

**Department of Homeland
Security's FY 2018
Compliance with the
Improper Payments
Elimination and Recovery
Act of 2010 and Executive
Order 13520, Reducing
Improper Payments**





DHS OIG HIGHLIGHTS

Department of Homeland Security's FY 2018 Compliance with the Improper Payments Elimination and Recovery Act of 2010 and Executive Order 13520, Reducing Improper Payments

May 24, 2019

Why We Did This Audit

Our objective was to determine whether DHS complied with IPERA and Executive Order 13520. Additionally, we evaluated the accuracy and completeness of DHS' improper payment reporting.

What We Recommend

We recommend that DHS strengthen its oversight and review procedures for IPERA risk assessments and follow the Office of Management and Budget's requirements to comply with IPERA.

For Further Information:

Contact our Office of Public Affairs at (202) 981-6000, or email us at DHS-OIG.OfficePublicAffairs@oig.dhs.gov

What We Found

The Department of Homeland Security did not comply with the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) because the Department did not meet two of the six requirements. Specifically, the Department omitted the percent of recaptured amounts from the *Other Information* section in its Agency Financial Report and did not meet its annual reduction target established for one of eight programs deemed susceptible to significant improper payments.

The Department also did not comply with Executive Order 13520, *Reducing Improper Payments*, because DHS did not make available to the public its Quarterly High-Dollar Overpayment report for the second quarter of fiscal year 2018. Additionally, DHS' third-quarter report posted on its website erroneously excluded information on actions the agency has taken to recover high-dollar overpayments.

We reviewed DHS' processes and procedures for estimating its annual improper payment rates. Based on our review, we determined that DHS did not adequately oversee the components' testing and reporting supporting their improper payment rates.

DHS Response

DHS concurred with all seven of our recommendations and has already begun implementing corrective actions. DHS indicated it is committed to responsible stewardship of its resources; ensuring proper controls are in place to eliminate fraud, waste, and abuse of taxpayer dollars; and continuing its focus on reducing improper payments.



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Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

May 24, 2019

MEMORANDUM FOR: Stacy Marcott
Acting Chief Financial Officer

FROM: Sondra F. McCauley 
Assistant Inspector General for Audits

SUBJECT: *Department of Homeland Security's FY 2018
Compliance with the Improper Payments Elimination
and Recovery Act of 2010 and Executive Order 13520,
Reducing Improper Payments*

Attached for your action is our final report, *Department of Homeland Security's FY 2018 Compliance with the Improper Payments Elimination and Recovery Act of 2010 and Executive Order 13520, Reducing Improper Payments*. We incorporated the formal comments provided by your office.

The report contains seven recommendations aimed at improving the overall effectiveness of the improper payment reduction program. Your office concurred with the seven recommendations. Based on information provided in your response to the draft report, we consider recommendation 1 open and resolved, and recommendation 3 resolved and closed. We have administratively closed recommendations 2, 4, 5, 6, and 7 since they are repeat recommendations from our FY 2014–2017 reports on the Department's compliance with the *Improper Payments Elimination and Recovery Act of 2010* (IPERA). See appendix D for the status of all prior year recommendations related to IPERA.

Please send your response or closure request to
OIGAuditsFollowup@oig.dhs.gov

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions at (202) 981-6000, or your staff may contact Maureen Duddy, Deputy Assistant Inspector General for Audits, at (617) 565-8723.

Attachment



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Abbreviations

AFR	Agency Financial Report
CBP	U.S. Customs and Border Protection
FEMA	Federal Emergency Management Agency
HSGP	Homeland Security Grant Program
ICE	U.S. Immigration and Customs Enforcement
IPERA	<i>Improper Payments Elimination and Recovery Act of 2010</i>
IPIA	<i>Improper Payments Information Act of 2002</i>
OIG	Office of Inspector General
OMB	Office of Management and Budget
RM&A	Risk Management & Assurance
S&T	Science & Technology Directorate
TSA	Transportation Security Administration



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Background

The *Improper Payments Information Act of 2002*, Public Law 107-300 (IPIA), as amended by the *Improper Payments Elimination and Recovery Act of 2010*, Public Law 111-204, (IPERA), requires agency heads to annually report information on improper payments to the President and Congress through the Agency's Financial Report (AFR)¹. IPERA requires agency heads to periodically review all programs and activities administered and identify those that may be susceptible to significant improper payments. IPERA defines an improper payment as one that should not have been made or one that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. An improper payment includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments authorized by law), and any payment that does not account for credit for applicable discounts. For each program identified as susceptible to significant improper payments,² the agency is required to produce a statistically valid or otherwise appropriate estimate of the improper payments made by each program and activity. The agency is also required to include those estimates in the materials accompanying the agency's annual financial statement.

On April 14, 2011, the Office of Management and Budget (OMB) issued a revised Circular A-123, Appendix C, as guidance for agencies to implement the requirements of IPERA.³ This guidance also describes the responsibilities of Inspectors General in determining their respective agencies' compliance with IPERA. OMB has revised this guidance twice since 2011. On June 26, 2018, OMB issued its most recent version of Circular A-123, Appendix C with the goal of transforming the improper payment compliance framework to create a more unified, comprehensive, and less burdensome set of requirements.⁴ In accordance with OMB's guidance, the Inspector General should review improper payment reporting in the AFR and any accompanying information to ensure compliance with IPERA. As part of that review, the Inspector General should also evaluate the accuracy and completeness of agency reporting, and

¹ OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement* (OMB Memo M-18-20).

² OMB Memo M-18-20 defines "significant improper payments" 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 \$10,000,000 of all program or activity payments made during the fiscal year reported or (2) \$100,000,000 (regardless of the improper payment percentage of total program outlays)."

³ OMB Circular A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*, revised parts I and II (OMB Memo M-11-16).

⁴ OMB Memo M-18-20.



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evaluate the agency performance in reducing and recapturing improper payments.

