.5 B	6.2 %

Compliance with IPERA Requirements

IPERA Requirement	Compliance
Reduction Goal	Not Met
< 10% Rate	Met
Reporting in the Agency Financial Report	Met
Risk Assessment	Met
Publish Estimates	Met
Programmatic Corrective Action Plans	Met
Total	5/6

FY 2015 IG Findings

- SSA could not provide all supporting documentation.
- SSA did not meet reduction targets for SSI or OASDI.
  - The OASDI overpayment dollars and rate had increased from the prior year.
  - The leading cause of overpayments were financial accounts and wages.
  - Wage reporting deficiencies increased, despite the implementation of programs designed to reduce discrepancies
- From October 2014 through September 2015, the IG issued 90 reports that identified $4 billion in questioned costs and $3.5 billion in federal funds that could be put to better use.

IG Recommendations

1. SSA should ensure its FY 2016 AFR includes all requirements of applicable improper payment reporting guidance.
2. SSA should annually review its existing corrective actions to determine whether any action can be intensified or expanded, resulting in a high-impact, high return on investment in terms of reduced or prevented improper payments.
3. SSA should retain all supporting documentation to assist future reviews.

Sources

OIG, SSA, *The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2015 Agency Financial Report* (May 5, 2016).

SSA, *Agency Financial Report Fiscal Year 2015* (Nov. 9, 2015).

United States Agency for International Development

Improper Payments Report FY 2015

Highlights

FY 2015 Estimate: $ 0

FY 2015 Rate: 0 percent

- The United States Agency for International Development (USAID) has complied with IPERA for five consecutive years.

Compliance with IPERA Requirements

IPERA Requirement	Compliance
Reduction Goal	n/a
< 10% Rate	n/a
Reporting in the Agency Financial Report	Met
Risk Assessment	Met
Publish Estimates	n/a
Programmatic Corrective Action Plans	n/a
Total	2/2

FY 2015 IG Findings

- OMB granted USAID relief from IPERA reporting on March 19, 2015.

IG Recommendations

1. USAID should investigate and resolve the potential funds control violations described in the 2013 report to determine whether they represent improper payments and/or Anti-Deficiency Act violations and report accordingly. (2013)

Sources

OIG, USAID, *Audit of USAID's Fiscal Year 2015 Compliance with the Improper Payments Elimination and Recovery Act of 2010* (May 3, 2016).

USAID, *FY 2015 Agency Financial Report: Ending Extreme Poverty in this Generation* (Nov. 16, 2015).