



# United States Department of the Interior

OFFICE OF THE ASSISTANT SECRETARY  
POLICY, MANAGEMENT AND BUDGET  
Washington, D.C. 20240

**FEB 25 2004**

## Memorandum

To: Program Assistant Secretaries  
Bureau and Office Heads

From: P. Lynn Scarlett   
Assistant Secretary- Policy, Management & Budget

Subject: Advance Information on the Forthcoming Implementation of the Improper Payments Information Act during FY 2004

In an effort to provide better information about initiatives that will impact future bureau resources, this memorandum describes the Department's FY 2004 implementation of the Improper Payments Information Act (IPIA).

As you may know, the Improper Payments Information Act (Public Law 107-300) requires agencies to:

- review all programs they administer;
- identify those susceptible to significant erroneous payments;
- estimate the amount of erroneous payments in programs;
- implement a plan to reduce the erroneous payments; and,
- report on the estimates and progress in reducing the erroneous payments annually, beginning with the FY 2004 Performance and Accountability Report.

These requirements take effect during the current fiscal year.

An "erroneous" or "improper" payment includes payments that should not have been made (including overpayments and underpayments) as well as payment for services not received. It covers any payment derived from Federal funds or other Federal sources made by a Federal agency, contractor, or organization administering a Federal program or activity.

The Department met recently with OMB to discuss the requirements of the Act, and was asked to prepare a comprehensive FY 2004 implementation plan by November 30, 2003. To achieve the

letter and spirit of the Act's objectives and the OMB guidelines, the Department has structured a program for FY 2004 consisting of the following elements:

- Extending the requirement for pre-payment audit of all freight shipments to all bureaus and programs;
- Hiring an auditor (PRG Schultz) to review all vendor payments to see if recovery of payments may be appropriate;
- Developing the framework for conducting and reporting risk assessments of all programs (in the FY 2004 Management Accountability Guidance);
- Developing the necessary tools to support automated assessments of major bureau payment processes (vendor, grants, charge card, and payroll payments); and
- Conducting an in-depth review of a handful of DOI programs large enough to potentially satisfy the OMB criteria for a "High Risk" program (i.e., 2.5% of payments **and** \$10 million in annual improper payments. The candidate programs may include:
  - BIA's Tribal Self Governance Program
  - OIA's Financial Assistance Program (for insular areas)
  - FWS's Federal Aid Program

Given the recurring nature of the requirements mandated by IPIA, the Department will use the existing FMFIA infrastructure for conducting and reporting the risk assessments and payment process reviews. This will allow us to satisfy statutory requirements while minimizing administrative burden.

Please distribute this communication to all relating program and administrative segments within your bureau. The major action items will include:

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|----|---|-----------|
| -- | Designation of "High Risk" Programs   | March 31  |
| -- | Completion of risk assessments by program managers  | July 31   |
| -- | Completion of four payment process reviews<br>(vendor, grants, charge card and payroll processes) | July 31   |
| -- | Preparation of Action Plans based on findings   | August 31 |

To further facilitate communication of this program, we have created a website which contains all necessary references for this program (including the statute, OMB Guidance, risk assessment methodology, and FY 2004 schedules). The URL for the site is:

<http://www.doi.gov/pfm/erroneous.html>

The program is being coordinated by the Office of Financial Management. If you have additional questions or wish to discuss any aspect of this program in more detail, please contact Ted Woronka, Associate Director for Financial Policy and Operations, on (202) 208-3385.