

Payment Integrity and Other Laws and Regulations

IMPROPER PAYMENTS INFORMATION ACT, AS AMENDED

The Improper Payments Information Act of 2002 (IPIA), Public Law No. 107-300, as amended, requires agencies to annually review their programs and activities to identify those susceptible to significant improper payments, as well as to conduct payment recapture audit programs. In 2010, the President signed into law the Improper Payments Elimination and Recovery Act (IPERA, Public Law No. 111-204), which amends the Improper Payments Information Act of 2002, and repeals the Recovery Auditing Act (Section 831 of the 2002 Defense Authorization Act, Public Law No. 107-107). In January 2013, the IPIA of 2012 (IPERIA Public Law No. 112-248) was signed into law and further amended IPIA. All remaining references in this disclosure to the term IPIA will imply IPIA, as amended by IPERA and IPERIA. Most significantly, IPERIA expanded the term payment to refer to all payments except intragovernmental transactions. It also codified OMB's ongoing efforts to develop and enhance the government's Do Not Pay Initiative, which included the creation of a centralized Do Not Pay List for agencies to access prior to disbursing payments.

IPIA defines significant improper payments as annual improper payments in a program that exceed both 1.5 percent of program annual payments and \$10 million, or that exceed \$100 million, regardless of the error rate. Once those highly susceptible programs and activities are identified, agencies are required to estimate and report the annual amount of improper payments. Generally, an improper payment is any payment that should not have been made or that was made in an incorrect amount under a statutory, contractual, and administrative or other legally applicable requirement.

Payment Integrity Reporting Details

The Department defines its programs and activities in alignment with the manner of funding received through appropriations, as further subdivided into funding for operations carried out around the world. Risk assessments over all programs are done every three years. In the interim years, risk assessments evaluating programs that experience any significant legislative changes and/or significant increase in funding will be done to determine if the Department continues to be at low risk for making significant improper payments at or above the threshold levels set by OMB. The Department conducted a risk assessment of all programs and activities in 2013 and again in 2016. As such, 2017 is an interim year.

Risk assessments of Department programs and activities involve an evaluation of the risk factors described in OMB Circular A-123 Appendix C including whether the program or activity reviewed is new to the Department; the complexity of the program or activity reviewed, particularly with respect to determining correct payment amounts; the volume of payments made annually; whether payments or payment eligibility decisions are made outside of the Department; recent major changes in program funding, authorities, practices, or procedures; the level, experience, and quality of training for personnel responsible for making program eligibility determinations or certifying that payments are accurate; inherent risks of improper payments due to the nature of Department programs; significant deficiencies in the audit reports on the Department including OIG, GAO, and the Special Inspector General for Afghanistan Reconstruction audit report findings; results from the prior year improper payment recapture work; and the percentage increase in funding. Additional risk factors are considered as needed. Further, risks and results from the work performed in compliance with OMB Circular A-123 Appendix A, other internal Department reviews, and other relevant information are considered.