



OFFICE *of*
INSPECTOR GENERAL
NATIONAL ARCHIVES

AUDIT OF NARA'S FY 2017 COMPLIANCE WITH
IMPROPER PAYMENT REQUIREMENTS

MAY 15, 2018

Audit Report No. 18-AUD-10

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Executive Summary

Audit of NARA's FY 2017 Compliance with Improper Payment Requirement

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Why Did We Conduct This Audit?

The Federal government is accountable for how its agencies and grantees spend hundreds of billions of taxpayers' dollars, and is responsible for safeguarding those funds against improper payments and recouping them when improper payments occur.

Congress enacted the Improper Payments Information Act of 2002 (IPIA), the Improper Payments Elimination and Recovery Act of 2010 (IPERA); and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) to address these issues.

The objective of this audit was to determine the National Archives and Records Administration's (NARA's) compliance with improper payment requirements based on Office of Management and Budget (OMB) Memorandum 15-02 and OMB Circular A-136.

What Did We Find?

We found NARA to be compliant with improper payment requirements. Specifically, NARA was fully compliant with IPERA requirements to report information on improper payments to the President and Congress through their annual Performance and Accountability Reports (PAR) or Agency Financial Reports (AFR), and to conduct program specific risk assessments. We also found NARA's reporting on improper payments (reporting on IPERA and the Do Not Pay Initiative) was accurate and complete.

NARA has a risk assessment process in place for determining whether NARA has programs or activities susceptible to significant improper payments. NARA also has procedures in place to identify, estimate and report on improper payments.

Based on their risk assessments, NARA determined the programs and activities reviewed were not susceptible to significant improper payments, and therefore NARA was not required to perform four of six IPERA requirements.¹ NARA also reported that payment recovery audits would not be cost-effective and appropriately notified OMB. NARA ensured improper payments in FY 2017 did not exceed 1.5 percent of program outlays, and concluded FY 2017's improper pay rate was less than 1 percent. As a result, it appears NARA is adequately safeguarding those funds against improper payments.

¹ The six IPERA requirements are ensuring the agency: (1) Published an AFR and PAR 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 3321 note of Title 31 United States Code (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 or PAR (if required); (5) Published, and has met, annual reduction targets for each program assessed to be at risk and measured for improper payments; 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 or PAR.

Background

The United States Government is committed to reducing improper payments—“payments made to the wrong entity, in the wrong amount, or for the wrong reason.” (Office of Management and Budget (OMB) Memorandum 15-02, October 20, 2014) To that end, Congress passed the following:

- *The Improper Payments Information Act of 2002 (IPIA)*. IPIA expanded the programs and activities for which agencies had to determine the risk of erroneous payments beyond those listed in OMB Circular A-11.
- *The Improper Payments Elimination and Recovery Act of 2010 (IPERA)*. It amended IPIA, redefined significant improper payments, and strengthened agency reporting requirements.
- *The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA)*. IPERIA requires each agency to review prepayment and pre-award procedures and to conduct a thorough review of available databases, including the Do Not Pay Initiative, before releasing federal funds.

In general, an improper payment is any payment that an agency should not have made or made in an incorrect amount. An improper payment also includes any payment made to an ineligible recipient, a payment for an ineligible good or service, or a payment for goods or services not received. In addition, OMB requires agencies to consider a payment improper if the agency lacks sufficient documentation to validate that it was a proper payment. Both IPERA and IPERIA authorize OMB to issue additional guidance related to eliminating and reporting improper payments. OMB guidance states Inspectors General may evaluate the accuracy and completeness of agency reporting and the agency’s performance in reducing and recapturing improper payments as part of their annual compliance review. IPERA defines significant improper payments as improper payments that exceeded \$10 million during the fiscal year reported and 1.5 percent of program outlays, or \$100 million regardless of percentage of program outlays.

Pursuant to the IPERIA amendment to IPERA, we audited the National Archives and Records Administration’s (NARA) improper payment reporting in NARA’s fiscal year (FY) 2017 Agency Financial Report (AFR).

NARA has identified the following programs and activities for improper payment purposes:

1. Administrative Overhead,
2. Center for Legislative Archives and the Office of Presidential Materials,
3. Research Services,
4. Agency Services,
5. Repairs and Restoration,

6. National Historical Publications and Records Commission, and
7. Office of Inspector General (OIG).

In FY 2017, NARA concluded Administrative Overhead, Center for Legislative Archives and the Office of Presidential Materials, Research Services, Agency Services, Repairs and Restoration, National Historical Publications and Records Commission, and the Office of Inspector General were not susceptible to significant improper payment risk. Therefore, as permitted by OMB, NARA may perform risk assessments on a three-year cycle for the seven programs because the programs were deemed low risk.

Objectives, Scope, Methodology

IPERA requires agencies to report on actions to recover improper payments, and OMB outlines actions agencies must implement. The law also requires the OIG to determine annually whether agencies complied with the law's requirements. OMB states that if an agency does not meet one or more of the six requirements below, it is not compliant. Agencies must:

1. Publish an AFR or Performance and Accountability Report (PAR) for the most recent fiscal year and post that report and any accompanying materials required by OMB on the agency website.
2. Conduct a program-specific risk assessment for each program or activity that conforms with Section 3321 note of Title 31 United States Code (if required).
3. Publish improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required).
4. Publish programmatic corrective action plans in the AFR or PAR (if required).
5. Publish, and meet, annual reduction targets for each program assessed to be at risk and measured for improper payments.
6. 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 or PAR.

