3. Improper Payments Information Act Reporting Details

I. Risk Assessment

The Department's initial risk assessment for FY 2004 was developed by reviewing all major programs, identifying the significant activities, and performing a risk assessment.

To conduct the initial risk assessment, the Department proceeded to calculate each program's FY 2003 outlays. These resources represent the program's total dollars at risk for potential improper payments. Using these resources, the Department then based its assessment on an examination of the internal control environment and the level of program outlays for FY 2004. The criteria for determining susceptible risk within the program inventory were defined as follows:

- For those programs whose outlays did not exceed the susceptibility threshold $10 million, no risk was assessed.
- For those programs whose outlays were greater that $10 million, but did not exceed $50 million, the Department deemed it unlikely that improper payment error rates exceeded the significant improper payments threshold of $10 million.
- Programs were deemed to be susceptible if outlays exceeded $200 million and if a review of the programs identified known weaknesses existed in program management based on reports issued by oversight agencies such as the Office of Inspector General and/or the General Accountability Office that indicated that the program might potentially exceed errors by $10 million.
- Programs were also deemed susceptible if required as part of the OMB A-11 Budget Submission under Section 57.

Due to the challenges posed by the grant programs, the DOL conducted an additional level of assessment in an effort to more accurately determine its non-direct grant programs' susceptibility to improper payments. The DOL utilized analysis conducted by the OIG and conducted additional evaluation of Single Audits conducted for the grant programs. In reviewing all Single Audits conducted for the DOL in FY2002 (the most recent available), as well as additional work conducted by the OIG related to its grant programs, the audits indicated that the grant programs presented few findings. Additionally, as part of this analysis the Department reviewed internal control environments and conducted detailed interviews with grant program offices to better understand their efforts to prevent and deter improper payments. This analysis demonstrated that its grant programs do not demonstrate a risk for improper payments, save for the Workforce Investment Act.

The table below lists the Programs/Activities designated as susceptible to erroneous payments, and considered for sampling:

Programs and Activities Susceptible to Improper Payments FY 2004	
Benefit Programs	
Agency	*Program/Activity*
ETA	Unemployment Insurance Program (UI)
ESA	Federal Employees Compensation Act (FECA)
ESA	Black Lung Disability Trust Fund
ESA	Energy Employees Occupational Illness Fund
Other Programs	
ETA	Workforce Investment Act (WIA) (Including Adult, Youth, and Dislocated Worker activities)
ETA	Job Corps
Other	Department of Labor Salaries
Other	Department of Labor Expenses

II. Statistical Sampling

Unemployment Insurance Program

Sampling Methodology: Improper payment rates are obtained from the Benefit Accuracy Measurement (BAM) program. It is designed to determine the accuracy of paid and denied claims in the three largest permanently authorized unemployment compensation (UC) programs: State Unemployment Insurance (UI), Unemployment Compensation for Federal Employees (UCFE), and Unemployment Compensation for Ex-Service Members (UCX). BAM provides two rates of improper payments. The first, the annual overpayment rate, includes estimates of nearly every divergence from what state law and policy dictate the payments should have been. The second rate, the operational overpayment rate includes only recoverable overpayments states are most likely to detect using current BPC (Benefit Payment Control) procedure. These overpayments are the most likely to be detected and established for eventual recovery and return to the Trust Fund.

BAM reconstructs the UI claims process for randomly selected weekly samples of payments and denied claims using data verified by trained investigators. For claims that were overpaid, underpaid, or improperly denied, BAM determines the amount of benefits the claimant should have received, the cause of and the party responsible for the error, the point in the UI claims process at which the error was detected, and actions taken by the agency and employer prior to the error.

In reconstructing each sampled payment, the BAM program retroactively investigates the accuracy of the UI claim's monetary and separation determination, as well as all information relevant to the payment that was sampled, including the claimant's efforts to find suitable work, ability and availability for work, and earnings from casual employment or other income sources, such as pensions.

Sample Selection: The universe of the population is the payments and denials under the UI program in the testing period, July 1, 2003, to June 30, 2004. Since State UI, UCFE and UCX account for approximately 95% of UC programs, BAM is designed to determine the accuracy of paid and denied claims in the three programs. The sample selected consisted of 24,749 items for the year ending June 30, 2004. For Denied Claims Accuracy (DCA), states sample 150 cases for each of the monetary, separation, and non-separation denials; the allocated sample for each type is 7,800 cases per test per year. A total of 48,081 items were selected and tested for both the BAM and DCA samples for FY04 UI sampling.

