

**OFFICE OF INSPECTOR GENERAL**

**Department of Homeland  
Security's FY 2015 Compliance  
with the *Improper Payments  
Elimination and Recovery  
Act of 2010***



Homeland  
Security

**May 11, 2016  
OIG-16-88**



# DHS OIG HIGHLIGHTS

## Department of Homeland Security's FY 2015 Compliance with the *Improper Payments Elimination and Recovery Act of 2010*

May 11, 2016

### Why We Did This Audit

Our objective was to determine whether the Department of Homeland Security complied with the *Improper Payments Elimination and Recovery Act of 2010* (IPERA). We also evaluated the accuracy and completeness of DHS' improper payment reporting.

### What We Recommend

We recommend that DHS' Risk Management and Assurance Division (RM&A) strengthen its oversight and review procedures for IPERA risk assessments. We also recommend that RM&A follows the Office of Management and Budget's requirements to comply with IPERA.

#### 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)

### What We Found

Although DHS met all the reporting requirements of IPERA, it did not meet its annual reduction targets established for each high-risk program as required by OMB. As such, we concluded that DHS did not fully comply with IPERA.

Additionally, we reviewed DHS' processes and procedures for estimating its annual improper payment rates. Based on our review, we determined DHS did not properly perform oversight of the components' improper payment testing and reporting. Specifically, DHS RM&A did not properly document its review of the components' risk assessments.

### DHS Response

DHS concurred with all five of our recommendations and has already begun implementing corrective actions. DHS has indicated that 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.



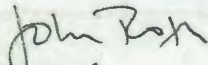
## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

May 11, 2016

MEMORANDUM FOR: The Honorable Chip Fulghum  
Deputy Under Secretary for Management and  
Chief Financial Officer

FROM: John Roth   
Inspector General

SUBJECT: *Department of Homeland Security's FY 2015  
Compliance with the Improper Payments Elimination  
and Recovery Act of 2010*

For your action is our final report, *Department of Homeland Security's FY 2015 Compliance with the Improper Payments Elimination and Recovery Act of 2010*. We incorporated the formal comments provided by your office.

The report contains five recommendations aimed at improving the overall effectiveness of the improper payment reduction program. Your office concurred with the five recommendations. Based on information provided in your response to the draft report, we consider all five recommendations open and resolved. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts.

Please send your response or closure request to [OIGAuditsFollowup@oig.dhs.gov](mailto: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, or your staff may contact Mark Bell, Assistant Inspector General for Audits, at (202) 254-4100.



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### Background

On July 22, 2010, the President signed Public Law 111-204, *Improper Payments Elimination and Recovery Act of 2010* (IPERA or the Act), which 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 that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. This 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 where 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, the agency is required to produce a statistically valid 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 Circular A-123, *Appendix C, Requirements for Effective Measurement and Remediation of Improper Payments*, revised parts I and II, as guidance for agencies to implement the requirements of IPERA. This guidance also describes the responsibilities of Inspectors General in determining their respective agency's compliance with IPERA. On October 20, 2014, OMB issued an updated guidance,<sup>1</sup> which changed the improper payment compliance framework to create a more unified, comprehensive, and less burdensome set of requirements. In accordance with OMB's guidance, the Inspector General should review improper payment reporting in the Agency Financial Report (AFR) and any accompanying information to ensure compliance with IPERA. As part of that review, the Inspector General may also evaluate the accuracy and completeness of agency reporting and evaluate the agency's efforts to reduce and recover improper payments.

Among other requirements, an agency must conduct risk assessments and report and publish the results of selected program testing in its AFR to comply with IPERA. It must also achieve and report improper payment rates of less than 10 percent for each program. According to the Department's AFR, in fiscal year 2015, DHS conducted risk assessments for nearly \$64 billion of FY 2014 payments made by 92 DHS programs in which total payments exceeded \$10 million.

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<sup>1</sup> Circular A-123, *Appendix C, Requirements for Effective Estimation and Remediation of Improper Payments*



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### Results of Audit

According to OMB guidance, an agency is required to meet six specific requirements to comply with IPERA. If an agency does not meet one or more of these requirements, it is not compliant with IPERA. DHS did not fully comply with IPERA because it did not meet its annual reduction targets established for each high-risk program.