Among other requirements, the agency must conduct risk assessments, and report and publish the results of selected program testing in its AFR to comply with IPERA. The agency must also achieve and report gross improper payment rates of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR. According to the *FY 2018 Department of Homeland Security AFR*, DHS conducted risk assessments for nearly \$75.2 billion of the payments reported in the Department's FY 2017 AFR made by 90 DHS programs in which total payments exceeded \$10 million. Eight of those programs are deemed susceptible to significant improper payments.

Executive Order 13520, *Reducing Improper Payments* (November 20, 2009), was issued in the interest of reducing payment errors and eliminating waste, fraud, and abuse in Federal programs. The order contains a comprehensive set of policies, including transparency and public scrutiny of significant payment errors throughout the Federal Government. It requires that at least once every quarter, the head of each agency submit to the agency's Inspector General and the Council of the Inspectors General on Integrity and Efficiency, and make available to the public, a report on any high-dollar improper payments identified by the agency.

OMB Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*, October 20, 2014, clarifies what agencies are required to report in their quarterly high-dollar overpayments report.⁵ It states that only agencies with programs susceptible to significant improper payments under IPIA, as amended, are required to report quarterly on high-dollar overpayments that occurred within those specific programs. A high-dollar overpayment is any overpayment in excess of 50 percent of the correct amount of the intended payment under the following circumstances:

- a. where the total payment to an individual exceeds \$25,000 as a single payment or in cumulative payments for the quarter; or
- b. where the total payment to an entity exceeds \$100,000 as a single payment or in cumulative payments for the quarter.

⁵ OMB Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments* (OMB M-15-02) revised Appendix C to implement requirements from IPIA, IPERA, *Improper Payments Elimination and Recovery Improvement Act of 2012*, Public Law 112-248 (IPERIA), and Executive Order 13520. Following the issuance of M-18-20, the only aspects of OMB M-15-02 that remain valid pertain to high-dollar overpayment reporting. All other IPERA guidance is contained in OMB Memo M-18-20.



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Results of Audit

An agency must meet six specific requirements to comply with IPERA.⁶ If the agency does not meet one or more of these requirements, it is not compliant.

In FY 2018, DHS did not comply with IPERA because it did not meet two of the six requirements. Specifically, DHS omitted the percent of recaptured amounts from the *Other Information* section in its AFR and did not meet its annual reduction target established for one of eight programs deemed susceptible to significant improper payments. Table 1 identifies the components that did not comply with the two IPERA requirements.⁷

Table 1. IPERA Compliance Reporting Table, FY 2018

Component	Correctly Published an AFR and OMB-Required Accompanying Materials	Conducted Risk Assessment	Published Improper Payment Estimate	Published Corrective Action Plans	Published and Is Meeting Reduction Targets	Reported Improper Payment Rate of Less than 10%
U.S. Customs and Border Protection (CBP)	Yes	Yes	Yes	N/A	Yes	Yes
Departmental Management and Operations	N/A	Yes	N/A	N/A	N/A	N/A
Domestic Nuclear Detection Office ⁸	N/A	Yes	N/A	N/A	N/A	N/A
Federal Emergency Management Agency (FEMA)	Yes	Yes	Yes	Yes	No	Yes
Federal Law Enforcement Training Center	N/A	Yes	N/A	N/A	N/A	N/A

⁶ The six requirements are as follows: (1) publish an AFR for the most recent fiscal year and post it and required accompanying materials on the agency website; (2) conduct a program-specific risk assessment for each program or activity susceptible to significant improper payments; (3) publish improper payment estimates for all such programs and activities (if required); (4) publish programmatic corrective action plans in the AFR (if required); (5) publish and meet annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable); and (6) report a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate is published in the AFR.

⁷ See the answer “No” in the second and sixth columns of Table 1.

⁸ The *Countering Weapons of Mass Destruction Act of 2018*, Public Law 115-387 (Dec. 21, 2018), reorganized the Domestic Nuclear Detection Office into the Countering Weapons of Mass Destruction Office.



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Component	Correctly Published an AFR and OMB-Required Accompanying Materials	Conducted Risk Assessment	Published Improper Payment Estimate	Published Corrective Action Plans	Published and Is Meeting Reduction Targets	Reported Improper Payment Rate of Less than 10%
U.S. Immigration and Customs Enforcement (ICE)	No	Yes	Yes	N/A	Yes	Yes
National Protection and Programs Directorate (NPPD) ⁹	No	Yes	N/A	N/A	N/A	N/A
Office of Health Affairs	N/A	Yes	N/A	N/A	N/A	N/A
Office of Intelligence and Analysis	N/A	Yes	N/A	N/A	N/A	N/A
Office of Operations Coordination	N/A	Yes	N/A	N/A	N/A	N/A
Office of Inspector General	N/A	Yes	N/A	N/A	N/A	N/A
Science and Technology Directorate (S&T)	No	Yes	N/A	N/A	N/A	N/A
Transportation Security Administration (TSA)	No	Yes	N/A	N/A	N/A	N/A
U.S. Citizenship and Immigration Services	N/A	Yes	N/A	N/A	N/A	N/A
United States Secret Service	N/A	Yes	N/A	N/A	N/A	N/A
United States Coast Guard	N/A	Yes	N/A	N/A	N/A	N/A

Note: The Office of Inspector General (OIG) was not subject to the review.

Note: DHS identified eight programs that are susceptible to significant improper payments within three of its components (CBP, FEMA, and ICE).

Source: OIG analysis of the FY 2018 DHS AFR and component data

We also determined that DHS did not comply with Executive Order 13520 because it did not make available to the public DHS' Quarterly High-Dollar Overpayment report for the second quarter of FY 2018. In addition, the third-

⁹ The *Cybersecurity and Infrastructure Security Agency Act of 2018*, enacted on November 16, 2018, officially reorganized NPPD into the Cybersecurity and Infrastructure Security Agency.



