

# IPERA Compliance

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Tuesday May 7<sup>th</sup>, 2019



Office of Federal Financial Management  
Office of Management and Budget



## Payment Integrity/Improper Payment: Definition

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- 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.
- Improper Payments can be:
  - Incorrect amounts paid to eligible recipients,
  - Payments made to ineligible recipients,
  - Payments for goods or services not received,
  - Duplicate payments,
  - Payments when an agency's review is unable to discern whether a payment was proper due to lack of documentation.



## Improper Payment Characteristics

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- Expressed positively, a proper payment these main attributes:
  - ✓ right recipient
  - ✓ right amount
  - ✓ right reason
- A violation of any of these attributes may result in an “improper payment”
- Not all “improper payments” represent a monetary loss to the government
- Not all “improper payments” are the result of fraudulent actions
- Not all “improper payments” are recoverable



## IPERA Compliance

- Beginning with fiscal year 2011, IPERA required IGs to annually assess and report on their agencies' compliance with criteria listed in the law.
- **Six** criteria under IPERA:
  1. Publish a PAR or AFR
  2. Conduct Risk Assessment
  3. Publish IP Estimates
  4. Publish CAPs
  5. Publish/Meet Reduction Goals
  6. Achieve an IP rate < 10%





## Appendix C: OIG Review

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What should each agency Inspector General review to determine if an agency is in compliance under IPERA?

1. Published an AFR or PAR
  - Most recent fiscal year and posted that report on the agency website;
2. Conducted a program specific risk assessment
  - For each program or activity
3. Published improper payment estimates for all programs
  - Identified as susceptible to significant improper payments under its risk assessment (if required);
4. Published programmatic corrective action plans in the AFR or PAR (if required);
5. Published, and is meeting, annual reduction targets
  - For each program assessed to be at risk and estimated for improper payments (if required and applicable);
6. Reported a gross improper payment rate of less than 10 percent
  - For each program and activity for which an improper payment estimate was obtained and published in the AFR or PAR.



## Appendix C: Agency compliance

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- a. Published an AFR or PAR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website;
  - An agency should publish their AFR or PAR in accordance with the specific guidance related to improper payments in the Payment Integrity Reporting section within OMB Circular A-136.
  - In addition, the AFR or PAR should include all applicable requirements from OMB Circular A-123, Appendix C.
  - Agencies should ensure that their AFRs or PARs are complete and accurate.
  - For example, if an agency completes the root cause category matrix the agency should ensure that the root cause category classification accurately classifies the true root causes of improper payments.



## Appendix C: Agency compliance

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- b. Conducted a program specific risk assessment for each program or activity that conforms with IPIA, as amended (if required);
  - An agency should ensure that the program or activity based risk assessments are conducted in accordance with Part I.C.
  - For example, when an agency conducts an improper payment risk assessment, the agency should ensure that it has considered appropriate risk factors and the agency should ensure that the result of the assessment is reasonably supported whether the program or activity is or is not susceptible to significant improper payments.

### M18-20 revision highlights

- Clarified that risk assessments are to be conducted once every three years for programs deemed not susceptible to significant improper payments.
- Clarified that risk assessments are not required for programs that are reporting estimates.
- Removed requirement for all risk factors to be considered and allowed agencies to determine which factors are most appropriate to consider.
- Added a threshold \$5 Billion for when a program should perform a quantitative assessment vs a qualitative one.
- Added clarification to allow programs which had been performing qualitative assessments to continue to do so if the IG approves.



## Appendix C: Agency compliance

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- c. Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required);
  - An agency should ensure that the program or activity has produced and published an improper payment estimate in accordance with the Payment Integrity Reporting section of OMB Circular A-136.
  - For example, agencies should ensure that the program improper payment rate estimates are accurate and that the sampling and estimation plan used is appropriate given program characteristics.