Additionally, we reviewed DHS' processes and procedures for estimating its annual improper payment rates. Based on our review, we determined DHS did not properly perform oversight of the components' improper payment testing and reporting.

#### DHS' Compliance with IPERA

We reviewed DHS' FY 2015 Agency Financial Report (AFR) to determine whether DHS met the following requirements prescribed by IPERA:

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 2(a) the *Improper Payments Information Act of 2002* (31 U.S.C. 3321 note) (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,<sup>2</sup> 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.

Although the Department remained committed to reducing its improper payments, it did not meet the FY 2015 reduction target rates set for each program.

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<sup>2</sup> According to Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*, a program meets a reduction target if the improper payment rate for that program in the current year falls within plus or minus 0.1 percentage points of the reduction target set in the previous year's AFR.



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Our specific results for the IPERA compliance requirements are as follows:

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

Yes. DHS published its FY 2015 AFR and accompanying information required by OMB on the agency website at:  
<https://www.dhs.gov/publication/dhs-fiscal-year-2015-performance-accountability-reports>.

2. Did DHS conduct 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)?

Yes. DHS performed a full risk assessment of all DHS programs for FY 2015. This assessment resulted in identifying the programs listed in table 1<sup>3</sup> as being vulnerable to significant improper payments.

**Table 1. Programs at High-Risk for Improper Payments** (\$ in millions)

Component	Program	FY 2015 Disbursements
U.S. Customs and Border Protection (CBP)	Refund & Drawback (R/D)	\$1,590.56
	Administratively Uncontrollable Overtime (AUO)	\$337.96
	Hurricane Sandy payments (Sandy)	\$0.47
Domestic Nuclear Detection Office (DNDO)	Systems Acquisition - Hurricane Sandy payments (SA - Sandy)	\$0.05
Federal Emergency Management Agency (FEMA)	Assistance to Firefighters Grant Program (AFG)	\$224.90
	Flood Risk Map - Flood Hazard Mapping and Risk Analysis Program (FRM&RA)	\$131.00
	Hazard Mitigation - Hurricane Sandy payments (HM - Sandy)	\$34.03
	Homeland Security Grant Program (HSGP)	\$1,496.52
	Individuals and Households Program - Hurricane Sandy payments (IHP - Sandy)	\$23.97
	National Flood Insurance Program (NFIP)	\$894.36
	Port Security Grant Program (PSGP)	\$300.89
	Public Assistance Program, includes Hurricane Sandy payments (PA - w/Sandy)	\$3,902.65
	Transit Security Grant Program (TSGP)	\$353.26
Vendor Pay, included Hurricane Sandy payments (VP - w/Sandy)	\$909.62	
U.S. Immigration and Customs Enforcement (ICE)	Enforcement and Removal Operations (ERO)	\$1,525.28
National Protection and Programs Directorate (NPPD)	Federal Protective Service - Hurricane Sandy payments (FPS - Sandy)	\$1.02
Office of Inspector General (OIG)	Hurricane Sandy payments (Sandy)	\$2.00
Science and Technology Directorate (S&T)	Research & Development - Hurricane Sandy payments (R&D - Sandy)	\$0.28
United States Coast Guard (USCG)	Acquisitions/Constructions and Improvements, Operating Expenditures, and Expenditures, Collections, and Reimbursements - Hurricane Sandy payments (AC&I, OE, and E,C & R - Sandy)	\$39.54
<b>Total Disbursements</b>		<b>\$11,768.36</b>

Source: Data from FY 2015 Department of Homeland Security (DHS) Agency Financial Report.

<sup>3</sup> The dollar amounts for CBP Hurricane Sandy payments, DNDO, and the Total Disbursements were originally to three decimal places in the DHS Agency Financial Report; we rounded them for consistency.



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3. Did DHS publish improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessments?

Yes. DHS published improper payment estimates as shown in appendix B.

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

Yes. DHS appropriately published corrective action plans in the AFR for the following:

- ICE Enforcement and Removal Operations Program
- FEMA Planned Flood Risk Map and Risk Analysis Program
- FEMA Planned Vendor Pay Program

DHS also published prior year corrective action plans' status updates for the following:

- FEMA Disaster Relief Fund Vendor Payments Program
- FEMA Individual and Households Payments Program
- FEMA Transportation Security Grant Program
- FEMA Public Assistance Program
- FEMA Government Charge Card

5. Did DHS publish, and is it meeting,<sup>4</sup> annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable)?

No. Although the Department remained committed to reducing its improper payments, it did not meet the FY 2015 reduction target rates set for each program. DHS did not meet its annual reduction targets for 8 of 15 programs deemed to be susceptible to improper payments as shown in table 2.