Federal Employees Compensation Act

Sampling Methodology: A stratified sampling approach was applied to estimate improper payments for both medical bill payments and compensation payments. The medical bill payment sampling was designed to test payment issues such as duplicate payments, appropriate receipts, and billing consistent with regional allowances, payment made for appropriate procedures, and eligibility at date of service. The compensation payment sampling was designed to test issues such as compensation payments consistent with identified injury, current medical evidence supporting continued compensation payments, eligibility requirements, and calculations of compensation amounts.

Sample Selection: The universe of the population is both the compensation and medical payments paid out of the FECA program in the testing period, October 1, 2003, to March 31, 2004. The population was stratified in compensation payments and medical payments. Samples of 279 items from compensation payments and of 358 items from medical payments were selected. A total of 637 items were selected and tested for the FY04 FECA sample.

Black Lung Disability Fund

Sampling Methodology: A stratified sampling approach was applied to estimate improper payments for both medical bill payments and benefit payments. The population was stratified into medical payments and benefit payments. The medical bill payment sampling was designed to test payment issues such as duplicate payments, eligibility at date of service, procedure covered by program, and appropriate receipts and paperwork. The compensation payment sampling was designed to test issues such as eligibility requirements, calculations of compensation amounts, and calculations of compensation offsets due to dependants.

Sample Selection: The universe of the population is both the medical and benefit payments paid out of the Black Lung program in the testing period, October 1, 2003, to June 30, 2004. The sample consisted of 100 benefit payments and 67 medical bill payments. A total of 167 items were selected and tested for the FY04 Black Lung sample.

Energy Employees Occupational Illness Fund
Sampling Methodology: The sampling approach consisted of Monetary Unit Sampling (MUS) to estimate improper payments. In the sampling process, the population was stratified into compensation and medical bill payments. The medical bill payment sampling was designed to test payment issues such as duplicate payments, eligibility at date of service, procedure covered by program, and appropriate receipts and paperwork. For compensation payments, sample testing was more limited as the compensation within the program is limited to lump sum payments of $150,000 or $50,000 depending on the underlying illness. As such, testing criteria focused on testing eligibility criteria and the correctness of lump sum payment amounts paid to appropriate recipients.

Sample Selection: The universe of the population consisted of both the medical and compensation payments made under EEOICP in the testing period, October 1, 2003, to April 30, 2004. MUS was then applied to select 105 medical bill payments from the medical bill population. Using MUS, 119 compensation payments were selected the compensation population. A total of 224 items were selected and tested for FY04 Energy Employees Occupation Illness Program sample.

Job Corps
Sampling Methodology: The sampling approach consisted of a stratified sampling effort to estimate improper payments. The population was first stratified between Job Corps center operating costs and student allowances.

Sampled Selection: The universe of the population of Job Corps center operation costs is all of the operating expenses reported by Job Corps centers in the testing period, October 1, 2003 to March 31, 2004. The sample selected consisted of 130 payroll items and 229 non-personnel expense items. Additionally, 100% of non-personnel expenses with amounts greater than $5000 were selected totaling 194 items. A total of 553 items were selected and tested for FY04 Job Corps Center sample. The universe of the population of Job Corps student allowances is the entire student living and transition allowances made by Job Corps centers in the testing period, October 1, 2003, to March 31, 2004. The sample selected consisted of 319 living allowances and 365 transition allowances. A total of 684 items were selected and tested for FY04 Job Corps student allowance sample.

Department of Labor Salaries
Sampling Methodology: DOL Salaries consists of the department payrolls of the national office and two regional offices, Dallas and San Francisco. To accomplish the sampling for the payroll, simple random sampling (SRS) was applied. The testing criteria consisted of testing items such as employee's eligibility, earnings and leave tracked correctly, time card consistent with payment, and pay rate calculated correctly.

Sampled Selection: The universe of the population of Department salaries is comprised of the payroll transactions in the testing period, October 1, 2003, to March 31, 2004. A sample of 133 items from the Department's payroll transactions was selected for testing.