### M18-20 revision highlights

- Added specific guidance for preparing and submitting sampling and estimation plans.
- Changed the due date for non-statistical plans from June 30 to January 30.
- Added examples of when plans should be revised and resubmitted to OMB.
- Provided an allowance for agencies to request relief from reporting even if they are unable to get IG concurrence.





## Appendix C: Agency compliance

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- d. Published programmatic corrective action plans in the AFR or PAR (if required);
  - An agency should ensure that the program or activity has produced and published corrective actions plan in accordance with the Payment Integrity Reporting section of OMB Circular A-136.
  - For example, Agencies should ensure that each corrective action is specifically aimed toward the true root cause and specifically focused on preventing improper payments.
  - Agencies should also ensure that the actions are effectively implemented and appropriately prioritized within the agency to reduce and prevent improper payments.



## Appendix C: Agency compliance

- e. Published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable); and
  - An agency should ensure that the program or activity has produced and published reduction targets in accordance with the Payment Integrity Reporting section of OMB Circular A-136.
  - An agency should ensure that their improper payment reduction targets are the appropriate balance of aggressive and realistic given the program characteristics.

### M18-20 revision highlights

- Increased the time period for agencies to establish a baseline from 12 months to 24 months.
- Added details for determining compliance with reduction targets.





## Appendix C: Agency compliance

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- f. Reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR or PAR.



# High-Priority Programs

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- **High-Priority Programs**

- As part of the annual compliance review, for agencies that have high-priority programs, the agency Inspector General should: review the assessment of the level of risk,<sup>22</sup> evaluate the quality of the improper payment estimates and methodology, and review the oversight or financial controls used to identify and prevent improper payments under the program.
- In M18-20 the threshold for designation as a high priority program was increased from \$750 Million to \$2 Billion
- As a point for public availability of the reports with the additional required information OMB has developed a Scorecard tools which is available at <https://paymentaccuracy.gov/>



## Appendix C: OIG Review

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In determining compliance, the agency Inspector General should:

- evaluate the accuracy and completeness of agency reporting,
- evaluate agency performance in reducing and recapturing improper payments.
  - For example, when determining compliance, the agency Inspector General should evaluate whether the program improper payment rate estimates are accurate and whether the sampling and estimation plan used is appropriate given program characteristics.
- evaluate the corrective action plans and determine whether the corrective actions are focused on the true root cause and are actually reducing the improper payments, and whether they are effectively implemented.
- evaluate the root cause category classification and determine whether the agency has accurately classified the true root causes of improper payments.



## Appendix C: OIG Review

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- As part of its report, the agency Inspector General should include its evaluation of agency efforts to prevent and reduce improper payments, and any recommendations for actions to further improve: the agency's or program's performance in reducing improper payments; corrective actions; or internal controls.



## IPERA Compliance Report

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- Please submit a copy of the report to the following individuals or groups:
  - Agency Head
  - OMB
  - GAO
  - Senate Committee of Homeland Security and Government Affairs
  - House Committee on Oversight and Government Reform
- **Email** is preferred by most recipients, a physical copy **does not** need to be submitted
- OMB will work with CIGIE to notify agencies of the appropriate OMB emails as the May 2019 deadline approaches