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 a gross improper payment rate of less than 10 percent for each program and activity as shown in table 2.

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<sup>4</sup> A program meets a reduction target if the improper payment rate for that program in the current year falls within plus or minus 0.1 percentage points of the reduction target set in the previous year's AFR.



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**Table 2. FY 2015 Improper Payment Reduction Targets**

(\$ in millions)

Component	Program	CY Est. IP%	CY IP%	Increase (Decrease) in Reduction Targets	Met Reduction Targets	Previous Years Non Compliance	CY +1 Est. IP%
		2015 IP Reduction Targets	2015 Actual IP Rates				2016 IP Reduction Targets
CBP	R/D	0.01%	0.24%	0.23%	NO	YES	0.15%
	AUO	N/A	0.25%	N/A	N/A	N/A	0.20%
	Sandy	0.00%	0.14%	0.14%	NO	NO	0.00%
	Border Security Fencing	0.00%	Waived	N/A	N/A	N/A	Waived
DNDO	SA - Sandy	N/A	0.00%	N/A	N/A	N/A	0.00%
FEMA	AFG	0.10%	0.64%	0.54%	NO	NO	0.50%
	FRM&RA	N/A	8.33%	N/A	N/A	N/A	3.50%
	HM - Sandy	0.00%	0.00%	0.00%	YES	N/A	0.00%
	HSGP	1.00%	1.20%	0.20%	NO	YES	1.10%
	IHP	2.50%	7.01%	4.51%	NO	NO	0.00%
	NFIP	0.05%	0.16%	0.11%	NO	NO	0.14%
	PA	1.03%	1.45%	0.42%	NO	YES	1.20%
	PSGP	N/A	0.67%	N/A	N/A	N/A	0.55%
	TSGP	1.50%	0.88%	-0.62%	YES	YES	0.65%
	VP	3.50%	7.50%	4.00%	NO	YES	4.00%
	Emergency Food and Shelter Program	1.47%	0.00%	-1.47%	YES	YES	N/A
	Sandy Travel	0.15%	N/A	N/A	N/A	N/A	N/A
	Sandy Purchase Card & Fleet Card	8.04%	N/A	N/A	N/A	N/A	N/A
	Sandy Payroll	0.61%	N/A	N/A	N/A	N/A	N/A
Urban Search & Rescue Grant	0.00%	N/A	N/A	N/A	N/A	N/A	
Disaster Case Management	0.00%	N/A	N/A	N/A	N/A	N/A	
ICE	ERO	4.10%	4.06%	-0.04%	YES	N/A	3.50%
NPPD	FPS - Sandy	0.33%	0.00%	-0.33%	YES	N/A	0.00%
OIG	Sandy	0.00%	0.00%	0.00%	YES	N/A	0.00%
S&T	R&D - Sandy	N/A	0.00%	N/A	N/A	N/A	0.00%
USCG	AC&I, OE, and E,C & R - Sandy	8.00%	1.44%	-6.56%	YES	N/A	1.10%
<b>All Programs</b>		<b>0.93%</b>	<b>1.88%</b>				<b>1.41%</b>

Source: Office of Inspector General (OIG) Analysis of FY 2014 DHS Agency Financial Report and FY 2015 DHS Agency Financial Report.





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#### DHS Actions to Resolve Non-Compliance

According to Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*, an agency that is not compliant for one fiscal year shall submit a plan to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB, describing the actions that the agency will take to become compliant. DHS has completed corrective action plans for the following programs identified in prior audit years:

- Border Security Fencing (CBP)
- Refund and Drawback (CBP)
- Disaster Relief Program Vendor Payments (FEMA)
- Public Assistance (FEMA)
- Homeland Security Grant Program (FEMA)
- Transportation Security Grant Program (FEMA)
- Emergency Food and Shelter Program (FEMA)

Upon completion, DHS will share these plans with the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB. Upon completion of this audit DHS will be required to submit corrective action plans for the following programs:

- Assistance to Firefighters Grant Program (FEMA)
- Individuals and Households Program (FEMA)
- National Flood Insurance Program (FEMA)
- Vendor Pay (FEMA)

Additionally, as required by Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*, the programs that are not compliant for 2 consecutive fiscal years will need to be reviewed by the Director of OMB to determine whether additional funding would help the agency come into compliance.

