



December 13, 2018

MEMORANDUM FOR: John Torgerson
Interim Federal Co-Chair
Denali Commission

FROM: Mark H. Zabarsky
Principal Assistant Inspector General for Audit and Evaluation
U.S. Department of Commerce Office of Inspector General

SUBJECT: *Denali Commission's Compliance with FY 2017 Improper Payments Requirements*—Memorandum No. DCOIG-19-001-M

This memorandum provides our conclusion on the Denali Commission's (the Commission's) compliance with fiscal year (FY) 2017 reporting on improper payments. We conducted this review to comply with the requirements of the Improper Payments Information Act of 2002 (IPIA)—as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA)—and Office of Management and Budget (OMB) Circular A-123, Appendix C, "Requirements for Effective Estimation and Remediation of Improper Payments," as amended.¹

Our objective was to review the accuracy and completeness of the Commission's reporting, as well as agency performance in reducing and recapturing improper payments, if applicable. Overall, we found that the Commission met the applicable OMB criteria for compliance with IPIA for FY 2017.²

According to OMB Circular A-123, as amended, significant improper payments are defined as gross annual improper payments in the program 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 payment percentage of total program outlays).³ All agencies are required to institute a systematic method of reviewing all programs and identify programs susceptible to significant improper payments. This systematic method

¹ Going forward, unless otherwise indicated, the term IPIA will denote IPIA, as amended by IPERA and IPERIA throughout this memorandum.

² OMB Circular 123, Appendix C, as amended by OMB Memorandum M-15-02 (Oct. 20, 2014), Part II.A.3. On June 26, 2018, OMB published Memorandum M-18-20, which provided updated guidance to M-15-02 and went into effect starting in FY 2018. However, for our review of FY 2017 improper payments, the guidelines of M-15-02 were still both active and applicable.

³ OMB Circular 123, Appendix C, as amended by OMB Memorandum M-15-02 (Oct. 20, 2014), Part I.A.9.-Step I.a.: Definition.

could be a quantitative evaluation based on a statistical sample, or a qualitative method, such as a risk assessment.⁴ The Commission performed a risk assessment in FY 2017 that did not identify any programs as susceptible to significant improper payments. Based upon the results of their risk assessment, the Commission was not required to publish improper payment estimates, programmatic corrective action plans, annual reduction targets, and/or gross improper payment rates in their FY 2017 agency financial report. OMB approved the Commission's FY 2017 agency financial report on September 21, 2018, and the agency published the report on its website on October 3, 2018.⁵

We performed this review under authority of the Inspector General Act of 1978, as amended (5 U.S.C. App). This review was conducted in accordance with the *Quality Standards for Inspection and Evaluation* (January 2012) issued by the Council of the Inspectors General on Integrity and Efficiency. As required by IPIA, we are also issuing a copy of this memorandum to the U.S. Senate Committee on Homeland Security and Governmental Affairs; U.S. House Committee on Oversight and Government Reform; Comptroller General of the United States; and the OMB Controller.

In addition, this memorandum will be posted on the Denali Commission Office of Inspector General's website pursuant to section 8M of the Inspector General Act of 1978, as amended (5 U.S.C. App., §§ 8M).

We would like to thank the Commission staff for their cooperation during our review. Please contact me at (202) 482-3884 if you would like to discuss the results of this review.

cc: Denali Commissioners
Corrine Eilo, Chief Financial Officer, Denali Commission
Peggy E. Gustafson, Inspector General, U.S. Department of Commerce

⁴ Id., Part I.A.9.-Step I.b.: Systematic Method.

⁵ OMB Circular 123, Appendix C, as amended by OMB Memorandum M-15-02 (Oct. 20, 2014), requires inspectors general to review the agency's annual agency financial report—and accompanying materials—to determine if the agency is in compliance under IPERA, as amended. This review should be completed within 180 days of publication of the agency financial report.