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quarter report DHS posted on its website erroneously excluded information on actions the agency has taken to recover high-dollar overpayments.

We reviewed DHS' processes and procedures for estimating its annual improper payment rates. Based on our review, we determined that DHS did not adequately oversee the components' testing and reporting supporting their improper payment rates.

DHS' Compliance with IPERA

The Department reported that it had made significant progress to improve its processes to comply with IPERA. However, DHS did not meet two of the six IPERA requirements for FY 2018. Specifically, DHS omitted the percent of recaptured amounts from the accompanying materials in its AFR and did not meet its annual reduction target for one of the eight programs deemed susceptible to significant improper payments.

We reviewed DHS' FY 2018 AFR to determine whether DHS met the following IPERA requirements:

1. published an AFR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website;
2. conducted a program-specific risk assessment for each program or activity that may be susceptible to significant improper payments (if required);
3. published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required);
4. published programmatic corrective action plans in the AFR (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); and
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.

Specific Results for DHS' Noncompliance with IPERA Requirements

The specific results for DHS' compliance with IPERA requirements are as follows:

1. Did DHS publish an AFR for the most recent fiscal year and post that report and any accompanying materials required by OMB on the agency website?



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No. Although DHS published and posted its FY 2018 AFR on its website, it did not include all the necessary accompanying materials required under OMB Circular A-136. Specifically, DHS did not include the percent recaptured for amounts listed in the AFR table titled “Overpayment Payment Recaptured with and without Recapture Audit Programs.” Table 2 shows how this information should be presented in the AFR, as required by OMB Circular A-136, *Financial Reporting Requirements*.

Table 2: Overpayment Payment Recaptured With and Without Recapture Audit Programs, FY 2018 (\$ in millions)

Component	Amount Identified	Amount Recaptured	% Recaptured via Payment Recapture
ICE	\$0.25	\$0.25	100.00%
NPPD	\$0.26	\$0.26	100.00%
S&T	\$0.26	\$0.26	100.00%
TSA	\$7.98	\$7.98	100.00%
DHS Totals	\$8.75	\$8.75	100.00%

Source: OIG analysis of FY 2018 DHS AFR and its accompanying support

Although these omissions did not result in a material misstatement in the financial statements, DHS should ensure the FY 2019 AFR reflects these corrections.

2. Did DHS conduct a program-specific risk assessment for each program or activity that may be susceptible to significant improper payments (if required)?

Yes. DHS conducted a program-specific risk assessment for each program or activity that may be susceptible to significant improper payments, when required.

3. Did DHS publish improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required)?

Yes. DHS published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment.

4. Did DHS publish programmatic corrective action plans in the AFR (if required)?



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Yes. DHS published required corrective action plans in the AFR “Payment Integrity, 4. Improper Payment Corrective Actions, FEMA Vendor Payment (VP) Program Corrective Actions” for the FEMA — Vendor Payments program.

5. Did DHS publish, and is it meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable)?

No. Although DHS published reduction targets for each program assessed to be at risk, it did not meet the reduction target for one of eight programs deemed susceptible to improper payments. Table 3 identifies the FEMA program that did not meet the improper payment reduction target.

Table 3. Improper Payment Reduction Targets, FY 2018

Component	Program	Reduction Target Met?
CBP	Refund and Drawback Program	Yes
FEMA	Assistance to Firefighters Grant Program	Yes
	Flood Hazard Mapping & Risk Analysis Program	Yes
	Homeland Security Grant Program	No
	National Flood Insurance Program	Yes
	Public Assistance Program	Yes
	Vendor Payments Program	Yes
ICE	Enforcement & Removal Operations Program	Yes

Source: OIG analysis of the FY 2018 DHS AFR and its accompanying support

6. Did DHS report 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?

Yes. DHS reported gross improper payment rates of less than 10 percent for each required program. Table 4 identifies each component’s gross improper payment rates.



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Table 4. Gross Improper Payment Rate, FY 2018

Component	Program	Gross Improper Payment Rate	Less than 10%?
CBP	Refunds and Drawback	0.02%	Yes
FEMA	Assistance to Firefighters Grant Program	1.32%	Yes
	Flood Hazard Mapping & Risk Analysis Program	0.17%	Yes
	Homeland Security Grant Program	0.74%	Yes
	National Flood Insurance Program	0.005%	Yes
	Public Assistance Program	0.96%	Yes
	Vendor Payments Program	1.70%	Yes
ICE	Enforcement & Removal Operations Program	0.01%	Yes

Source: OIG analysis of the FY 2018 DHS AFR

DHS Actions to Resolve Noncompliance

DHS acknowledged not publishing complete accompanying materials in the AFR, as IPERA requires. DHS explained that management overlooked reporting the percent of recaptured amounts in the *Other Information* section of the AFR and indicated that it will ensure presentation of the AFR data in the FY 2019 AFR.

Additionally, DHS acknowledged not meeting all of its FY 2018 improper payments reduction targets. According to DHS, FEMA did not meet its reduction target for the Homeland Security Grant Program (HSGP) because the program uses an OMB-approved, non-statistically valid plan and alternative measurement methodology, which allows FEMA to conduct limited testing. The FY 2018 AFR notes that given the limited scope of testing, the sample was not designed to achieve a specified level of precision. As such, the FY 2018 improper payment rate of 0.74 percent did not meet the reduction target of 0.35 percent.

Per OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement*, agencies that are not compliant for one fiscal year must submit a plan within 90 days of the determination of noncompliance to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB describing actions the agency will take to become compliant. DHS planned to develop a corrective action plan to ensure that it publishes the appropriate improper payment estimates for all programs. DHS also planned to address its FY 2018 omission



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of the percent of recaptured amounts from the *Other Information* section in its AFR.