#### **DHS' Oversight of Improper Payment Testing and Reporting**

DHS did not properly perform oversight of the components' improper payment testing and reporting. Specifically, DHS Risk Management and Assurance Division (RM&A) did not properly document its review of the components' risk assessments.

According to the *DHS Improper Payments Reduction Guidebook*, Version 6 (guidebook), DHS requires components to perform a comprehensive risk assessment in order to identify high-risk programs susceptible to making improper payments. To accomplish this task, DHS has designed a detailed



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methodology involving the creation of a program risk matrix based upon specific risk conditions that affect the likelihood of improper payments. The DHS methodology consists of the following activities:

- Identify programs and determine population and scope of the component programs to be assessed.
- Conduct and document interviews.
- Populate a risk template.
- Validate risk elements and weights for each component program evaluated.
- Identify programs at significant risk of improper payments.

Once the components have completed the RM&A risk assessment review and upon RM&A approval, the risk assessments will be returned to their respective component for final review and sign off by the component Chief Financial Officer (CFO). The components then provide a copy of the signed Program Identification and Risk Assessment Document to RM&A for final signature. This final signature indicates that RM&A has reviewed, approved, and accepted the component's submission.

RM&A reviewed the components' risk assessments to ensure that the interviews supported the assigned risk weights and risk scores, and verified the components' calculations. RM&A documented whether the interviews supported the assigned risk weights and risk scores. However, RM&A only completed the components' response to questions raised during their review for two of the components and did not identify its own risk score for any of the components.

RM&A indicated that it did review the components risk assessments but did not document those reviews. Furthermore, RM&A stated that it did not approve any of these assessments without a proper review. RM&A and each component CFO properly signed 13 of the 14 risk assessments. However, RM&A's signature confirming its review and approval of the risk assessments occurred up to 6 months after the components CFO's signature and after all of the test plans had been approved (see table 3).



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**Table 3. Approval of Risk Assessments**

Component	High-Risk Programs	Test Plan Properly Approved	CFO Signature	RM&A Approved the Risk Assessment
CBP	Yes	May 2015	August 2015	August 2015
USCG	Yes	May 2015	July 2015	August 2015
USCIS	No	N/A	February 2015	August 2015
FEMA	Yes	June 2016	April 2015	August 2015
FLETC	No	N/A	February 2015	August 2015
ICE	Yes	May 2015	February 2015	August 2015
OHA	No	N/A	April 2015	August 2015
DNDO	Yes	May 2015	August 2015	August 2015
I&A / OPS	No	N/A	February 2015	June 2015
MGMT	No	N/A	February 2015	August 2015
NPPD	Yes	May 2015	Not Signed	August 2015
S&T	Yes	May 2015	February 2015	August 2015
TSA	No	N/A	June 2015	August 2015
USSS	No	N/A	March 2015	August 2015

Source: OIG Analysis of components' test plans and risk assessments.

According to RM&A, these conditions occurred because of RM&A staff shortages and contractor delays in providing preliminary risk assessment reviews. RM&A has begun to fill vacancies and is working with the contractor to complete its work on a more condensed timeframe.

Without proper oversight by RM&A, components' may not identify and test all high-risk programs. This could result in inaccurate disclosures in the Improper Payments section of the DHS' annual financial statements.

### Recommendations

**Recommendation 1:** We recommend that the Chief Financial Officer, Department of Homeland Security ensure that the Risk Management and Assurance Division strengthens its oversight to ensure proper documentation of its review of the components' risk assessments.

**Recommendation 2:** We recommend that the Chief Financial Officer, Department of Homeland Security ensure that the Risk Management and Assurance Division timely confirm its review and approval of the components' risk assessments.

**Recommendation 3:** We recommend that the Chief Financial Officer, Department of Homeland Security ensure that the Risk Management and Assurance Division has adequate personnel to ensure the Department's compliance with IPERA requirements.



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**Recommendation 4:** We recommend that the Chief Financial Officer, Department of Homeland Security ensure that the Risk Management and Assurance Division clearly designates contract deliverables for the risk assessment reviews.