Department of Labor Expenses
Sampling Methodology: DOL expenses consist of department expenses related to the operation and administration of programs' and headquarters' activities. Expense transactions were stratified into seven groups and samples were then statistically drawn from each stratum. For non-payroll costs, sample testing focused on testing criteria such as: (1) appropriate contracts used, (2) competitive bidding occurred and supporting documentation existed, and (3) payments supported with invoices, (4) invoices correct, and (5) the purchase was allowable under program costs.

Sampled Selection: The universe of the population of expenses is comprised of DOL expense payments in the testing period, October 1, 2003, to June 30, 2004. A total of 164 items were selected and tested.

WIA Grant Programs
The WIA grant program continues to demonstrate a high risk of "susceptibility" to improper payments. The Department is designing a grant pilot to establish a sampling plan for this program. For more detail regarding the Department's efforts, refer to Section IX.

IPIA Reporting Requirements Summary
For the programs for which statistical sampling was feasible, *Table 1* provides a summary of the IPIA reporting status based on the estimates of annual amounts of improper payments.

Table 1

Inventory of Programs and Estimated Improper Payments			
Program Title	Estimated Improper Payment Rate	Estimated Annual Improper Payment Amount (millions)	Meets IPIA $10 Million Reporting Threshold
Unemployment Insurance	9.70%	$ 3,622	Yes
Federal Employees Compensation Act	0.25%	$6.4	No
Black Lung	2.18%	$7.7	No
Energy Employees Occupational Illness	2.01%	$5.0	No
Job Corps	0.88%	$8.4	No
DOL Salaries	0.43%	$6.7	No
DOL Expenses	0.98%	$9.8	No

III. Corrective Actions

Unemployment Insurance (UI)
For the past several years, the causes of overpayments have remained fairly constant. The principal cause is "Benefit Year Earnings" (BYE)—payments received by claimants who continue to claim benefits despite having returned to work. These constitute about a quarter of overpayments using the broad Employment Training Administration (ETA) Annual Overpayment measure (defined as nearly every divergence from what state law and policy say the payment should have been) and greater than 40% of the narrower Operational Overpayment measure (defined as only overpayments that can subsequently be recovered if formally established as overpayments and are most likely to be detectable through the tools state integrity operations [called Benefit Payment Control operations] typically use to detect overpayments after the payment has occurred). The next largest cause is errors associated with the reasons claimants separate from work; these errors are over a fifth of the broad definition and nearly 30% of the narrower definition of overpayments. Because of their prominence, ETA has devoted a significant proportion its integrity efforts in the past few years to preventing or detecting benefit year earnings overpayments. ETA's major integrity initiatives are as follows:

- Implementation of the Denied Claim Accuracy measurement program (DCA) to assess the accuracy of denial decisions (September 2001);
- Development of a Detection of Overpayments measure to assess how well the system is detecting and establishing overpayments for recovery to the Trust fund (first incorporated into the Strategic and Annual Performance Plans in FY 2003, with targets of establishing 59% of detectable/recoverable overpayments for FY 2003 and 2004). This measure is based on the Operational Overpayments definition, of which BYE overpayments are nearly one half;
- Continuing analyses of the causes and costs and benefits of prevention or establishing and recovery operations (posted to the Office of Workforce Security Web site, http://workforcesecurity.doleta.gov/unemploy).
- Encouragement and funding for states to implement benefit integrity developments, including the use of data on new hires to detect and prevent BYE overpayments. States initially began to implement the State Directory of New Hires (SDNH) for this purpose, and ETA estimates suggest that savings from their use of

this tool—largely, prevention of overpayments due to unreported work while in payment status—increased from approximately $55 million in CY 2002 to $74 million in CY 2003.

- Enhancement of states' ability to detect BYE violations by UI claimants working in other states or for certain multi-state employers who may post all new hires to only one state. Based on draft legislation proposed by the Department, the President signed P.L. 108-295 on August 9th granting state UI agencies access to the National Directory of New Hires.
- ETA has also promoted and funded states to provide connectivity to systems to exchange data with the Social Security Administration on a real-time basis. This will give states the ability to verify claimants' identity and will help prevent many, if not most, overpayments due to fraudulent or mistaken use of SSNs. Since 2002 the Department worked with States to establish electronic communications with SSA and on implementation plans. On March 5, 2004, the ETA and the Social Security Administration (SSA) signed a memorandum of understanding formalizing the data exchange agreement.
- The Department provided funds to states to establish crossmatches with other state governmental agencies, such as with state department of motor vehicles, to facilitate fraud and overpayment reduction.