Additional OMB Circular A-123, Appendix C reporting requirements exist for continued noncompliance after the first year; however, these were not applicable to DHS because it did not have any consecutive year noncompliant programs. FY 2018 was the first year the FEMA HSGP did not meet its improper payments reduction target.

DHS' Compliance with Executive Order 13520

We reviewed DHS' FY 2018 Quarterly High-Dollar Overpayment reports to determine whether DHS met the requirements of Executive Order 13520, *Reducing Improper Payments*. We found that DHS did not comply with Executive Order 13520. Specifically, DHS did not make available to the public its FY 2018 second quarter High-Dollar Overpayment report. Additionally, the third-quarter report posted on DHS' website erroneously excluded information on actions the agency has taken to recover high-dollar overpayments. DHS acknowledged these two issues in February 2019 and was working to properly post the second- and third-quarter reports.

Oversight of Testing and Reporting for Improper Payments

DHS did not adequately oversee components' improper payment testing and reporting. Specifically, the Risk Management and Assurance Division (RM&A) did not consistently review and reconcile the components' risk assessments or properly enforce requirements of DHS' *FY 2018 Improper Payments Reduction Guidebook* (Guidebook). Our audit reports from prior years noted similar conclusions and included recommendations aimed at correcting this recurring problem.

DHS designed a detailed risk assessment process, required by IPERA, as outlined in its Guidebook and appendix B to this report. The Comprehensive Risk Assessment assists components in determining whether programs are susceptible to making improper payments. In response to prior OIG recommendations, RM&A revised the Guidebook to further clarify component risk assessment processes and requirements. However, RM&A continued to experience difficulty enforcing these requirements, as evidenced by its inability to ensure components submitted deliverables to RM&A by the established due dates.

Specifically, in FY 2018, RM&A did not consistently review and reconcile the components' risk assessments.¹⁰ During our review, we found RM&A did not:

¹⁰ Appendix B, Step 6.



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- identify missing preliminary risk assessments;¹¹
- identify errors and changes to the components' documentation supporting their risk assessment processes;¹² or
- follow up on issues it identified when reviewing the components' risk assessment documentation.¹³

RM&A's inability to perform its review of risk assessments consistently can be attributed to a number of factors, including staff shortages, delays in receiving component deliverables, and not adhering to its own review procedures. As a result, RM&A increases DHS' risk of failure to identify programs susceptible to significant improper payments and to disclose improper payments accurately within the AFR. Since FY 2015, OIG has been making recommendations to address DHS' oversight of the components' improper payment testing and reporting. RM&A needs to continue its remediation efforts to close these recommendations.

Recommendations

Recommendation 1: We recommend the Chief Financial Officer, Department of Homeland Security, properly correct disclosure errors in its AFR to comply with requirements of OMB Circular A-136, *Financial Reporting Requirements*. (New Recommendation in FY 2018)

Recommendation 2: We recommend the Chief Financial Officer, Department of Homeland Security, ensure that the Risk Management and Assurance Division follows Office of Management and Budget's requirements for agencies not compliant with IPERA, as stated in Appendix C of OMB Circular No. A-123. DHS should also focus its resources on corrective actions that will help meet the OMB-approved reduction targets. (Recommendation remains open from report OIG-15-94: *Department of Homeland Security's FY 2014 Compliance with the Improper Payments Elimination and Recovery Act of 2010 (Revised)*.)

Recommendation 3: We recommend the Chief Financial Officer, Department of Homeland Security, ensure that the Risk Management and Assurance Division correctly publishes its High-Dollar Overpayment Reports in accordance with Executive Order 13520, *Reducing Improper Payments*. (New Recommendation in FY 2018)

Recommendation 4: We recommend the Chief Financial Officer, Department of Homeland Security, ensure that the Risk Management and Assurance

¹¹ Appendix B, Step 2.

¹² Appendix B, Step 2-3.

¹³ Appendix B, Step 9.



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Division strengthens its oversight to ensure proper documentation of its review of the components' risk assessments. (Recommendation remains open from report OIG-16-88: *Department of Homeland Security's FY 2015 Compliance with the Improper Payments Elimination and Recovery Act of 2010.*)

Recommendation 5: We recommend the Chief Financial Officer, Department of Homeland Security, ensure that the Risk Management and Assurance Division properly follows existing DHS IPERA Guidance. (Recommendation remains open from report OIG-17-59: *Department of Homeland Security's FY 2016 Compliance with the Improper Payments Elimination and Recovery Act of 2010 and Executive Order 13520, Reducing Improper Payments.*)

Recommendation 6: We recommend the Chief Financial Officer, Department of Homeland Security, ensure that the Risk Management and Assurance Division strengthens its enforcement of requirements of the DHS *Improper Payment Reduction Guidebook*. (Recommendation remains open from report OIG-18-72: *Department of Homeland Security's FY 2017 Compliance with the Improper Payments Elimination and Recovery Act of 2010.*)

Recommendation 7: We recommend the Chief Financial Officer, Department of Homeland Security, ensure that the Risk Management and Assurance Division has adequate personnel to bring the Department into compliance with IPERA requirements. (Recommendation remains open from report OIG-18-72: *Department of Homeland Security's FY 2017 Compliance with the Improper Payments Elimination and Recovery Act of 2010.*)

Management Response and OIG Analysis

DHS concurred with all of our recommendations. A copy of DHS' response is included in appendix C. DHS also provided technical comments and suggested revisions to our report in a separate document. We reviewed the technical comments and made changes to the report where appropriate. A summary of our analysis follows.

DHS' Comments to Recommendation #1: Concur. The DHS Office of the Chief Financial Officer RM&A will ensure that publication of required improper payment information, including required collection percentages, is complete in the FY 2019 Agency Financial Report. Estimated Completion Date (ECD): November 30, 2019.

OIG Analysis: DHS' corrective action is responsive to the recommendation. The recommendation will remain open and resolved until RM&A provides evidence that the information is complete in the FY 2019 Agency Financial Report.



