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

Inspector General

March 31, 2017

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

The Honorable Jason Chaffetz, Chairman
Committee on Oversight and Government Reform
United States House of Representatives
2157 Rayburn House Office Building
Washington, DC 20515

The Honorable Claire C. McCaskill, Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate
442 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
2471 Rayburn House Office Building
Washington, DC 20515

The Honorable Mick Mulvaney, Director
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 is required by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) to prepare and submit this annual compliance report within 180 days after the agency's Performance and Accountability Report is published.

For fiscal year (FY) 2016, the OIG concluded the FMC complied and met the requirements that are applicable to the agency for improper payment reporting. According to Office of Management and Budget (OMB) guidance, compliance with IPERA means that the agency met the following six requirements, as appropriate:

1. **Published a Performance and Accountability Report (PAR) or Annual Financial Report (AFR) for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website.**

   FMC complied with this requirement for FY 2016.

2. **Conducted a program-specific risk assessment for each program or activity that conforms with title 31, United States Code, section 3321.**

   FMC was not required to complete a risk assessment for FY 2016; for the FMC, a risk assessment is required every three years. The FMC will be required to complete a risk assessment for FY 2017 reporting.

3. **Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment.**

   Not applicable to FMC for FY 2016; FMC assessed all of its payments to be low-risk for improper payments.

4. **Published programmatic corrective action plans in the PAR or AFR.**

   Not applicable to FMC for FY 2016.

5. **Published and met annual reduction targets for each program assessed to be at risk and measured for improper payments.**

   Not applicable to FMC for FY 2016.

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 PAR.**

   FMC complied with this requirement for FY 2016.

The OIG completed this annual review based on guidance contained in 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 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 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 Annual Financial Report to determine if the agency is in compliance with IPERA. The OIG reviewed the agency's disclosures contained in the FMC's FY 2016 PAR posted on the agency's website for compliance with IPERA and related requirements. Specifically, the FMC's 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 2016 and forecasted the same rate for outlying years. The agency is not required to publish improper payment corrective action plans or reduction targets.

The OIG is required to report these results to the FMC Commission; the Committee on Homeland Security and Governmental Affairs of the Senate; the Committee on Oversight and Government Reform of the 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