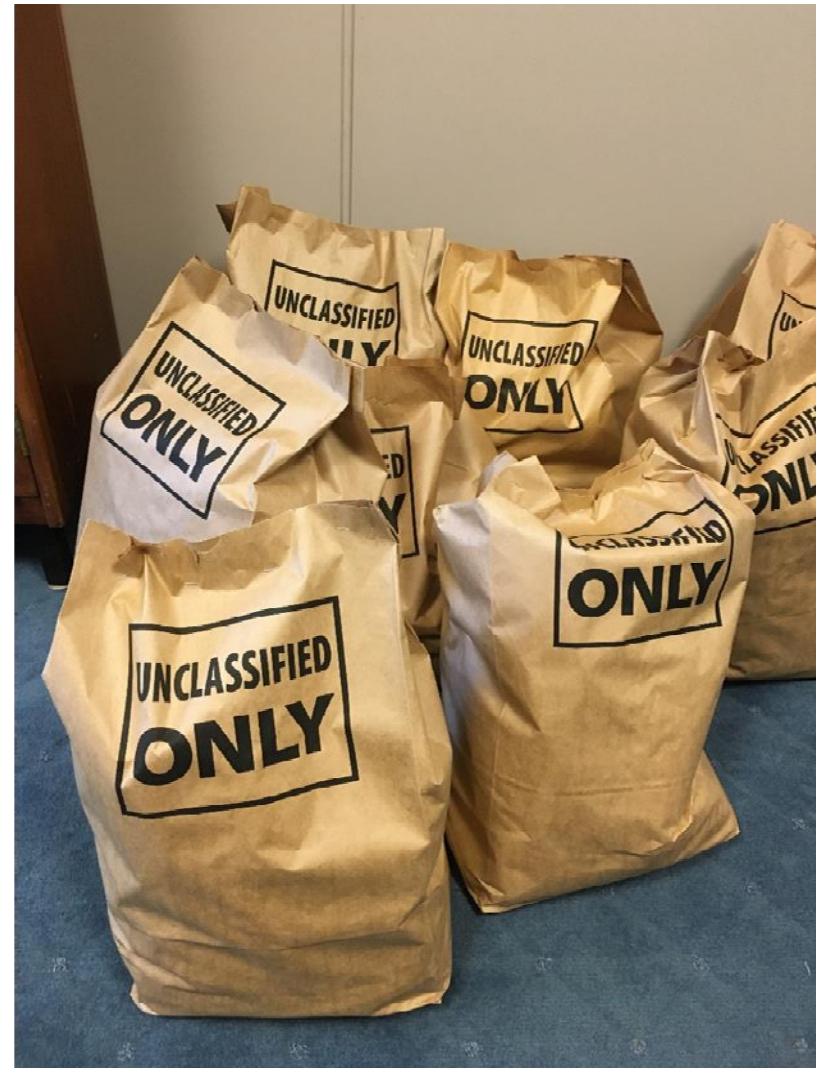
## IPERA Compliance Report

(Do Not Send a Hard Copy)

**Hard copy reports mailed to us get “filed away” in our burn bag filing system!**

**Due to Security Scanning at EOP/OMB most hard copies are illegible when they get to OFFM**

- Ink fuses pages together
- Laminate melts







## IPERA Compliance Reports

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- The report should contain a high-level summary toward the beginning of the report that (a) clearly states the agency's compliance status (i.e., compliant or non-compliant) and (b) indicates which of the six requirements the agency complied with and which requirements the agency did not comply with.



# IPERA Compliance Report Table

- To assist readers and better convey the conclusions of the report, the following table should be included in the OIG Report:

The 6 IPERA Criteria

Program Name	Published an AFR or PAR	Conducted a Risk Assessment	Published an Improper Payment Estimate	Published Corrective Action Plans	Published and is Meeting Reduction Targets	Reported an Improper Payment Rate of Less than 10 Percent
Program A						
Program B						
Program C						
Program D						

# Questions?

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Richard Skokowski [Richard.A.Skokowski@omb.eop.gov](mailto:Richard.A.Skokowski@omb.eop.gov)

2018 Town Hall Meeting Slides:

<https://community.max.gov/display/Finance/Payment+Integrity+Reporting+and+IPERA+Compliance+Town+Hall+FY+2018>

<https://paymentaccuracy.gov/>



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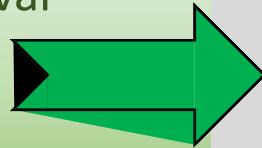