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DHS' Comments to Recommendation #2: Concur. RM&A will continue to work with OMB and OIG to ensure established reporting requirements are followed. Because DHS IPERA reviews are performed a year in arrears, the Department will not fully realize the benefit of corrective actions until late FY 2020. The staff will continue to focus efforts on developing corrective action plans that address root causes with components in order to meet OMB-approved reduction targets. ECD: September 30, 2020.

OIG Analysis: DHS' corrective action is responsive to the recommendation. The original recommendation from report OIG-15-94, *Department of Homeland Security's FY 2014 Compliance with the Improper Payments Elimination and Recovery Act of 2010*, will remain open and resolved (the current year recommendation will be administratively closed) until we have reviewed corrective action plans and DHS' continued efforts to comply with IPERA. We will perform this review during our FY 2019 IPERA audit and report on DHS' progress closing this recommendation.

DHS' Comments to Recommendation #3: Concur. RM&A will continue to work with applicable counterparts to ensure accurate and timely reporting to support the publication of the High-Dollar Overpayment Reports in accordance with Executive Order 13520, *Reducing Improper Payments*. To formalize that process, RM&A has updated the *DHS Improper Payment Reduction Guidebook* to provide updated guidance to DHS components. Finally, the staff have updated the current FY 2018 publications to ensure that the second and third Quarter High-Dollar Overpayment reports are accurately published for the public. Supporting documentation corroborating these actions is being provided under separate cover. DHS requests OIG consider this recommendation resolved and closed as implemented.

OIG Analysis: We have reviewed the second and third quarter High-Dollar Overpayment Reports and verified DHS has properly published these reports. Therefore, this recommendation is resolved and closed.

DHS' Comments to Recommendation #4: Concur. Based on noted areas of improvement, RM&A has enhanced the component submission process to collect documentation and responses in a more automated fashion, thus supporting enhanced verification and validation procedures earlier in the review process. For each DHS component, the staff will review component-submitted risk assessments to ensure adequate documentation for all questions raised during the RM&A-led review process. ECD: July 30, 2019.

OIG Analysis: DHS' corrective action is responsive to the recommendation. The original recommendation from report OIG-16-88, *Department of Homeland Security's FY 2015 Compliance with the Improper Payments Elimination and Recovery Act of 2010*, will remain open and resolved (the



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current year recommendation will be administratively closed) until we have evaluated RM&A's most recent review of each component's risk assessment. We will evaluate this during our FY 2019 IPERA audit and report on DHS' progress in closing this recommendation.

DHS' Comments to Recommendation #5: Concur. Two years ago, RM&A established and implemented an IPERA package checklist to ensure that staff is following guidance prescribed in the *DHS Improper Payment Reduction Guidebook*. Implemented for FY 2019, the staff has enhanced and automated the component templates to provide more proactive verification and validation review capabilities earlier in the review process, thus further reducing the burden on manual review processes and to ensure consistent documentation of the review process going forward. Supporting documentation corroborating these actions is being provided under separate cover. DHS requests OIG consider this recommendation resolved and closed as implemented.

OIG Analysis: DHS' corrective action is responsive to the recommendation. The original recommendation from report OIG-17-59, *Department of Homeland Security's FY 2016 Compliance with the Improper Payments Elimination and Recovery Act of 2010 and Executive Order 13520, Reducing Improper Payments*, will remain open and resolved (the current year recommendation will be administratively closed) until we have determined that RM&A is properly following existing DHS IPERA Guidance. We will evaluate this during our FY 2019 IPERA audit and report on DHS' progress in closing this recommendation.

DHS' Comments to Recommendation #6: Concur. Last year, RM&A refined the criteria used for the Financial Management Health Assessment scores for IPERA that included enhanced measurements regarding the quality and timeliness of submissions and, if applicable, responses from component. Implemented for FY 2019, the staff has enhanced and automated the component templates to provide more proactive verification and validation review capabilities and enforcement of *DHS Improper Payment Reduction Guidebook* requirements, when possible. Supporting documentation corroborating these actions is being provided under separate cover. DHS requests OIG consider this recommendation resolved and closed as implemented.

OIG Analysis: DHS' corrective action is responsive to the recommendation. The original recommendation from report OIG-18-72, *Department of Homeland Security's FY 2017 Compliance with the Improper Payments Elimination and Recovery Act of 2010*, will remain open and resolved (the current year recommendation will be administratively closed) until we have determined that RM&A is properly enforcing the requirements of the *DHS*



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Improper Payment Reduction Guidebook. We will evaluate this during our FY 2019 IPERA audit and report on DHS' progress in closing this recommendation.

DHS' Comments to Recommendation #7: Concur. Last year, RM&A underwent a reorganization to realign oversight of the IPERA effort. With the continual risk of staffing changes for FY 2019, RM&A has also incorporated additional contractor support into the IPERA process to enhance knowledge transfer and provide surge capabilities during time periods with heavier IPERA level of effort. In addition, RM&A has enhanced and automated the component templates to provide more proactive verification and validation review capabilities earlier in the review process, thus further reducing the burden on manual review processes and to ensure consistent documentation of the review process going forward. Supporting documentation corroborating these actions is being provided under separate cover. DHS requests OIG consider this recommendation resolved and closed as implemented.

OIG Analysis: DHS' corrective action is responsive to the recommendation. The original recommendation from report OIG-18-72, *Department of Homeland Security's FY 2017 Compliance with the Improper Payments Elimination and Recovery Act of 2010*, will remain open and resolved (the current year recommendation will be administratively closed) until we have evaluated RM&A's most recent review of the component's improper payment testing and reporting, and staff shortages no longer limit RM&A's ability to effectively perform their risk assessment reviews. We will perform this evaluation during our FY 2019 IPERA audit and report on DHS' progress closing this recommendation.



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Appendix A

Objective, Scope, and Methodology

The Department of Homeland Security Office of Inspector General was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978* (Public Law 95-452).