ETA is also working with states to ensure recovery of improperly paid benefits. As a result of these activities, the Operational Overpayment rate, of the overpayments the states expects to recover, has risen from 57% of the Annual Overpayments for FY 2003 to approximately 60% for the 12 months ending March 31, 2004. The Operational Overpayment rate includes only recoverable overpayments states are most likely to detect using current Benefit Payment Control (BPC) procedures. These overpayments are the most likely to be detected and established for eventual recovery and return to the Trust Fund. This increase indicates that states are increasing their efforts to detect and establish overpayments for recovery. For the year ending March 31, 2004, the average State recovery rate for fraud overpayments was about 48%, and it was about 51% for overpayments that did not involve fraud (nonfraud).

For FY 2005 and beyond, ETA has proposed a state level implementation of the overpayments measure used for the Government Performance and Results Act (GPRA). This will enable greater emphasis on this aspect of integrity through the State Quality Service Plan system that is used to promote performance achievement. ETA is also conducting a pilot test of adding a post-audit crossmatch component to the BAM paid claim review. This component would use data on UI wage records or new hires to supplement the BAM investigative procedure and better detect and estimate overpayments due to BYE violations. The Administration's FY 2005 budget includes authority to collect overpayments by offset from Federal income tax refunds. It also includes a request for funding to station UI staff in state One-Stop centers to facilitate linkage of UI beneficiaries with reemployment services and to review their on-going eligibility for UI benefits. This initiative should result in the detection of separation-from-work overpayments as well as claimants who fail to meet the state's conditions for weekly eligibility for benefits, such as being able to work and available for work.

UI will evaluate these corrective action initiatives through the design of an Unemployment Insurance performance measurement metrics pilot to understand the degree to which each initiative is reducing improper payments. This pilot will enable the sharing of best practices and comparative performance metrics among states by quantifying the successes associated with each initiative. Such data will allow states to prioritize funding to the initiatives with the largest impact on improper payments.

Federal Employees Compensation Act (FECA)

Most of the improper payments identified occurred due to start-up problems with the new medical bill processing service and incorrect billing by medical providers. Previously FECA medical bills were paid by each District Office. The Employment Standards Administration's Office of Workers' Compensation Programs (OWCP) contracted for bill processing services in 2002, and in September 2003, the Central Bill Processing (CBP) service, started processing FECA medical bills. The CBP uses automated front-end editing operations to check for provider and claimant eligibility, accepted condition and treatment type, billing form and content, and duplications. The service uses proprietary software as a component of the CBP to screen professional medical and outpatient hospital bills to check for certain improper billing practices. Providers whose bills are denied by these edits are notified of the reason for the denial and instructed to resubmit the bill, if appropriate. Results are monitored in the OWCP National Office for patterns and trends which may require action such as improved instructions to the medical providers, intervention directed at individual providers, potential need of stronger software edits, etc.

Additional causes of improper payments for FECA include: (1) incorrect or incomplete information submitted for the claims record (such as pay rate, night differential rate, retirement plan, etc.), (2) OWCP errors including mistakes in judgment or interpretation in making decisions, (3) miscalculations in making payments, and (4) claimant fraud or misrepresentation. OWCP's integrity initiatives to address these issues are as follows:

