

Inspection of the National Science Foundation's Compliance with the Improper Payments Elimination and Recovery Act of 2010 for FY 2016

NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL

May 16, 2017
OIG 17-3-005





AT A GLANCE

Inspection of the National Science Foundation's Compliance with the Improper Payments Elimination and Recovery Act of 2010 for FY 2016

Report No. OIG 17-3-005
May 16, 2017

WHY WE DID THIS INSPECTION

The *Improper Payments Elimination and Recovery Act of 2010* (IPERA) requires agencies to periodically review and identify programs and activities that may be susceptible to significant improper payments. Office of Management and Budget (OMB) implementing guidance for IPERA, OMB M-15-02, requires Federal agencies to institute a systematic method of reviewing all programs and activities and identify programs susceptible to significant improper payments. In addition, IPERA and OMB M-15-02 require each Office of Inspector General to review annually improper payment reporting in the Agency Financial Report (AFR).

WHAT WE FOUND

We found that NSF complied with IPERA reporting requirements for FY 2016 based on our review of the agency's AFR and website. Additionally, we found that NSF has demonstrated strong progress in working toward its next full IPERA risk assessment in FY 2018.

WHAT WE RECOMMEND

While we do not have a formal recommendation, we suggest that NSF continue to focus on implementing and documenting a strong risk assessment process to ensure ongoing compliance with IPERA.

AGENCY RESPONSE

NSF responded that it will continue to collaborate with us to implement and document a strong risk assessment process to ensure ongoing compliance with IPERA.

CONTACT US

For further information, contact us at (703) 292-7100 or oig@nsf.gov.




NATIONAL SCIENCE FOUNDATION OFFICE OF INSPECTOR GENERAL

MEMORANDUM

DATE: May 16, 2017

TO: Martha A. Rubenstein
Office Head and Chief Financial Officer
Office of Budget, Finance, and Award Management

FROM: Mark Bell
Assistant Inspector General 
Office of Audits

SUBJECT: Final Report No. 17-3-005, *Inspection of the NSF's Compliance with the Improper Payments Elimination and Recovery Act of 2010 for FY 2016*

Attached is the final report on the subject inspection. We have included NSF's response to the draft report as an appendix.

This report contains no formal recommendations. However, we suggest that NSF continue to focus on implementing and documenting a strong risk assessment process to ensure ongoing compliance with IPERA. NSF responded that it will continue to collaborate with us to implement and document a strong risk assessment process to ensure ongoing compliance with IPERA.

We appreciate the courtesies and assistance NSF staff provided during the audit. If you have any questions, please contact Catherine Walters, Audit Manager, at (703) 292-7100.



Background

The *Improper Payments Elimination and Recovery Act of 2010* (IPERA) requires that Federal agencies periodically perform risk assessments for programs that may be susceptible to improper payments. The Office of Management and Budget (OMB) issued implementing guidance for IPERA¹ that requires agencies to report information about improper payments in the Annual Financial Report (AFR). Additionally, IPERA requires the Inspector General to review improper payment reporting in the AFR for compliance with these requirements.

Results of FY 2016 OIG Review of NSF's Compliance with IPERA

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, then it is not compliant under IPERA. Based on our review of NSF's FY 2016 AFR,² we found that NSF complied with IPERA reporting requirements for FY 2016.

Specific results for the IPERA compliance requirements are as follows:

OMB M-15-02 Requirements	NSF Complied
Published an AFR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website	Yes
Conducted a program-specific risk assessment for each program or activity that conforms with Section 3321 note of Title 31 U.S.C. (if required)	NIA [*]
Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required)	NIA ^{**}
Published programmatic corrective action plans in the AFR (if required)	NIA ^{**}
Published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable)	NIA ^{**}
Reported a gross improper payment rate of less than 10 percent for each program or activity for which an improper payment estimate was obtained and published in the AFR	NIA ^{**}

^{*}IPERA requires agencies to perform a risk assessment at least once every 3 years for programs deemed to be at low risk for significant improper payments. Because NSF's FY 2015 IPERA risk assessment found that the agency was not susceptible to significant improper payments, the next full risk assessment is not required until 2018.

^{**}Because NSF's FY 2015 IPERA risk assessment found that the agency was not susceptible to significant improper payments, these requirements are not applicable.

¹ OMB Memorandum M-15-02, *Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments*, October 20, 2014.

² [nsf.gov/pubs/2017/nsf17002/pdf/08%20Chapter%203%20Appendices.pdf](https://www.nsf.gov/pubs/2017/nsf17002/pdf/08%20Chapter%203%20Appendices.pdf)



Follow-Up on OIG's Prior Year Review of NSF's Compliance with IPERA

In our review of NSF's IPERA compliance for 2015,³ we found that NSF complied with IPERA reporting requirements for FY 2015. However, we identified areas for improvement in the agency's IPERA risk assessment process. NSF generally concurred with the recommendations and provided a corrective action plan on July 15, 2016.

