

# Department of Commerce Payment Integrity Website

## Background

The Improper Payments Information Act (IPIA) of 2002, as amended by the Improper Payments Elimination and Recovery Act 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* (July 15, 2016), Appendix C, *Requirements for Payment Integrity Improvement* (June 26, 2018), defines an improper payment<sup>(1)</sup> 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.

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 2020 and beyond, the Department will continue its efforts to ensure the integrity of its disbursements.

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<sup>(1)</sup> **Excerpts:** 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 should also be considered an improper payment. A

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“questioned cost” should not be considered an improper payment until the transaction has been completely reviewed and is confirmed to be improper. 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 disbursements made pursuant to prime contracts awarded under the Federal Acquisition Regulation and Federal awards subject to the 2 C.F.R. Part 200 – Uniform Administrative Requirements, Costs Principles and Audit Requirements for Federal Awards (Uniform Guidance) that are expended by recipients.

On February 9, 2018, the President signed into law the Bipartisan Budget Act of 2018, which provided supplemental appropriations to many federal agencies for disaster relief purposes, among others. The Economic Development Administration (EDA) was appropriated \$600.0 million and the National Oceanic and Atmospheric Administration (NOAA) was appropriated \$400.1 million. Pursuant to OMB Memorandum M-18-14, Implementation of Internal Controls and Grant Expenditures for the Disaster-Related Appropriations (March 30, 2018), the Department would have been required to submit a statistical sampling and estimation plan to OMB by June 30, 2019 for each of EDA and NOAA FY 2018 disbursements, to calculate and report an annual improper payments estimate, had EDA or NOAA disbursements exceeded \$10.0 million. However, disbursements for each bureau did not exceed \$10.0 million. Accordingly, the Department did not submit statistical sampling and estimation plans to OMB. The Department, effective with its FY 2020 Agency Financial Report (AFR), will begin reporting on the disaster funds received by EDA and NOAA if disbursements for a fiscal year exceed \$10.0 million for that bureau.

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. Government’s payment integrity 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.

The Department does not have any programs/activities that have improper payments exceeding the statutory thresholds established under IPIA of 2002, as amended, and which is also defined in OMB Circular A-123, Appendix C, Part I, Definitions and Determinations, section B), item 1) as gross annual improper payments (i.e., the total amount of overpayments and underpayments) in the program exceeding (1) both 1.5 percent of program outlays and \$10 million of all program or activity payments made