The audit objective was to determine whether DHS complied with the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) and Executive Order 13520, *Reducing Improper Payments* in FY 2018. We also evaluated the accuracy and completeness of DHS' improper payment reporting.

To understand DHS' requirements under IPERA, and DHS policies and procedures to meet those requirements, we obtained and reviewed relevant authorities and guidance and interviewed officials in DHS' Office of the Chief Financial Officer.

We reviewed DHS' FY 2018 AFR to determine whether DHS met the following IPERA requirements:

1. published an AFR for the most recent fiscal year and posted that report and any accompanying materials required by OMB, on the agency website;
2. conducted a program-specific risk assessment for each program or activity that conforms with Section 2(a) of the *Improper Payments Information Act of 2002* (if required);
3. published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required);
4. published programmatic corrective action plans in the AFR (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); and
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.

We reviewed DHS' FY 2018 Quarterly High-Dollar Overpayment reports to determine whether DHS met the requirement of Executive Order 13520. Specifically, we determined whether DHS properly compiled and made available to the public DHS' FY 2018 Quarterly High-Dollar Overpayment reports.

We reviewed DHS' oversight of components' improper payment testing and reporting. We interviewed DHS' RM&A personnel, reviewed components' risk assessments, and examined RM&A's documented reviews of those



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assessments. We performed a limited review of the reliability of the data in the FY 2018 DHS AFRs and believe that data to be sufficiently reliable to support our audit conclusions.

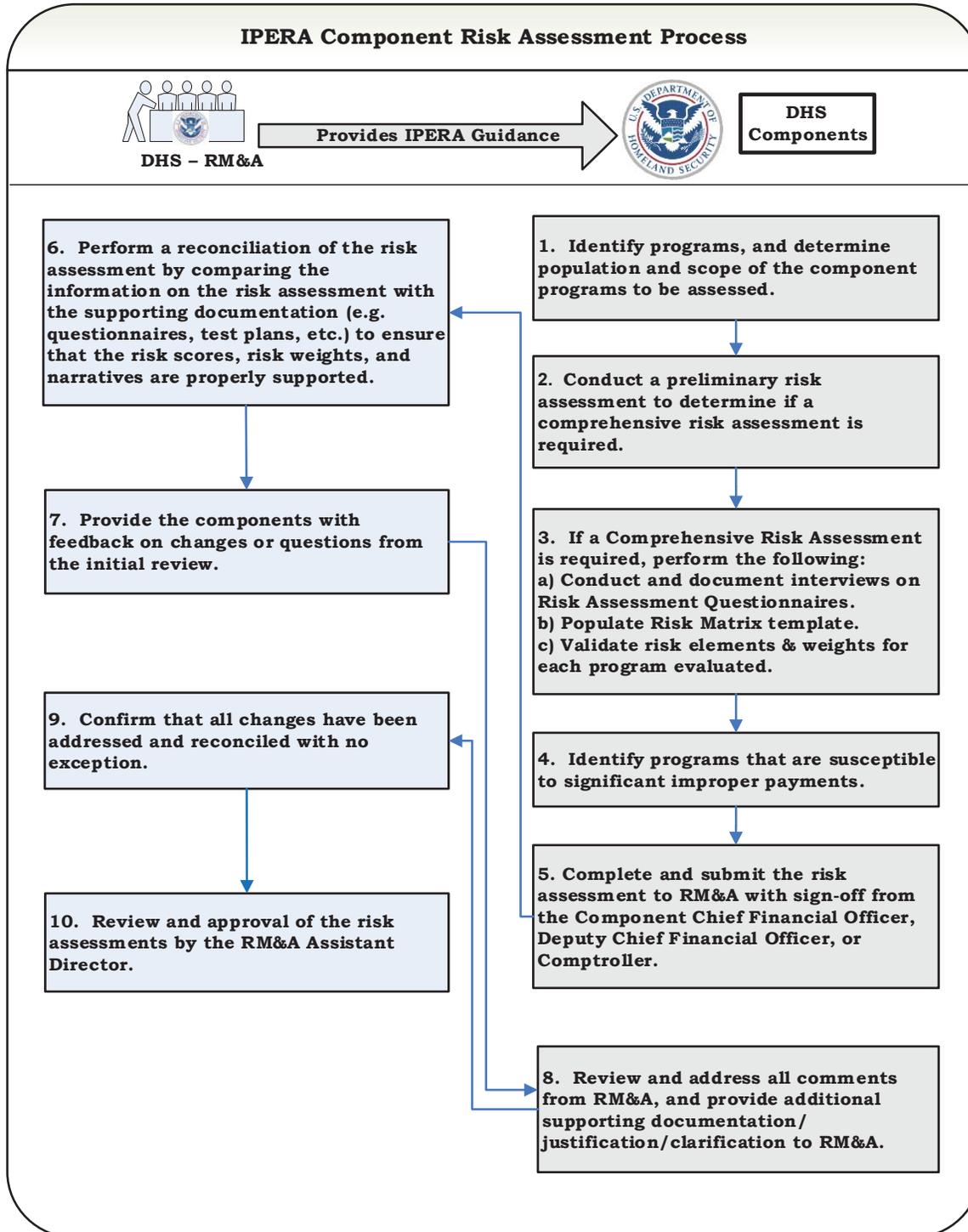
We conducted this audit between November 2018 and March 2019, pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.



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Appendix B IPERA Component Risk Assessment Process



Source: OIG analysis of the DHS Guidebook



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Appendix C
Management Comments to the Draft Report

U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

May 16, 2019

MEMORANDUM FOR: Sondra F. McCauley
Assistant Inspector General for Audits
Office of Inspector General

FROM: Jim H. Crumpacker, CIA, CFE
Director
Departmental GAO-OIG Liaison Office 

SUBJECT: Management Response to OIG Draft Report: "Department of Homeland Security's FY 2018 Compliance with the Improper Payments Elimination and Recovery Act of 2010 and Executive Order 13520, Reducing Improper Payments"
(Project No. 19-003-AUD-CFO)

Thank you for the opportunity to review and comment on this draft report. The U.S. Department of Homeland Security (DHS) appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this report.

