




Federal Election Commission
Office of the Inspector General

MEMORANDUM

TO: The Commission

FROM: Christopher Skinner
Inspector General 

SUBJECT: SR-22-02: The Federal Election Commission's Compliance with Improper Payments Reporting for Fiscal Year 2021

DATE: May 9, 2022

Purpose. This report transmits the results of the Federal Election Commission (FEC) Office of Inspector General (OIG) fiscal year (FY) 2021 annual review of the FEC's compliance with the Payment Integrity Information Act of 2019 (PIIA). The Office of Management and Budget (OMB) Circular A-123 requires that each agency's OIG annually review and evaluate whether the agency has published the appropriate improper payments information with the annual Performance and Accountability Report (PAR) or Annual Financial Report (AFR) and accompanying materials for the most recent fiscal year. In addition, each OIG is to determine if the agency has complied with the PIIA and other applicable payment integrity guidance.

Criteria. We conducted a special review to satisfy our FY 2021 annual compliance review using the requirements in OMB Circular A-123, Appendix C (March 2021), OMB Circular A-136 (August 10, 2021), OMB Annual Data Call Instructions, OMB Payment Integrity Question and Answer Platform, and the CIGIE Guide for PIIA.

Results. For FY 2021, the OIG concludes the FEC complied with the following applicable requirements outlined in the PIIA and OMB guidance:

Legal Requirements		Compliance
1a.	Published payment integrity information with the annual financial statement and in the accompanying materials to the annual financial statement of the agency for the most recent FY in accordance with OMB guidance.	Yes
1b.	Posted the annual financial statement and accompanying materials required under guidance of the OMB on the agency website. ¹	Yes
2a.	Conducted improper payment risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years.	Yes
2b.	Adequately concluded whether the program is likely to make improper payments and unknown payments above or below the statutory threshold.	Yes ²
3.	Published improper payments and unknown payment estimates for programs susceptible to significant improper payments and unknown payments in the accompanying materials to the annual financial statement.	N/A ³
4.	Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.	N/A
5a.	Published an improper payment and unknown payment reduction targets for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.	N/A
5b.	Demonstrated improvements to payment integrity or reached a tolerable improper payment and unknown payment rate.	N/A
5c.	Developed a plan to meet the improper and unknown payment reduction target.	N/A
6.	Reported an improper payment and unknown payment estimate of less than 10% for each program for which an estimate was published in the accompanying materials to the annual financial statement.	N/A

¹ Available at [FEC Independent Auditor's Report and Financial Statements FY 2021](#).

² The OIG determined the agency was compliant but identified a recommendation for improvement to better align the agency's process with OMB guidance. See conclusions section for additional detail.

³ Requirement is not applicable because FEC determined in its most recent risk assessment that the agency's programs are not susceptible to significant improper payments.

Background. The Improper Payments Elimination and Recovery Act of 2010 (IPERA) amended the Improper Payments Information Act of 2002 (IPIA) and required agencies to identify and review all programs and activities they administer that may be susceptible to significant improper payments⁴ based on guidance provided by OMB. Additionally, section 3 of IPERA required Inspectors General to review each agency's improper payment reporting and issue an annual report. On March 2, 2020, the PIIA repealed IPERA, IPIA, and the Improper Payments Elimination and the Recovery Improvement Act of 2012 (IPERIA), but set forth similar improper reporting requirements including an annual report by Inspectors General.⁵

The objective of the PIIA is to improve efforts to identify, reduce, and recover government-wide improper payments. An improper payment is any payment that should not have been made or that was made in an incorrect amount. Incorrect amounts are overpayments or underpayments that are made to eligible recipients. An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments authorized by law). In addition, when an agency's review is unable to discern whether a payment was proper because of insufficient or lack of documentation, this payment must also be considered an improper payment.

Beginning in FY 2021, OMB M-20-21 requires agencies to assess the likelihood of total annual improper payments (IPs) plus annual unknown payments (UPs) above the statutory threshold. In addition, agencies are required to report that they adequately concluded whether the program is likely to make IPs and UPs *above or below* the statutory threshold.

Work Performed by FEC OIG. The OIG reviewed the agency's payment integrity section and other improper payment disclosure sections of the FEC FY 2021 AFR posted on the agency's website. The OIG also examined the most recent improper payment risk assessment and other relevant workpapers included in the FEC's FY 2021 Financial Statement Audit.

Conclusion. The OIG determined that the agency had no programs susceptible to significant improper payments. Based on our review of the IP risk assessment, the OIG concludes that the FEC's efforts to detect, prevent, and/or reduce IPs and UPs either above or below the statutory thresholds are adequate considering that improper payment risk is low, there are no UPs, and the agency is not susceptible to significant improper payments. However, we did make one recommendation for improvement (see below).⁶

⁴ Significant improper payments are 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 million of all program or activity payments made during the first year reported, or (2) \$100 million (regardless of the improper payment percentage of total program outlays).

⁵ OMB A-123 Appendix C (as modified) implements requirements for the following: (1) IPIA; (2) IPERA; (3) IPERIA; (4) PIIA; and (5) Executive Order 13520 - Reducing Improper Payments, November 20, 2009.

⁶ A recommendation for improvement is not a finding. OMB A-123 Appendix C provides that a recommendation for improvement is an action that would improve the program as it relates to a specific evaluation criteria.

Recommendation for Improvement. To ensure improper payment reporting is consistent with OMB A-123 Appendix C, we recommend that management include language in the IP risk assessment to expressly address *both* IPs and UPs and whether either may have occurred *above or below* the statutory threshold. We recognize that the agency did not expressly reference UPs because none were identified. However, doing so would better align with OMB's standard language, which provides that the agency *adequately concluded whether the program is not likely to make IPs and UPs above or below the statutory threshold*.

Management Response. The Agency maintains the highest level of payment integrity. During the FY 2021 risk assessment, the Agency was identified as Phase 1, addressing both IPs and UPs. However, we plan to implement OIG's recommendation to further clarify the assessment process and plan to expressly reference the term UPs in future assessments. We thank the OIG for its review of the Improper Payments Reporting process and look forward to continuing to work together.

The OIG is required to report these results to the Senate Committee on Homeland Security and Governmental Affairs; the House Committee on Oversight and Reform; the House and Senate Committee on Appropriations; the Comptroller General; and OMB.

If I can provide you with any further information, please do not hesitate to contact me at (202) 694-1016 or via email at cskinner@fec.gov.

cc: John Quinlan, Chief Financial Officer
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