**Recommendation 5:** We recommend that 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.

### Management Response and OIG Analysis

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

**DHS' Comments to Recommendation #1: Concur.** DHS' RM&A Division will review all risk assessments and ensure proper documentation of all actions related to the RM&A-led risk assessment reviews. Estimated Completion Date (ECD): May 31, 2016.

**OIG Analysis of DHS' Comments:** DHS' corrective action is responsive to the recommendation. The recommendation will remain open and resolved until we have evaluated RM&A's FY 2016 review of the components' risk assessments. We will evaluate this during our audit of the *Department of Homeland Security's FY 2016 Compliance with the Improper Payments Elimination and Recovery Act of 2010* and report on DHS' progress closing this recommendation in our final report.

**DHS' Comments to Recommendation #2: Concur.** RM&A has retained additional personnel to review and approve components' risk assessments timely. RM&A will document the approval timelines in the RM&A standard operating procedures. ECD: September 30, 2016.

**OIG Analysis of DHS' Comments:** DHS' corrective action is responsive to the recommendation. The recommendation will remain open and resolved until we have evaluated RM&A's FY 2016 review of the components risk assessments and updates to its standard operating procedures. We will evaluate this during our audit of the *Department of Homeland Security's FY 2016 Compliance with*



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*the Improper Payments Elimination and Recovery Act of 2010* and report on DHS' progress closing this recommendation in our final report.

**DHS' Comments to Recommendation #3: Concur.** RM&A has retained additional staff and contract support for the IPERA effort. RM&A is also actively working with human resources personal to fill its remaining vacancies. ECD: September 30, 2016.

**OIG Analysis of DHS' Comments:** DHS' corrective action is responsive to the recommendation. The recommendation will remain open and resolved until we have evaluated RM&A's compliance with IPERA requirements. We will perform this review during our audit of the *Department of Homeland Security's FY 2016 Compliance with the Improper Payments Elimination and Recovery Act of 2010* and report on DHS' progress closing this recommendation in our final report.

**DHS' Comments to Recommendation #4: Concur.** RM&A has developed an IPERA guidebook and a project plan that was shared with its contract project manager. Additionally, RM&A will establish and update, as needed, a detailed project work plan that will contain timeframes for the completion of risk assessment reviews. ECD: September 30, 2016.

**OIG Analysis of DHS' Comments:** DHS' corrective action is responsive to the recommendation. The recommendation will remain open and resolved until we have evaluated RM&A's FY 2016 review of the components' risk assessments. We will evaluate this during our audit of the *Department of Homeland Security's FY 2016 Compliance with the Improper Payments Elimination and Recovery Act of 2010* and report on DHS' progress closing this recommendation in our final report.

**DHS' Comments to Recommendation #5: Concur.** RM&A will continue to work with OMB and OIG to ensure established reporting requirements are followed. DHS IPERA reviews are performed a year in arrears, and as a result, the Department will not fully realize the benefit of the corrective actions until late FY 2017. RM&A will continue to focus its efforts on developing corrective action plans that address root causes with components to meet OMB-approved reduction targets. ECD: September 30, 2017.

**OIG Analysis of DHS' Comments:** DHS' corrective action is responsive to the recommendation. The recommendation will remain open and resolved until we have reviewed the corrective action plans and DHS' continued efforts to comply with IPERA. We will perform this review during our future audits of the *Department of Homeland Security's Compliance with the Improper Payments Elimination and Recovery Act of 2010* and report on DHS' progress closing this recommendation in our final report.



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### Objective, Scope, and Methodology

The objective of the audit was to determine whether DHS complied with IPERA in FY 2015. We focused our audit efforts on DHS' compliance with the Act as well as 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 the officials in DHS' Office of the Chief Financial Officer.

We reviewed DHS' FY 2015 Agency Financial Report to determine whether DHS met the following requirements prescribed by IPERA:

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.

Focusing on DHS, we reviewed DHS' oversight of components improper payment testing and reporting. We interviewed DHS RM&A personnel, reviewed components' risk assessments and RM&A documented reviews. We did not assess the reliability of the data presented in the FY 2014 and FY 2015 DHS Agency Financial Reports.

We conducted this audit between November 2015 and April 2016, 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 objective. We believe that the evidence obtained provides a reasonable basis for



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our findings and conclusions based upon our audit objective.

