



May 14, 2020

TO: David S. Ferriero
Archivist of the United States

FROM: James Springs *James Springs*
Inspector General

SUBJECT: *Audit of National Archives and Records Administration's Compliance with the Requirements of the Improper Payments Elimination and Recovery Act of 2010 for Fiscal Year 2019*
Audit Report No. 20-AUD-10

We contracted with the independent certified public accounting firm of CliftonLarsonAllen, LLP (CLA) to audit the National Archives and Records Administration's (NARA) compliance with the requirements of the *Improper Payments Elimination and Recovery Act of 2010 (IPERA)* for fiscal year (FY) 2019.

In connection with the contract, we reviewed CLA's report and related documentation and inquired of its representatives. CLA is responsible for the attached auditor's report dated May 7, 2020 and the conclusions expressed in the report.

The contract required the audit be performed in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget Bulletin No. 18-20, *Requirements for Payment Integrity Improvement*. We do not express an opinion on NARA's internal control over improper payments or its reporting process.

Results of the Independent Audit

CLA concluded NARA did not comply with the requirements of IPERA because the FY 2019 Agency Financial Report has not been published by NARA.

As with all OIG products, we determine what information is publicly posted on our website from the attached report. Consistent with our responsibility under the *Inspector General Act, as amended*, we will provide copies of our report to congressional committees with oversight responsibility over NARA.

We appreciate the cooperation and assistance NARA extended to CLA and my staff during the audit. Please contact me or Jewel Butler, Assistant Inspector General of Audits, with any questions.

Attachment

cc: Debra Wall, Deputy Archivist of the United States
William Bosanko, Chief Operating Officer
Micah Cheatham, Chief of Management and Administration
Colleen Murphy, Chief Financial Officer and Senior Accountable Official
Kimm Richards, Accountability
United States House Committee on Oversight and Government Reform
Senate Homeland Security and Governmental Affairs Committee
Tim Soltis, Deputy Controller, Office of Management and Budget
Beryl H. Davis; Director, Financial Management and Assurance, U.S. General
Accountability Office



CliftonLarsonAllen LLP
CLAconnect.com

**NARA Did Not Comply With the Requirements of the Improper
Payments Elimination and Recovery Act of 2010 in Fiscal Year 2019**

**Audit Performed
by
CliftonLarsonAllen LLP**

**For
National Archives and Records Administration
Office of Inspector General**

May 7, 2020

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NARA Did Not Comply with the Requirements of the Improper Payments Elimination and Recovery Act of 2010 in Fiscal Year 2019

EXECUTIVE SUMMARY

WHY WE DID THIS AUDIT

CliftonLarsonAllen LLP (CLA) was engaged by the National Archives and Records Administration (NARA) Office of Inspector General (OIG) to conduct a performance audit of NARA's compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA), as amended, for fiscal year (FY) 2019 in accordance with Part IV.A.(3) of the Office of Management and Budget (OMB) Memorandum M-18-20 (M-18-20), Appendix C to OMB Circular No. A-123 (A-123), *Requirements for Payment Integrity Improvement*, dated June 26, 2018.

As part of this audit, we were also engaged to evaluate the accuracy and completeness of NARA's reporting and its performance in reducing and recapturing improper payments.

Our audit performance period was from March 2020 through April 2020. We conducted our audit in accordance with generally accepted government auditing standards.

WHAT WE CONCLUDED

We concluded that NARA did not comply with the requirements of the IPERA for FY 2019. NARA had not published nor posted its FY 2019 Agency Financial Report (AFR) on its website. OMB M-18-20, Part IV.A.(3) states that "If an agency does not meet one or more of these requirements, then it is not compliant under IPERA." NARA did not submit its AFR on November 19, 2019, due to additional time needed to investigate a violation of Anti-Deficiency Act that existed at September 30, 2019, but discovered subsequent to September 30, 2019.

We also found NARA's reporting of and performance in reducing and recapturing improper payments to be generally accurate and complete. NARA concluded that payment recapture audits are not cost effective and notified OMB of its decision in 2014. Per OMB M-18-20, Part III.C.(6), this analysis will need to be repeated and resubmitted to OMB and to the agency's Inspector General only if circumstances change within the program that might make a payment recapture audit cost-effective. NARA represented that circumstances have not changed in FY 2019 and therefore no analysis was necessary.

