

IMPROPER PAYMENTS

The Improper Payments Information Act of 2002 (IPIA—P.L. 107-300) requires federal agencies to identify and report on significant payment programs that are susceptible to erroneous payments. The Act defines significant erroneous payments as those within a single payment program that exceed both 2.5 percent of that program's annual amounts paid and \$10 million annually. The Corporation reviewed its operations identifying 12 payment programs, and assessed each to determine which, if any, were susceptible to significant erroneous payments. Only six of the 12 programs make total annual payments that exceed \$10 million. For any of the six programs under which total payments exceed \$10 million, preliminary error rates exceeding the 2.5 percent threshold would have to be subsequently confirmed through a statistical sampling process to designate a payment program as a significant payment program susceptible to erroneous payments.

The two largest Corporation payment programs are under the Domestic Volunteer Service Act and National and Community Service Act. Together the annual payments for these programs account for about 64 percent of all Corporation payment amounts. These grant program payments are administered

by the Department of Health and Human Services' Payment Management System. There are numerous internal and external controls, making erroneous payments highly unlikely. For example, awards go through many levels of review and approval before obligations are created and transmitted to the Payment Management System. These payments are all requested by authorized grantees, and then they are validated and disbursed by the U.S. Department of Health and Human Services. Moreover, the receipt and use of grant funds by grantees are monitored by the Corporation and in many cases are subject to independent audits under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

Based on the results of the FY 2007 IPIA review, there were no significant payment programs within the Corporation susceptible to erroneous payments. However, even though the Corporation concluded its programs are not susceptible to erroneous payments as defined under the Act, most non-grant payments are reviewed as part of the OMB Circular A-123 Internal Control Assessment Program discussed above.