Office of Audits major contributors to this report are: Sandra John, Audit Director; Devon Houston, Audit Manager; David Kinard, Auditor-In-Charge; Barry Bruner, Auditor; Richard Joyce, Program Analyst; H. Daniel Urquijo, Program Analyst; Kevin Dolloson, Communications Analyst; and Scott Crissey, Independent Referencer.



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**Appendix A**  
**Management Comments to the Draft Report**


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



**Homeland  
Security**

April 26, 2016

MEMORANDUM FOR: John Roth  
Inspector General

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

SUBJECT: OIG Draft Report: "Department of Homeland Security's  
FY 2015 Compliance with the Improper Payments Elimination  
and Recovery Act of 2010" (Project No. 15-068-AUD-DHS)

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

The DHS financial management community has a shared, related, and interdependent responsibility to deliver effective, efficient financial management services throughout the Department. As the head of the financial management line of business, the DHS Chief Financial Officer (CFO) ensures funds are obtained, allocated, and expended in accordance with Department priorities and applicable law and policies. The DHS CFO oversees all financial management activities relating to the programs and operations of the Department and directs, manages, and provides policy guidance and oversight of agency financial management personnel, activities, and operations.

DHS 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. The Department appreciates the OIG's recognition of DHS accomplishments in five of the six key categories of Improper Payments Elimination and Recovery Act of 2010 (IPERA) compliance:

- (1) correctly publishing the DHS FY 2015 Agency Financial Report;
- (2) performing a full risk assessment on all DHS programs;
- (3) correctly published IPERA estimates;
- (4) publishing improper payment corrective action plans; and
- (5) reporting a gross improper payment rate of less than 10 percent for each program.





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The Risk Management and Assurance (RM&A) Division within the Office of the Chief Financial Officer is charged with ensuring that resources are effectively and efficiently managed and applicable laws, regulations, and policies are complied with; processes are managed to effectively and efficiently meet the objectives of operations; and program performance is measured and assessed.

The draft report contained five recommendations with which the Department concurs. Specifically, OIG recommended that the CFO ensure that RM&A:

**Recommendation 1:** Strengthens its oversight to ensure proper documentation of its review of the components' risk assessments.

**Response:** Concur. For each DHS Component, RM&A will review all submitted risk assessments and respond to all questions raised during the RM&A-led review. RM&A will also ensure proper documentation of all actions related to the RM&A-led risk assessment reviews. Estimated Completion Date (ECD): May 31, 2016.

**Recommendation 2:** Timely confirm its review and approval of the components' risk assessments.

**Response:** Concur. RM&A has retained additional personnel to timely review and approve Components' risk assessments. RM&A will document the expected timelines for approval in the RM&A standard operating procedure. ECD: September 30, 2016.

**Recommendation 3:** Has adequate personnel to ensure the Department's compliance with IPERA requirements.

**Response:** Concur. RM&A has retained additional staff for the IPERA effort and contract support is in place to support this effort. To further enhance RM&A's efforts to comply with IPERA, RM&A is actively working with human resources personal to fill its remaining vacancies. ECD: September 30, 2016.

**Recommendation 4:** Clearly designates contract deliverables for the risk assessment reviews.

**Response:** Concur. RM&A has developed an IPERA guidebook and a project plan that was shared with its contract project manager. Additionally, RM&A will establish and update, as need, a detailed project work plan which will contain expected timeframes for completion of risk assessment reviews. ECD: September 30, 2016.



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**Recommendation 5:** Follows Office of Management and Budget's (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.

**Response:** Concur. RM&A will continue to work with OMB and OIG to ensure established reporting requirements are followed. DHS IPERA reviews are performed a year in arrears, and as a result the Department will not fully realize the benefit of the corrective actions until late FY 2017. RM&A will continue to focus its efforts on developing corrective action plans that address root causes with Components in order to meet OMB approved reduction targets. ECD: September 30, 2017.