## Compliance with Reduction Targets: Statistically Valid and Rigorous Plans



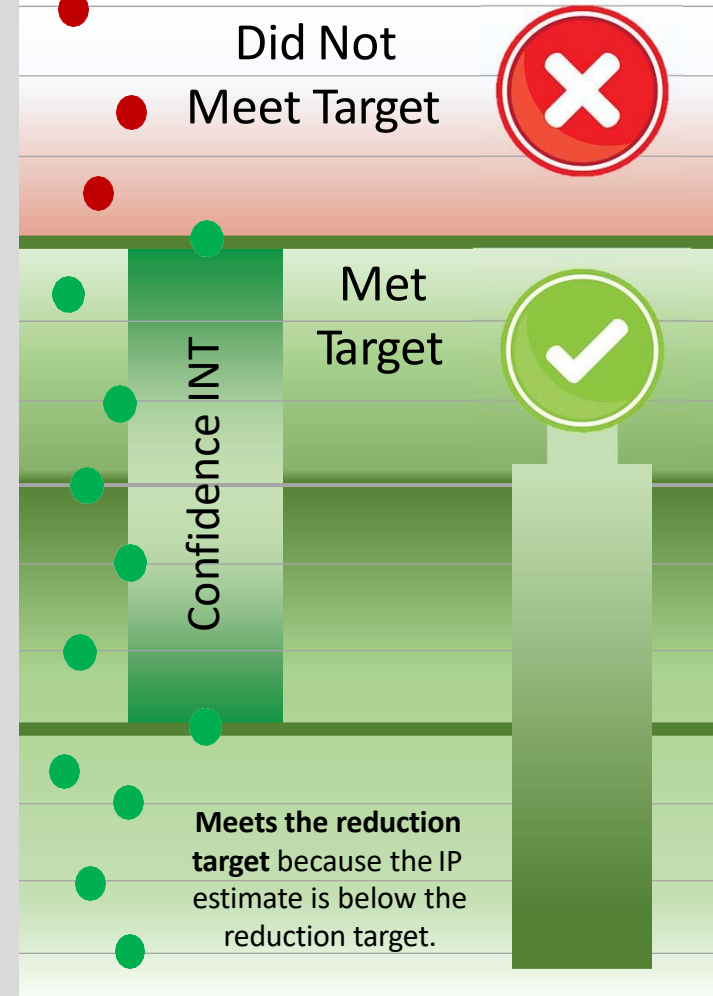
### For Statistically Valid and Rigorous Plans

Stated Program  
IP Target of 5% in  
PY AFR or PAR,  
Confidence interval  
of S&E Plan  
is +/- 3%



Stated Program with a  
IP Target of 5% (+/- 3%)  
is in compliance between  
**8% and Below**

11.00 %  
10.00 %  
9.00 %  
8.00 %  
7.00 %  
6.00 %  
5.00 %  
4.00 %  
3.00 %  
2.00 %  
1.00 %  
0.50 %  
0.10 %



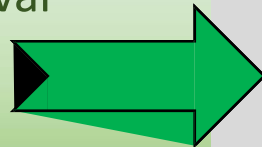


## Compliance with Reduction Targets: Statistically Valid Plans



### For Statistically Valid Plans

Stated Program  
IP Target of 5% in  
PY AFR or PAR,  
Confidence interval  
of S&E Plan  
is +/- 3%



Stated Program with a  
IP Target of 5% (+/- 3%)  
is in compliance between  
**5% or Below**

11.00 %  
10.00 %  
9.00 %  
8.00 %  
7.00 %  
6.00 %  
5.00 %  
4.00 %  
3.00 %  
2.00 %  
1.00 %  
0.50 %  
0.10 %





## Compliance with Reduction Targets: Non-Statistically Valid Plans

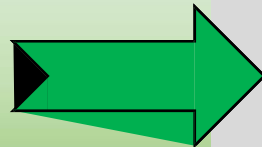


### For Non-Statistically Valid Plans

**\* Must Be Approved by OMB**

Stated Program IP Target of 5% in PY AFR or PAR,

\* Likely no Confidence interval



Stated Program is in compliance between  
**5% or Below**

11.00 %  
10.00 %  
9.00 %  
8.00 %  
7.00 %  
6.00 %  
5.00 %  
4.00 %  
3.00 %  
2.00 %  
1.00 %  
0.50 %  
0.10 %

