



### Why This Matters

In fiscal year (FY) 2010, the Federal Government's total improper payment amount was at a high of \$121 billion. In that same year, Congress passed the Improper Payments Elimination and Recovery Act of 2010 in an effort to reduce improper payments. Since FY 2010, the Federal Government's total improper payment rate has declined to \$115 and \$108 billion for FYs 2011 and 2012, respectively. In addition to reducing improper payments, the Act requires each agency's Inspector General to annually determine if the agency is in compliance with the Act.

### DHS Response

DHS and the components concurred with our eight recommendations. The Department reported that it has already begun to implement the recommendations with a target to implement all recommendations by the end of March 2013.

### For Further Information:

Contact our Office of Public Affairs at (202)254-4100, or email us at [DHS-OIG.OfficePublicAffairs@oig.dhs.gov](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov)

## DHS' FY 2012 Compliance with the Improper Payments Elimination and Recovery Act of 2010

### What We Determined

To comply with the Improper Payments Elimination and Recovery Act of 2010 (IPERA), an agency is required to conduct risk assessments and report and publish the results of selected program testing in its Annual Financial Report. The agency must also achieve and report improper payment rates of less than 10 percent for each program. KPMG LLP did not find any instances of noncompliance with IPERA.

Additionally, we reviewed the processes and procedures by which the Department of Homeland Security (DHS) estimates its annual improper payment rates. Based on our review, we determined that DHS needs to improve controls to ensure the accuracy and completeness of improper payment reporting. Specifically, it needs to improve its review processes to ensure that the risk assessments properly support the components' determination of programs susceptible to significant improper payments. Furthermore, DHS needs to adequately segregate duties and improve its policies and procedures to identify, reduce, and report improper payments.

### What We Recommend

We recommend that the Chief Financial Officer, Department of Homeland Security ensure that:

1. DHS Risk Management and Assurance Division obtains and reviews the components' interviews to ensure that the risk weights and risk scores are accurate and supported.
2. DHS Risk Management and Assurance Division requires all components to provide detailed explanations and references to supporting documentation as to how they determined each risk weight and risk score.
3. U.S. Customs and Border Protection and the United States Coast Guard perform interviews as part of the risk assessment process.
4. Federal Emergency Management Agency performs interviews of the program managers or senior management.
5. U.S. Customs and Border Protection's risk assessment is reviewed and approved by the Chief Financial Officer.

We also recommend that the Chief Financial Officer, Department of Homeland Security:

6. Modify the DHS Guidebook to add clarification that explicitly describes how to complete the components' risk assessments.
7. Develop and implement procedures to ensure the approval of risk templates only after the components have made all corrections.
8. Develop standard operating procedures that clearly identify how the IPERA reviews and approvals will be coordinated with the components.