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



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**Appendix B**

**Improper Payment Reduction Outlook**

(\$ in millions)

Component	Program	PY Outlays	PY IP%	PY IP\$	CY Outlays	CY IP%	CY IP\$	CY +1 Outlays	CY +1 Est. IP%	CY +1 Est. IP\$
		2014 Testing			2015 Testing			2016 Testing		
CBP	R/D	\$1,473.00	0.01%	\$0.18	\$1,590.56	0.24%	\$3.88	\$1,590.00	0.15%	\$2.39
	AUO	N/A	N/A	N/A	\$337.96	0.25%	\$0.84	\$175.00	0.20%	\$0.35
	Sandy	\$0.28	0.00%	\$0.00	\$0.47	0.14%	\$0.00	\$0.00	0.00%	\$0.00
DNDO	SA - Sandy	N/A	N/A	N/A	\$0.05	0.00%	\$0.00	\$0.00	0.00%	\$0.00
FEMA	AFG	\$336.00	0.10%	\$0.33	\$224.90	0.64%	\$1.44	\$228.00	0.50%	\$1.14
	FRM&RA	N/A	N/A	N/A	\$131.00	8.33%	\$10.92	\$134.00	3.50%	\$4.69
	HM - Sandy	\$0.14	0.00%	\$0.00	\$34.03	0.00%	\$0.00	\$0.00	0.00%	\$0.00
	HSGP	\$2,001.50	1.37%	\$27.49	\$1,496.52	1.20%	\$17.96	\$1,526.00	1.10%	\$16.79
	IHP	\$1,558.94	3.68%	\$57.33	\$23.97	7.01%	\$1.68	\$0.00	0.00%	\$0.00
	NFIP	\$8,720.00	0.05%	\$4.55	\$894.36	0.16%	\$1.47	\$912.00	0.14%	\$1.27
	PA	\$4,915.00	1.31%	\$64.39	\$3,902.65	1.45%	\$56.58	\$3,980.70	1.20%	\$47.77
	PSGP	N/A	N/A	N/A	\$300.89	0.67%	\$2.02	\$304.00	0.55%	\$1.67
	TSGP	\$447.00	2.55%	\$11.41	\$353.26	0.88%	\$3.12	\$354.00	0.65%	\$2.30
	VP	\$503.13	6.56%	\$32.98	\$733.62	7.50%	\$54.99	\$748.00	4.00%	\$29.92
	Emergency Food and Shelter Program	\$118.65	1.47%	\$1.74	Waived	0.00%	\$0.00	N/A	N/A	N/A
	Sandy Travel	\$179.00	0.15%	\$0.26	N/A	N/A	N/A	N/A	N/A	N/A
	Sandy Purchase Card & Fleet Card	\$3.48	8.04%	\$0.28	N/A	N/A	N/A	N/A	N/A	N/A
	Sandy Payroll	\$248.94	0.61%	\$1.53	N/A	N/A	N/A	N/A	N/A	N/A
	Urban Search & Rescue Grant	\$9.00	0.00%	\$0.00	N/A	N/A	N/A	N/A	N/A	N/A
Disaster Case Management	\$4.30	0.00%	\$0.00	N/A	N/A	N/A	N/A	N/A	N/A	
ICE	ERO	\$1,577.53	4.18%	\$65.96	\$1,525.28	4.06%	\$61.94	\$1,555.79	3.50%	\$54.45
NPPD	FPS - Sandy	\$8.11	0.33%	\$0.03	\$1.02	0.00%	\$0.00	\$0.00	0.00%	\$0.00
OIG	Sandy	\$1.07	0.00%	\$0.00	\$2.00	0.00%	\$0.00	\$0.00	0.00%	\$0.00
S&T	R&D - Sandy	N/A	N/A	N/A	\$0.28	0.00%	\$0.00	\$0.00	0.00%	\$0.00
USCG	AC&I, OE, and E,C & R - Sandy	\$18.73	4.10%	\$0.77	\$39.54	1.44%	\$0.57	\$37.00	1.10%	\$0.41
<b>All Programs</b>		<b>\$22,123.80</b>	<b>1.22%</b>	<b>\$269.23</b>	<b>\$11,592.36</b>	<b>1.88%</b>	<b>\$217.41</b>	<b>\$11,544.49</b>	<b>1.41%</b>	<b>\$163.15</b>

Source: Data from FY 2015 DHS Agency Financial Report.



