FEDERAL MARITIME COMMISSION
800 North Capitol Street, N.W.
Washington, DC 20573

Inspector General

May 13, 2016

The Honorable Ron Johnson, Chairman
Committee on Homeland Security and Governmental Affairs
United States Senate
328 Hart Senate Office Building
Washington, DC 20510

The Honorable Jason Chaffetz, Chairman
Committee on Oversight and Government Reform
United States House of Representatives
2236 Rayburn House Office Building
Washington, DC 20515

The Honorable Thomas R. Carper, Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate
513 Hart Senate Office Building
Washington, DC 20510

The Honorable Elijah E. Cummings, Ranking Member
Committee on Oversight and Government Reform
United States House of Representatives
2230 Rayburn House Office Building
Washington, DC 20515

The Honorable David Mader, Controller
Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

The Honorable Gene L. Dodaro
Comptroller General of the United States
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

SUBJECT: Improper Payments Compliance Report

This report communicates the results of the Federal Maritime Commission (FMC) Office of Inspector General's (OIG) annual review of the FMC's compliance with reporting and performance requirements regarding improper payments. The OIG concluded the FMC is in compliance and has met the requirements that are applicable to the agency for fiscal year (FY) 2015.

The OIG completed the annual review based on guidance contained in Office of Management and Budget (OMB) Circular No. A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments* (as modified by OMB M-15-02, October 20, 2014.) Appendix C implements requirements from the following: (1) the Improper Payments Information Act of 2002 (IPIA), as amended; (2) the Improper Payments Elimination and Recovery Act of 2010 (IPERA); (3) the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA); and (4) Executive Order 13520 - *Reducing Improper Payments*, November 20, 2009.

The purpose of IPERA and the related requirements are to improve the Federal government's efforts to reduce and recover improper payments. An improper payment is any payment that should not have been made or that was made in an incorrect amount. Incorrect amounts can be overpayments or underpayments. 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 as a result of insufficient or lack of documentation, this payment must also be considered an improper payment.

Each agency inspector general is required to review improper payment reporting in their agency's annual performance and accountability report (PAR) or agency financial report (AFR) to determine if the agency is in compliance with the applicable requirements. OMB M-15-02 lists six requirements an agency must meet, where applicable, to be in compliance with the improper payments requirements. In brief, these six requirements are as follows: (1) publish a PAR or AFR; (2) conduct a risk assessment; (3) publish improper payment estimates; (4) publish corrective action plans; (5) publish/meet reduction goals; and (6) achieve an improper payment rate of less than 10%.

The OIG reviewed the agency's disclosures contained in the FMC's FY 2015 PAR posted on the agency's website for compliance with IPERA and related requirements. Specifically, the FMC assessment concluded that the agency has not identified any program that in and of itself constitutes a high-risk for improper payments. As a result, the FMC assessed all of its payments to be low-risk for improper payments. The agency reported a zero improper payment rate for FY 2015 and forecasted the same rate for outlying years. The agency was not required to publish an improper payment corrective action plan, reduction targets or conduct a risk assessment for FY 2015.

As a result of the OIG's annual review, the OIG identified an improvement to the agency's process for conducting a risk assessment every three years, and this will be communicated separately to agency management.

The OIG is required to report these results to the FMC Commission; the Committee on Homeland Security and Governmental Affairs of the U.S. Senate; the Committee on Oversight and Governmental Reform of the U.S. House of Representatives; the Comptroller General; and the Controller of OMB.

If you have any questions or comments, please contact me on (202) 523-5863 or jhatfield@fmc.gov. Thank you.

Sincerely,

Jon Hatfield
Inspector General