TABLE 1: IPERA Compliance Requirements Reporting Table

Program Fund Name	Published an Agency Financial Report (AFR)	Conducted a Risk Assessment	Published an Improper Payment Estimate	Published Corrective Action Plans	Published and is Meeting Reduction Targets	Reported an Improper Payment Rate of Less than 10 percent
Administrative Overhead	Non-Compliant	NA	NA	NA	NA	NA
Agency Services	Non-Compliant	NA	NA	NA	NA	NA
Legislative Archives, Presidential Libraries, and Museum Services	Non-Compliant	NA	NA	NA	NA	NA
National Historical Publications and Records Commission (Grants)	Non-Compliant	NA	NA	NA	NA	NA
Office of Inspector General	Non-Compliant	NA	NA	NA	NA	NA
Repairs and Restoration	Non-Compliant	NA	NA	NA	NA	NA
Research Services	Non-Compliant	NA	NA	NA	NA	NA

Legend: The NA in Table 1 means Not Applicable because NARA did not have programs or activities determined to be susceptible to significant improper payments under Part I.B.2 of Appendix C of OMB A-123. In addition, for programs or activities that are deemed not susceptible to significant improper payments, NARA is required to perform a risk assessment at least once every three years under Part 1.C.1 of Appendix C. NARA conducted its latest risk assessment in FY 2017. Accordingly, NARA was not required to conduct a risk assessment in FY 2019.

The purpose of our work was not to provide an opinion on internal controls over improper payments or its reporting process. Therefore, we do not express such an opinion. We conducted this performance audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusion based on our audit objectives. Our objectives, scope and methodology are described in Appendix A.

We appreciate the assistance provided by NARA management and staff.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, VA
May 7, 2020

PROGRAM BACKGROUND

The Improper Payments Information Act (IPIA)¹ of 2002, as amended by the Improper Payments Elimination and Recovery Act (IPERA)² of 2010 and the Improper Payment Elimination and Recovery Improvement Act (IPERIA)³ of 2012, requires the Inspector General (OIG) of each agency to determine whether the agency is in compliance with IPIA⁴ and submit a report on that determination annually. The current OMB implementation guidance, M-18-20, Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement*, was issued on June 26, 2018.

OMB M-18-20, Appendix C, Part I.A.(1) defines an improper payment as any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.

Incorrect amounts are overpayments or underpayments made to eligible recipients (including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for an incorrect amount, and duplicate payments). 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 should also be considered an improper payment.

Under IPERA, each agency shall periodically review all programs and activities and identify those that are susceptible to significant improper payments.⁵ For those programs that are identified as susceptible to significant improper payments, the agency is required to produce a statistically valid estimate of the annual amount of improper payments in those programs and activities and include those estimates in the accompanying materials to the AFR or Performance Accountability Report (PAR)⁶ of the agency.

¹ Pub. Law No. 7-3--, 116 Stat. 2350 (2002)

² Pub. Law No. 111-204, 124 Stat. 2224 (2010)

³ Pub. Law No. 112-248, 126 Stat. 2390 (2012)

⁴ Unless otherwise indicated, the term "IPERA" will imply "IPIA, as amended by IPERA and IPERIA."

⁵ "Significant improper payments" are defined as 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 \$10,000,000 of all program or activity payments made during the fiscal year reported or (2) \$100,000,000 (regardless of all the improper payment percentage of total program outlays).

⁶ Agencies shall report to the President and Congress (through AFRs or PARs in the format required by OMB Circular No. A-136 for improper payment reporting) an estimate of the annual amount and rate of improper payments for all programs and activities determined to be susceptible to significant improper payments.

In the Improper Payments Information Act Reporting Details section of NARA’s FY 2019 AFR, NARA reported FY 2019 information on the outcome of self-identified improper payments in tabular format. The table shows the fund, FY 2019 outlays (less federal vendors), improper payments made in FY 2019, and the percentage of improper payments made over total outlays.

RESULTS AND CONCLUSION

NARA did not comply with the requirements of IPERA. OMB M-18-20, Part IV.A.(3) states that “If an agency does not meet one or more of these requirements, then it is not compliant under IPERA.” Table 2 below shows the OMB compliance requirements, NARA compliance status, and the results of CLA’s review.

Table 2: Results of NARA Compliance with the Requirements of IPERA			
Compliance Reference	OMB Compliance Requirement	NARA Compliance Status	CLA Review
a.	Published an AFR or PAR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website;	Non-Compliant	<p>Although NARA prepared its FY 2019 AFR, it has not published nor posted its FY 2019 AFR and any accompanying materials required by OMB on NARA’s website. OMB Circular A-136, <i>Financial Reporting Requirements</i>, Section I.5. Submission Deadlines, states that, “For FY 2019, final AFRs are due to OMB, Treasury, the Government Accountability Office (GAO), and the Congress by 6 p.m. EST on November 19, 2019.” It also states that “The final reports [AFR] should be posted to the agencies’ website the same day the report is submitted to OMB, [Treasury], GAO and the Congress.”</p> <p>NARA did not submit its AFR on November 19, 2019, due to additional time needed to investigate a violation of Anti-Deficiency Act that existed at September 30, 2019, but</p>