- Medical bill processing performance is reviewed as a routine function of FECA National Office oversight of the central bill processing contract and is used to score against performance requirements specified in the contract.
- Compensation payment performance is reviewed by FECA district office managers, line supervisors, and fiscal operations staff; frequency of review varies according to need (e.g. supervisors and fiscal staff look at performance almost on a per-transaction basis, whereas summary performance is reviewed daily, weekly, or quarterly by supervisors and managers). Results are monitored in the National Office and used to design procedural revisions or corrective action plans for the District Offices. The National Office also conducts formal biennial accountability reviews to rate each District Office for quality and accuracy. System reports used to analyze payment information include the Report on Receivables Due from the Public (Schedule 9), Accounts Receivable Aging Schedule and Performance reports. Regular matching of death records is done to reduce improper payments.
- Case management techniques to monitor ongoing entitlement to benefits and payment accuracy. For example, FECA's Periodic Roll Management (PRM) units monitor cases receiving long-term disability benefits. Changes in medical condition or ability to return to work are identified by regular ongoing PRM review of the cases, and compensation benefits may be reduced or terminated. Benefit reductions also result from new information reported about changes in status, such as the death of a claimant. The key outcome measure for PRM is the annual amount of benefit savings generated from these case actions. Benefits savings can also be compared directly to PRM administrative costs.
- Improvements in documentation quality and encouragement of faster transmission of notice of injury and claims for compensation from the agencies to OWCP. Progress in submitting these forms more quickly yields faster and more accurate adjudication and payment, and fewer customer service problems. More than a quarter of new claims are now received via Electronic Data Interchange from the Departments of Labor, Defense, Treasury, Transportation, Veterans Affairs, and Homeland Security, and that percentage is expected to grow in the future.

Grant Programs

It is difficult to understand root causes and develop specific corrective actions without the ability to statistically sample grant programs. However, the Department has made a concerted effort to improve grants management that will help to prevent improper payments. The ETA (the agency administering all susceptible grant programs) issued an order on April 17, 2003 stating its commitment to "Protecting Federal taxpayers' investments from fraud, abuse, financial mismanagement and reducing erroneous payments…through improved processes throughout the grants cycle". Consequently, ETA has recently enhanced technology solutions and revised many of its business processes to better support proper stewardship of federal funds.

ETA currently has multiple technology projects underway in an effort to improve grants management. They include the web-based EIMS (Enterprise Information Management System), with its GEMS (Grants e-Management Solution) and EMILE (ETA Management Information and Longitudinal Evaluation) modules. EIMS is the Enterprise Information Management System, a web-based solution used to track and manage grants, including the capture of grant cost reporting meant to improve fiscal integrity. This system is meant to feed data into GEMS (Grants E-Management System) and the combination of the two will be part of the cradle-to-grave E-grants solution for all of DOL, expected to begin rollout in January of 2006. The GEMS system is an online grants management tool meant to provide web accessible, customizable, role based context access to grant related information from multiple sources.

ETA is also supporting these new technologies with revised business processes to enhance monitoring. Through its recently revised regional administration standards, 50% of all formula grants now require an onsite annual review and 30% of all discretionary grants require an annual onsite review. The grants selected for review are determined using the risk-ranking tool contained within the GEMS system and GEMS also captures the results. Additionally, a major effort to train Federal Project Officers and to increase field monitoring is underway.

IV. Improper Payment Reduction Outlook FY 2003 – FY 2007 (show $ in millions)

Improper Payment Estimates and Reduction Targets						
Program	**FY 04 Outlays**	**FY 04 IP %**	**FY 04 IP $**	**FY 05 IP %**	**FY 06 IP %**	**FY 07 IP %**
Unemployment Insurance (Annual Report Rate)	$37,335	9.70%	$3,622 overpayment	9.5%	9.3%	9.0%
Unemployment Insurance (Operational Rate)[33]	$37,335	5.07%	$1,893 overpayment	5.00%	4.75%	4.25%
Unemployment Insurance Underpayment Rate	$37,335	0.64%	$239 underpayment	0.64%	0.64%	0.64%
Federal Employees Compensation Act	$2,544	0.25%	$6.37 overpayment	0.250%	0.248%	0.244%

V. Recovery Auditing

The Department conducted an inventory of existing contracts and determined that the total contract values do not exceed the $500 million recovery auditing threshold established by Section 831 of the FY 2002 Defense Authorization Act. As such, the Department is not required to implement recovery auditing activities. The Department will continue to evaluate the use of recovery auditing techniques as appropriate.

VI. Management Accountability

In FY2004, the Department launched an initiative based upon the Sarbanes-Oxley Act and Circular A-123 to improve financial internal controls and increase the awareness and accountability of Agency management. These activities, while focused on improving financial management and internal controls, will also coordinate program agency efforts to achieve compliance with IPIA. This initiative establishes an integrity assistance organization and a financial management control group. Specifically, responsibilities will include reviewing internal controls, remediating audit findings and setting policies and procedures to continually improve the quality, timeliness and accuracy of financial information. These activities will establish the infrastructure needed to ensure accountability.