To determine compliance, we reviewed NARA's AFR and any accompanying information for the most recent fiscal year. We evaluated NARA's accuracy and completeness of reporting. We interviewed staff of the Chief Financial Officer (CFO). We obtained and reviewed all applicable laws, rules, and regulations pertaining to improper payments including:

- a) Improper Payments Information Act of 2002 (IPIA; Pub. L. 107-300), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA; Pub. L. 111-204),
- b) Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA; Pub. L. 112-248),
- c) OMB Memorandum 15-02, Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments, and
- d) OMB Circular No. A-136, Financial Reporting Requirements.

We gained an understanding of management procedures and controls to the extent necessary to achieve our audit objectives. The purpose of our audit was not to provide an opinion on internal controls, but to evaluate controls over improper payments reporting. There were no prior year issues to review.

We traced figures used in the Improper Payment section of the AFR to supporting documentation such as improper payments identified by the shared service provider, trial balances from the shared service provider reporting system, and NARA's Standard Form 133, Report on Budget Execution and Budgetary Resources.

This performance audit was conducted in accordance with generally accepted government auditing standards between December 2017 and April 2018 at Archives II in College Park, MD. The generally accepted government auditing standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit was conducted by Carol Seubert, Senior Financial Auditor.

Audit Results

Compliance & Reporting

We found NARA to be compliant with improper payment requirements. Specifically, NARA was fully compliant with IPERA requirements to publish an AFR (an AFR was published on November 15, 2017) and to conduct program specific risk assessments. We also found NARA's reporting on improper payments and the Do Not Pay Initiative was accurate and complete.

NARA has a risk assessments process in place for determining whether NARA has programs or activities susceptible to significant improper payments. NARA also has procedures in place to identify, estimate and report on improper payments.

Based on their risk assessment for each program or activity, NARA determined their programs and activities were not susceptible to significant improper payments and therefore were not required to perform four of the six IPERA requirements (see Table 1 below). NARA also reported that payment recovery audits would not be cost-effective, and appropriately notified OMB. NARA ensured improper payments in FY 2017 did not exceed 1.5 percent of program outlays, and concluded they had an FY 2017 improper pay rate of less than 1 percent. As a result, it appears NARA is accountable for taxpayer dollars, and is adequately safeguarding those funds against improper payments.

Based on the results of the audit performed, NARA's compliance with the six improper pay requirements is summarized in the table below:

Table 1: NARA’s Compliance with Improper Pay Requirements

	OMB Criteria for Compliance	Complied
1	Publish an AFR or PAR for the most recent fiscal year and post that report and any accompanying materials required by OMB on the agency website.	Yes
2	Conduct a program-specific risk assessment for each program or activity.	Yes
3	Publish improper payment estimates for all programs and activities identified as susceptible to significant improper payments as required.	N/A ¹
4	Publish programmatic corrective action plans in the PAR or AFR as required.	N/A ¹
5	Publish and met annual reduction targets for each program assessed to be at risk and measured for improper payments.	N/A ¹
6	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 PAR or AFR.	N/A ¹

¹ This criteria is not applicable, based on the results, of NARA’s program risk assessments. NARA determined that none of NARA’s programs or activities were susceptible to significant risk of improper payments. Therefore, numbers 3, 4, 5, and 6 were not required.

Appendix A – Acronyms

AFR	Agency Financial Report
ARC	Administrative Resource Center
CFO	Chief Financial Officer
FY	Fiscal Year
GAGAS	Generally Accepted Government Auditing Standards
IPIA	Improper Payments Information Act of 2002
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
NARA	National Archives and Records Administration
OIG	Office of Inspector General
OMB	Office of Management and Budget
PAR	Performance and Accountability Reports
Pub. L	Public Law

Appendix B – Management Response



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Date: 15 May 2018
To: James Springs, Inspector General
From: David S. Ferriero, Archivist of the United States
Subject: Management's Response to OIG Report 18-AUD-10, *Audit of NARA's FY 2017 Compliance with Improper Payment Requirements*

Thank you for the work of your staff conducting the subject audit. I am pleased that you found our reporting was accurate and complete. If you have questions about this letter, please contact Kimm Richards at kimm.richards@nara.gov or by phone at 301-837-1668.

DAVID S. FERRIERO
Archivist of the United States

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Appendix C – Report Distribution List

Archivist of the United States

Deputy Archivist of the United States

Chief Operating Officer

Deputy Chief Operating Officer

Chief Financial Officer

Accountability

Dustin S. Brown, Deputy Controller, Office of Management and Budget

Beryl Davis, Director, Financial Management and Assurance, U.S. Government

Accountability Office

United States House Committee on Oversight and Government Reform

Senate Homeland Security and Governmental Affairs Committee

OIG Hotline

To report fraud, waste, or abuse, please contact us:

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