The Department is pleased to note OIG's positive recognition that DHS was compliant with four of the six key categories of "Improper Payments Elimination and Recovery Act of 2010" (IPERA) reviewed during fiscal year (FY) 2018:

- 1) Conducting a program-specific risk assessment for each program;
- 2) Publishing improper payment estimates for all programs and activities;
- 3) Publishing programmatic corrective actions; and
- 4) Reporting a gross improper payment rate of less than 10 percent for each program and activity.

DHS remains dedicated to becoming fully compliant with IPERA requirements. As such, we will remediate our oversight improper payment reporting of collected percentages in the Annual Financial Report (AFR) for FY 2019. In addition, DHS will continue to work diligently with our programs to meet annual reduction targets. It is important to note that DHS non-compliance related to programs not meeting the published reduction targets has shown significant improvement during the past three years with a reduction from seven non-compliant programs down to just one program.



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DHS is committed to the responsible stewardship of taxpayer provided resources and ensuring proper controls are in place to eliminate fraud, waste, abuse, and mismanagement. DHS also continues to focus on reducing improper payments. More specifically, the DHS Office of the Chief Financial Officer's (OCFO) Risk Management and Assurance (RM&A) Division is charged with ensuring that resources are effectively and efficiently managed; applicable laws, regulations, and policies are complied with; processes are established to effectively and efficiently meet the objectives of operations; and program performance is measured and assessed.

The draft report contained seven recommendations with which the Department concurs. Attached find our detailed response to each recommendation. Technical comments were previously provided under separate cover.

Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions. We look forward to working with you again in the future.

Attachment



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Attachment: Management Response to Recommendations Contained in 19-003-AUD-CFO

The OIG recommended that the DHS Chief Financial Officer:

Recommendation 1: Properly correct disclosure errors in its AFR to comply with requirements of OMB Circular A-136, *Financial Reporting Requirements*.

Response: Concur. The DHS Office of the Chief Financial Officer RM&A Division staff, will ensure that the publication of the improper payment required information, including required collection percentages, is complete in the FY 2019 AFR. Estimated Completion Date (ECD): November 30, 2019.

Recommendation 2: Ensure that the Risk Management and Assurance Division follows Office of Management and Budget's [OMB's] requirements for agencies not compliant with IPERA, as stated in Appendix C of OMB Circular No. A-123. DHS should also focus its resources on corrective actions that will help meet the OMB-approved reduction targets.

Response: Concur. The RM&A Division staff will continue to work with the OMB and the OIG to ensure established reporting requirements are followed. Because DHS IPERA reviews are performed a year in arrears, the Department will not fully realize the benefit of corrective actions until late FY 2020. The staff will continue focus efforts on developing corrective action plans that address root causes with Components in order to meet OMB-approved reduction targets. ECD: September 30, 2020.

Recommendation 3: Ensure that the Risk Management and Assurance Division correctly publishes its High-Dollar Overpayment Reports in accordance with Executive Order 13520, *Reducing Improper Payments*.

Response: Concur. The RM&A Division staff will continue to work with applicable counterparts to ensure accurate and timely reporting to support publication of the High-Dollar Overpayment Reports in accordance with Executive Order 13520, "Reducing Improper Payments." To formalize that process, the RM&A Division staff have updated the DHS Improper Payment Reduction Guidebook to provide updated guidance to DHS Components. Finally, the staff have updated the current FY 2018 publications to ensure that the Quarter 2 and Quarter 3 High Dollar Overpayment reports are accurately published for the public. Supporting documentation corroborating these actions is being provided under separate cover. DHS requests the OIG consider this recommendation resolved and closed as implemented.



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Recommendation 4: Ensure that the Risk Management and Assurance Division strengthens its oversight to ensure proper documentation of its review of the components' risk assessments.

Response: Concur. Based on noted areas of improvement, the RM&A Division staff has enhanced the Component submission process to collect documentation and responses in a more automated fashion, thus supporting enhanced verification and validation procedures earlier in the review process. For each DHS Component, the staff will review Component-submitted risk assessments to ensure adequate documentation for all questions raised during the RM&A-led review process. ECD: July 30, 2019.

Recommendation 5: Ensure that the Risk Management and Assurance Division properly follows existing DHS IPERA Guidance.

Response: Concur. Two years ago, the RM&A Division staff established and implemented an IPERA package checklist to ensure that staff is following guidance prescribed in the DHS Improper Payment Reduction Guidebook. Implemented for FY 2019, the staff has enhanced and automated the Component templates to provide more proactive verification and validation review capabilities earlier in the review process, thus further reducing the burden on manual review processes and to ensure consistent documentation of the review process going forward. Supporting documentation corroborating these actions is being provided under separate cover. DHS requests the OIG consider this recommendation resolved and closed as implemented.

Recommendation 6: Ensure that the Risk Management and Assurance Division strengthens its enforcement of requirements of the DHS *Improper Payment Reduction Guidebook*.

Response: Concur. Last year, the RM&A Division staff refined the criteria used for the Financial Management Health Assessment scores for IPERA that included enhanced measurements around the quality and timeliness of submissions and, if applicable, responses from Component. Implemented for FY 2019, the staff has enhanced and automated the Component templates to provide more proactive verification and validation review capabilities and enforcement of DHS Improper Payment Reduction Guidebook requirements, when possible. Supporting documentation corroborating these actions is being provided under separate cover. DHS requests the OIG consider this recommendation resolved and closed as implemented.



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Recommendation 7: Ensure that the Risk Management and Assurance Division has adequate personnel to bring the Department into compliance with IPERA requirements.