We evaluated the corrective actions NSF has taken in response to our FY 2015 report and found that NSF has demonstrated strong progress in working toward its next full IPERA risk assessment in FY 2018. For example, we recommended that NSF allow sufficient time to conduct a thorough and robust assessment of the agency's susceptibility to improper payments. In its corrective action plan in response to the FY 2015 report, NSF committed to collecting information for its risk assessment by leveraging its internal control over financial reporting assessment process completed as part of its annual OMB Circular A-123 Appendix A process, which results in a 3-year IPERA qualitative risk assessment reporting cycle for 2018.

We observed that NSF has taken several actions to implement its plans. NSF issued Standard Operating Guidance *BFA 2017-1, Procedures for the Improper Payments Risk Reviews*, on November 10, 2016 (IPERA SOG), which documents the scope, approach, and methodology for the IPERA risk assessment. Specifically, the Methodology section of the IPERA SOG documents NSF's phased approach to completing assessments in each of the 3 years in the cycle and rolling those results into a full risk assessment in the third year. NSF also provided documentation that demonstrates it followed the IPERA SOG in its work to assess NSF's risk of improper payments for FY 2016. For example, NSF provided spreadsheets that document the overall results of discussions with NSF staff and leadership to assess NSF's risk of improper payments according to the nine risk factors identified in OMB M-15-02. NSF also provided the results of testing conducted to identify improper payments. Collectively, these actions demonstrate that NSF is taking action to ensure that it will conduct the FY 2018 IPERA risk assessment with sufficient time to allow for a robust analysis.

Conclusion

While we do not have a formal recommendation, we suggest that NSF continue to focus on implementing and documenting a strong risk assessment process to ensure ongoing compliance with IPERA.

OIG Evaluation of Agency Response

NSF responded that it will continue to collaborate with us to implement and document a strong risk assessment process to ensure ongoing compliance with IPERA. We have included NSF's response to this report in its entirety as Appendix A.

³ [nsf.gov/oig/pdf/NSF%20IPERA%20%20redacted.pdf](https://www.nsf.gov/oig/pdf/NSF%20IPERA%20%20redacted.pdf)



Appendix A: Agency Response



OFFICE OF BUDGET, FINANCE & AWARD MANAGEMENT

MEMORANDUM

MAY 12 2017

To: Mark Bell
Assistant Inspector General
Office of Audits

From: Martha A. Rubenstein *Marthy*
Chief Financial Officer and Office Head
Office of Budget, Finance and Award Management

Subject: Management's Response to Official Draft Report, *Inspection of the NSF's Compliance with the Improper Payments Elimination and Recovery Act of 2010 for FY 2016*

Thank you for the opportunity to review the report on the inspection of NSF's compliance with IPERA for FY 2016. I appreciate your staff's work on the report and acknowledgement of our efforts. We will continue to collaborate with the Office of Inspector General to implement and document a strong risk assessment process to ensure ongoing compliance with IPERA.

If you have any questions about our response and our planned actions, please contact Mike Wetklow, Deputy Chief Financial Officer and Division Director, Division of Financial Management at (703) 292-8280 or mwetklow@nsf.gov.

cc: Christina Sarris, OD
Laura Rainey, OIG
Catherine Walters, OIG
Mike Wetklow, DFM
John Lynskey, DFM
Mike Howe, DFM



Appendix B: Objectives, Scope, and Methodology

We performed this inspection to:

- Determine whether NSF is in compliance with the requirements of IPERA, and accurately and completely reported on improper payments in its FY 2016 Annual Financial Report (AFR) and accompanying materials, and
- Evaluate the corrective actions taken in response to our FY 2015 report on NSF's IPERA compliance.

The scope of this inspection included improper payment information contained in NSF's FY 2016 AFR; the work performed by NSF to support that information; and the actions NSF has taken to implement the planned corrective actions in response to our FY 2015 report *NSF's Compliance with the Improper Payments Elimination and Recovery Act for FY 2015*, Report No. 16-3-005. To accomplish our objectives, we reviewed the FY 2016 AFR published on NSF's website; interviewed staff in NSF's Office of Budget, Finance, and Award Management; and reviewed documentation supporting NSF's ongoing process to reduce improper payments and implement corrective actions.

We conducted this inspection from March to April 2017 in accordance with the Quality Standards for Inspection and Evaluation, issued by the Council of Inspectors General on Integrity and Efficiency.



Appendix C: OIG Contact and Staff Acknowledgments

OIG Contact:

Catherine Walters, Audit Manager, (703) 292-7100, cwalters@nsf.gov

Staff Acknowledgments:

In addition to the contact named above, Marie Maguire, Deputy Assistant Inspector General for Audits; Laura Rainey, Audit Manager; Nacole White, Audit Program Specialist; Elizabeth Argeris, Communications Analyst; and Billy McCain, Independent Report Referencer, made key contributions to this report.



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