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Department of Commerce Improper Payments Website

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Background

The Improper Payments Information Act (IPIA) of 2002, as amended by the Improper Payments Elimination and Recovery Act (IPERA) of 2010 and the Improper Payments Elimination and Recovery Improvement Act of 2012, requires agencies to periodically review all programs and activities and identify those that may be susceptible to significant improper payments, take multiple actions when programs and activities are identified as susceptible to significant improper payments, and annually report information on their improper payments monitoring and minimization efforts. The *Office of Management and Budget's (OMB) Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, Appendix C, Requirements for Effective Measurement and Remediation of Improper Payments, defines an improper payment1 and* provides guidance to agencies to comply with IPIA, as amended, and for agency improper payments efforts. The Department of Commerce (Department) has not itself identified any programs or activities susceptible to significant improper payments.

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On January 29, 2013, the President signed into law the Disaster Relief Appropriations Act (Act), which provides a total of $50.5 billion government-wide in aid for Hurricane Sandy disaster victims and their communities. The National Oceanic and Atmospheric Administration (NOAA) received $326 million of funds under the Act for Hurricane Sandy recovery and other disaster-related activities. Pursuant to OMB Memorandum M-13-07, *Accountability for Funds Provided by the Disaster Relief Appropriations Act* (March 12, 2013), the Department in March 2013 submitted its final plan for accountability, internal controls, and other requirements for funds provided to NOAA that are deemed by OMB as susceptible to significant improper payments for the purposes of requirements under IPIA of 2002, as amended, and is required to calculate and report an annual improper payments estimate.

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Executive Order 13520, Reducing Improper Payments and Eliminating Waste in Federal Programs, was issued on November 20, 2009, to help federal agencies reduce and prevent improper payments through increased transparency and improved agency accountability. The Executive Order requires that, along with other requirements, federal agencies with high-priority or risk-susceptible programs (for purposes of improper payments) name accountable officers for improper payments; monitor any such programs; establish goals for reducing improper payments; and report high-dollar improper payments. The Department established, as required, a prominently displayed link on its home page to internet-based resources on addressing improper payments, and also provides on this web page a web link to the U.S. Department of the Treasury's (Treasury) improper payments web site (see PaymentAccuracy.gov website information discussed on this web page).

The Department does not have any programs/activities that OMB has determined to be a "high-priority" program with regard to improper payments under *Executive Order 13520*. not italics

The Department does not have any programs/activities that have improper payments exceeding the statutory thresholds listed in *OMB Circular A-123, Appendix C, Part I, Improper Payments Elimination and Recovery, (section A.9., Step 1)* which are defined as gross annual improper payments (i.e., the total amount of overpayments and underpayments) in the program/activity exceeding (1) both 1.5 percent of program outlays and $10 million of all program or activity payments made during the fiscal year reported; or (2) $100 million (regardless of the improper payments percentage of total program outlays). not italics not italics

OMB issued implementation guidance for Executive Order 13520 by updating OMB Circular A-123, Appendix C, Part III, *Requirements for Implementing Executive Order 13520: Reducing Improper Payments*. Agencies should track improper payments identified and recaptured through various agency endeavors. *OMB Circular A-123, Appendix C, Part I*indicates the following possible sources of improper payments information: not italics not italics

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- Statistical samples and risk assessments;
- Agency post-payment reviews;
- Prior payment recapture audits;
- Agency Inspector General reviews;
- U.S. Government and Accountability Office reviews;
- Self-reported errors;
- Reports from the public; and
- Results of agency audit resolution and follow-up process.

The Department recognizes the importance of maintaining adequate internal controls to ensure proper payments, and the Department's commitment to continuous improvement in the overall disbursement management process remains high. Each of the Department's payment offices has implemented policies and procedures to detect and prevent improper payments. For FY 2017 and beyond, the Department will continue its efforts to ensure the integrity of its disbursements.

Department of Commerce Improper Payments Annual Reporting

Detailed information on the Department's improper payments monitoring, minimization, and recapture efforts is included in the Department's FY 2016 Agency Financial Report, Other Information, *Improper Payments Information Act (IPIA) of 2002, As Amended, Reporting Details,* at the following web link: http://www.osec.doc.gov/ofm/OFM_Publications.html.

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1 An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments or underpayments that are made to eligible recipients (including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for an incorrect amount, and duplicate payments). An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments authorized by law). In addition, when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an improper payment.

The term "payment" in this guidance means any disbursement or transfer of Federal funds (including a commitment for future payment, such as cash, securities, loans, loan guarantees, and insurance subsidies) to any non-Federal person, non-Federal entity, or Federal employee, that is made by a Federal agency, a Federal contractor, a Federal grantee, or a governmental or other organization administering a Federal program or activity. The term "payment" includes Federal awards subject to the Single Audit Act and the Uniform Guidance for Federal assistance (2 CFR 200 Subpart F) (Single Audits) that are expended by both recipients and sub-recipients.

payment recapture audits have been performed by an independent contractor; however, in the past, these payment recapture audits have also been conducted by the Department's Office of Financial Management. Effective 2012, the scope of payment recapture audits of contracts/obligations was expanded to additionally include contracts/obligations for which the period of performance ended and last payment was made, however for which the closeout process has not yet been completed.

Annual payment recapture auditing is additionally performed by an independent contractor, effective 2011, for Department-wide grants and other cooperative agreements (i.e., financial assistance). Per OMB Circular A-123, Appendix C, intragovernmental transactions are not required to be reviewed.

For payment recapture audits, the independent contractor analyzes the reasons why any payment errors occurred, and develops, presents, and documents any recommendations for cost-effective controls to prevent improper payments in the future and/or to enhance the applicable bureau processes.

Do Not Pay Initiative:

The Department's payment offices perform weekly, or daily (the Census Bureau) pre-payment eligibility reviews to the following Do Not Pay portal databases for the Department's domestic, non-classified, non-employee-related, non-intragovernmental disbursements: (a) Social Security Administration's Death Master File (DMF); (b) the U.S. General Services Administration's System for Award Management (SAM) Exclusion Records; and (c) SAM Entity Registration Records (excluding the Census Bureau).

The pre-payment checking performed by the Department excludes pre-payment eligibility reviews of grantees under Treasury's Automated Standard Application for Payments (ASAP), as Treasury performs continuous monitoring to the Do Not Pay portal of ASAP grantees. Bureau payment and acquisition offices, as appropriate, follow up on vendors initially matched to the Do Not Pay portal databases checked to, and perform further research as necessary to follow through and resolve the issues identified by the Do Not Pay portal matches. In most cases, the initial matches are subsequently determined by the Department to be false matches. Other Departmental offices are also consulted as appropriate.

Furthermore, the Department's payment offices receive, from the Do Not Pay portal, monthly reports listing of payments made to the following databases: (a) DMF; and (b) SAM Exclusion Records. Payment offices research and follow up on matches, as appropriate, and submit to the Do Not Pay portal monthly Adjudication Reports summarizing the results of their efforts.

Post-Payment Reviews and Other Procedures Performed:

Beyond the Department's payment recapture audits program, the Department has extensive improper payments monitoring, recapturing, and corrective actions efforts in place, including the identification of improper payments through bureau post-payment reviews, the Department's Office of Inspector General audits or reviews, Single Audit