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### Appendix C

### Prior-Year Recommendations and the Current Status of Each

Report Number	FY	#	Recommendation	Status
OIG-12-48	2011	1	<p>To ensure that all payments for programs and activities identified as high risk are subject to selection for testing and reported, the Department must:</p> <ul style="list-style-type: none"> <li>• Enhance controls and processes used by components to reconcile their lists of fiscal year payments with their financial accounting system; and</li> <li>• Enhance controls and processes used by the Department to review components' lists of fiscal year payments to ensure that they are complete and that variances are investigated, accounted for, and substantiated.</li> </ul>	Closed
		2	<p>Include the following corrections in the Department of Homeland Security's FY 2012 Annual Financial Report:</p> <ul style="list-style-type: none"> <li>• FY 2011 recovery audit reporting for Federal Protective Services under National Protection &amp; Programs Directorate; and</li> <li>• Excluded payments from U.S. Customs and Border Protection's Secure Border Fencing program from the FY 2011 Annual Financial Report.</li> </ul>	Closed

Source: OIG analysis of OIG report, *Department of Homeland Security's Compliance with the Improper Payments Elimination and Recovery Act of 2010* (Revised), OIG-12-48.



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Report Number	FY	#	Recommendation	Status
OIG-12-48	2011	3	Develop and implement procedures to ensure that duties to determine the level of improper payments and to reduce improper payments are adequately segregated.	Closed
		4	Modify the <i>Department of Homeland Security's Improper Payment Reduction Guidebook</i> to provide guidance to components on how to treat results of testing using alternative methodologies. When seeking approval from the Office of Management and Budget for an alternate sampling methodology, DHS shall propose dollar thresholds that will be applicable to the results of testing using approved alternate sampling methodology.	Closed
		5	<ul style="list-style-type: none"><li>• Domestic Nuclear Detection Office, the Transportation Security Administration, and U.S. Secret Service conduct recovery audits as planned and reported in the Department's FY 2011 Annual Financial Report; and</li><li>• Components follow the requirements of the <i>Improper Payments Elimination and Recovery Act of 2010</i> to perform recovery audits annually if conducting such recovery audits is cost-effective.</li></ul>	Closed

Source: OIG analysis of OIG report, *Department of Homeland Security's Compliance with the Improper Payments Elimination and Recovery Act of 2010* (Revised), OIG-12-48.



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Report Number	FY	#	Recommendation	Status
OIG-12-48	2011	6	<ul style="list-style-type: none"> <li>Components target those improper payment categories that have a higher potential for overpayment and recoveries for recovery audits, when cost-effective; and</li> <li>Modify the Department's Payment Recapture Audit Plan to follow OMB guidance for prioritizing recovery audits.</li> </ul>	Closed
OIG-13-47	2012	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.	Closed
		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.	Closed
		3	U.S. Customs and Border Protection and the United States Coast Guard perform interviews as part of the risk assessment process.	Closed
		4	Federal Emergency Management Agency performs interviews of the program managers or senior management.	Closed
		5	U.S. Customs and Border Protection's risk assessment is reviewed and approved by the Chief Financial Officer.	Closed

Source: OIG analysis of OIG reports, *Department of Homeland Security's Compliance with the Improper Payments Elimination and Recovery Act of 2010* (Revised), OIG-12-48 and *Department of Homeland Security's FY 2012 Compliance with the Improper Payments Elimination and Recovery Act of 2010* (Revised), OIG-13-47.



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Report Number	FY	#	Recommendation	Status
OIG-13-47	2012	6	Modify the DHS Guidebook to add clarification that explicitly describes how to complete the components' risk assessments.	Closed
		7	Develop and implement procedures to ensure the approval of risk templates only after the components have made all corrections.	Closed
		8	Develop standard operating procedures that clearly identify how the IPERA reviews and approvals will be coordinated with the components.	Closed
		9	Ensure that DHS Risk Management and Assurance Division follows Office of Management and Budget's (OMB) requirements for agencies not compliant with IPERA as stated in Appendix C of OMB Circular No. A-123.	Open - Resolved
OIG-14-64	2013	1	Ensure that the DHS Risk Management and Assurance Division follows Office of Management and Budget's (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: OIG analysis of OIG reports, *Department of Homeland Security's FY 2012 Compliance with the Improper Payments Elimination and Recovery Act of 2010 (Revised)*, OIG-13-47 and *Department of Homeland Security's FY 2013 Compliance with the Improper Payments Elimination and Recovery Act of 2010 (Revised)*, OIG-14-64.



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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 Office of Management and Budget's (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: OIG 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.





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