Table 2: Results of NARA Compliance with the Requirements of IPERA			
Compliance Reference	OMB Compliance Requirement	NARA Compliance Status	CLA Review
			discovered subsequent to September 30, 2019. NARA provided CLA with a publishable FY 2019 AFR on April 21, 2020, for review. NARA has not published nor posted its FY 2019 AFR in its website.
b.	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);	Not Applicable	OMB guidance requires performance of a risk assessment at least once every three years for programs or activities not susceptible to significant improper payments and annually for those susceptible. NARA conducted risk assessments in FY 2017. NARA determined that its programs are not susceptible to significant improper payments. Accordingly, NARA was not required to conduct a risk assessment in FY 2019.
c.	Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required);	Not Applicable	This requirement was not applicable as none of NARA's programs or activities were determined to be susceptible to significant improper payments.

Table 2: Results of NARA Compliance with the Requirements of IPERA			
Compliance Reference	OMB Compliance Requirement	NARA Compliance Status	CLA Review
d.	Published programmatic corrective action plans in the AFR or PAR (if required);	Not Applicable	This requirement was not applicable as none of NARA's programs or activities were determined to be susceptible to significant improper payments.
e.	Published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable); and	Not Applicable	This requirement was not applicable as none of NARA's programs or activities were determined to be susceptible to significant improper payments.
f.	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.	Not Applicable	NARA determined that none of its programs or activities were susceptible to significant improper payments. Therefore, this requirement was not applicable.

APPENDIX A - OBJECTIVES, SCOPE AND METHODOLOGY

Objectives and Scope

Our objective was to determine if NARA's improper payment reporting in its FY 2019 AFR was in compliance with IPERA and in accordance with OMB M-18-20 Part IV.A.(3) of Appendix C of OMB A-123. As part of this audit, we are also to evaluate the accuracy and completeness of NARA's reporting, and its performance in reducing and recapturing improper payments.

Methodology

OMB M-18-20, Part IV.A.(3), states that the agency Inspector General should review the agency's AFR or PAR (and any accompanying information) for the most recent fiscal year. Compliance under IPERA means the agency has:

- a. Published an AFR or PAR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website;
- b. 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);
- c. Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required);
- d. Published programmatic corrective action plans in the AFR or PAR (if required);
- e. Published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable); and
- f. 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.

If an agency does not meet one or more of these requirements, then it is not compliant under IPERA.

As part of our work, we:

- Reviewed all applicable laws, rules, and regulations pertaining to improper payments, as well as NARA guidance, policies, and procedures.
- Obtained an understanding of NARA internal controls over improper payments and evaluated the design and operating effectiveness of relevant payments, reduction and recapture controls.

- Reviewed the improper payments reporting details in NARA's Improper Payments Summary by Program for accuracy and completeness and the FY 2019 AFR for compliance with IPERA requirements.
- Assessed the overall presentation of the improper payments in the AFR for completeness as per Section II.4.5. of OMB Circular A-136, *Financial Reporting Requirements* (OMB A-136).
- Agreed the FY2019 general ledger detail from the shared service provider reporting system to NARA's Improper Payments Summary by Program.

In planning our work, we gained an understanding of the internal controls over NARA's improper payments identification, reduction, recapture, and reporting processes. Our audit procedures include inquiries and reviews of the NARA Improper Payments Summary by Program and AFR, as per OMB Circular A-123, Appendix C. However, the purpose of our work was not to provide an opinion on internal controls over improper payments or its reporting process. Therefore, we do not express such an opinion.

APPENDIX B – NARA’S MANAGEMENT RESPONSE



Date: May 14, 2020
To: James Springs, Inspector General
From: David S. Ferriero, Archivist of the United States
Subject: Management Response to the *Audit of National Archives and Records Administration’s Compliance with the Requirements of the Improper Payments Elimination and Recovery Act of 2010 for Fiscal Year 2019*

Thank you for the opportunity to provide comments on this final report. NARA delayed the issuance of its FY 2019 Agency Financial Report (AFR) to ensure sufficient time to investigate a potential violation of the Antideficiency Act that was discovered during the FY 2019 financial statement audit. The FY 2019 AFR will be issued as soon as possible.

I would like to thank the Office of Inspector General and CliftonLarsonAllen LLP for their cooperative and professional approach in the conduct of this audit.

Sincerely,



DAVID S. FERRIERO
Archivist of the United States

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