Response: Concur. Last year, the RM&A Division underwent a reorganization to realign oversight of the IPERA effort. With the continual risk of staffing changes, for FY 2019, the RM&A Division has also incorporated additional contractor support into the IPERA process to enhance knowledge transfer and provide surging capabilities during time periods with a heavier IPERA level of effort. In addition, the RM&A Division has enhanced and automated the Component templates to provide more proactive verification and validation review capabilities earlier in the review process, thus further reducing the burden on manual review processes and to ensure consistent documentation of the review process going forward. Supporting documentation corroborating these actions is being provided under separate cover. DHS requests the OIG consider this recommendation resolved and closed as implemented.



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Appendix D
Recommendations and the Status of Each

Report Number	FY	#	Recommendation	Status
OIG-15-94	2014	1	Ensure that the Risk Management and Assurance Division has adequate personnel succession plans to ensure the Department's compliance with IPERA requirements.	Closed
		2	Ensure that the Risk Management and Assurance Division strengthens its oversight and review procedures to ensure components' IPERA risk matrixes include all programs.	Closed
		3	Ensure that FEMA strengthens its preparation, review, and oversight processes to ensure compliance with risk assessment and risk matrix requirements and to ensure that responsible program officials are properly identified.	Closed
		4	Ensure that the DHS' Risk Management and Assurance Division follows OMB requirements for agencies not compliant with IPERA, as stated in Appendix C of OMB Circular No. A-123. DHS should also focus its resources on corrective actions that will help meet the OMB-approved reduction targets.	Open - Resolved

Source: Analysis of OIG report, *Department of Homeland Security's FY 2014 Compliance with the Improper Payments Elimination and Recovery Act of 2010 (Revised)*, OIG-15-94, February 22, 2016



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Report Number	FY	#	Recommendation	Status
OIG-16-88	2015	1	Ensure that the Risk Management and Assurance Division strengthens its oversight to ensure proper documentation of its review of the components' risk assessments	Open - Resolved
		2	Ensure that the Risk Management and Assurance Division timely confirms its review and approval of the components' risk assessments.	Closed
		3	Ensure that the Risk Management and Assurance Division has adequate personnel to ensure the Department's compliance with IPERA requirements.	Closed
		4	Ensure that the Risk Management and Assurance Division clearly designates contract deliverables for the risk assessment reviews.	Closed
		5	Ensure that the Risk Management and Assurance Division follows Office of Management and Budget's requirements for agencies not compliant with IPERA, as stated in Appendix C of OMB Circular No. A-123. DHS should also focus its resources on corrective actions that will help meet the OMB-approved reduction targets.	Closed

Source: Analysis of OIG report, *Department of Homeland Security's FY 2015 Compliance with the Improper Payments Elimination and Recovery Act of 2010*, OIG-16-88, May 11, 2016.



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Report Number	FY	#	Recommendation	Status
OIG-17-59	2016	1	Ensure that the FY 2017 Agency Financial Report properly reports prior year IPERA disbursements in a consistent manner.	Closed
		2	Ensure that the Risk Management and Assurance Division strengthen its oversight to ensure proper documentation of its review of the components' risk assessments.	Closed
		3	Ensure that the Risk Management and Assurance Division has adequate personnel to ensure the Department's compliance with IPERA requirements.	Closed
		4	Ensure that the Risk Management and Assurance Division is properly following existing DHS IPERA Guidance.	Open - Resolved
		5	Ensure that the Risk Management and Assurance Division issues guidance that (1) strengthens RM&A's authority over the components' risk assessments process, and (2) requires components' to properly respond to RM&A's questions and concerns.	Closed

Source: Analysis of OIG report, *Department of Homeland Security's FY 2016 Compliance with the Improper Payments Elimination and Recovery Act of 2010 and Executive Order 13520, Reducing Improper Payments*, OIG-17-59, May 12, 2017



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Report Number	FY	#	Recommendation	Status
OIG-17-59	2016	6	Ensure that the Risk Management and Assurance Division follows Office of Management and Budget's requirements for agencies not compliant with IPERA as stated in Appendix C of OMB Circular No. A-123. DHS should also focus its resources on corrective actions that will help meet the OMB-approved reduction targets.	Closed
OIG 18-72	2017	1	Ensure that the most recent Agency Financial Report properly presents prior-year IPERA disbursements in a consistent manner.	Closed
		2	Ensure that the Risk Management and Assurance Division strengthens its oversight to ensure proper documentation of its review of the components' risk assessments.	Closed
		3	Ensure that the Risk Management and Assurance Division properly follows existing DHS IPERA Guidance	Closed
		4	Ensure that the Risk Management and Assurance Division strengthens its enforcement of the requirements of the DHS <i>Improper Payment Reduction Guidebook</i> .	Open-Resolved

Source: Analysis of OIG report, *Department of Homeland Security's FY 2016 Compliance with the Improper Payments Elimination and Recovery Act of 2010 and Executive Order 13520, Reducing Improper Payments*, OIG-17-59, May 12, 2017; and *Department of Homeland Security's FY 2017 Compliance with the Improper Payments Elimination and Recovery Act of 2010*, OIG-18-72, August 9, 2018



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Report Number	FY	#	Recommendation	Status
OIG 18-72	2017	5	Ensure that the Risk Management and Assurance Division follows Office of Management and Budget's requirements for agencies not compliant with IPERA as stated in Appendix C of OMB Circular No. A-123. DHS should also focus its resources on corrective actions that will help meet the OMB-approved reduction targets.	Closed
		6	Ensure that Risk Management and Assurance Division has adequate personnel to ensure the Department's compliance with IPERA requirements.	Open-Resolved

Source: Analysis of OIG report, *Department of Homeland Security's FY 2017 Compliance with the Improper Payments Elimination and Recovery Act of 2010*, OIG-18-72, August 9, 2018



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Appendix E
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