To further ensure accountability for achieving real reductions, the Department will also integrate IPIA efforts into the existing quarterly financial certification meetings with Agency heads. Furthermore, the Department will commence an IPIA working group to leverage successes and share best practices among program Agencies. The Department will continue to work diligently achieve tangible results articulated in the new IPIA section of the President's Management Agenda Scorecard. Collectively, these activities will ensure successful results.

VII. Information Systems and Infrastructure

Unemployment Insurance

ETA believes that in most cases the states have the information systems and infrastructure they need for improper payment reduction. States are implementing systems to exchange data with the Social Security Administration and interface with their State Directory of New Hires. Discussions are just beginning with the Department of

Health and Human Services regarding use of the National Directory of New Hires (NDNH). It is not clear at this time whether information system enhancements are needed to use the NDNH.

Federal Employees Compensation Act (FECA)
OWCP is currently developing an integrated management information and compensation benefit system that will enhance both compensation payment accuracy and medical bill processing accuracy. Deployment is planned for FY 2005. Resources are included in the FY 2005 budget request for this system.

Grant Programs
Many grant programs have not yet determined what specific information systems and other infrastructure might be needed, as the precise method by which the programs will respond to the demands of IPIA is not yet finalized. It may be that the most important systems and infrastructure are those that will capture data associated with the results of the single audits. The Department believes that additional funding to the current system that captures the results of the single audits, the Federal Audit Clearinghouse, would assist all Agencies in their efforts to meet IPIA requirements. The Department intends to gain additional information on these system needs for grant programs during FY05 through its grant pilot program.

VIII. Statutory or Regulatory Barriers

With regards to the FECA program, legislation does not currently permit FECA to verify employment earnings with the Social Security Administration (SSA) without the claimant's written permission. Compensation benefits may be overpaid if an employee has unreported earnings and does not grant permission for the program to verify earnings with SSA.

The UI program, as well, has several legislative barriers. Firstly, by statute, States administer UI program and set operational priorities; the Department has limited ability to ensure they pursue improper payment reduction activities. Sec. 3304(a) (3) of the Federal Unemployment Tax Act, which states that monies in the fund can only be used for benefit payments, may preclude the use of recovery auditing techniques. The "immediate deposit" requirement (Sec. 3304(a)(3) of the Federal Unemployment Tax Act (FUTA) and Sec 303(a)(4), SSA) and the "withdrawal standard" (Sec. 3304(a)(4), FUTA and Sec 303(a)(4), SSA) both affect recovery efforts. The immediate deposit requirement dictates that dollars for benefits must be paid immediately into the trust fund and the withdrawal standard says that money in the trust fund can only be used for benefits. There are certain exceptions to the immediate deposit requirement, but they do not apply to recouped benefit overpayments. These requirements preclude Unemployment Insurance from using funds recovered from overpayments to be used towards administrative or operational efforts to improve prevention, detection, and recovery efforts.

IX. Additional Comments

To achieve IPIA compliance for susceptible grant programs, the Department faces challenges similar to many other Agencies. In numerous instances, grants are structured to provide federal funds that empower local entities to operate programs based on local need. The Federal government provides the monies to states, cities, counties, private non-profits, and other organizations to distribute these federal funds; the Federal agencies capture information related to only the first level of grantee and rely on the Single Audit Act to monitor grantees. To investigate how the single audits might be used to meet IPIA compliance in FY04, the Department examined single audits with DOL-related findings from the Federal Audit Clearinghouse and the corresponding single audit reports returned to the Department as the cognizant agency responsible for resolving the identified findings. The Department's review of single audits indicated a low level of risk for susceptible grant programs. While the rigorous analysis of these sources offered insight into the relative risk of grant programs, none offered the detailed information necessary for statistical estimation. However, of the available data sources for IPIA statistical estimation, single audits offer the most efficient means to gather data from these recipients of federal funds. Using data from the single audit analysis, the Department has identified potential modifications to the Circular A-133 Compliance Supplement that may help Agencies to bridge the "gap" between the currently available data and the data required for IPIA compliance. Possible modifications for consideration are discussed below:

1. <u>CDFA sub-groups</u>: As some CFDA codes encompass multiple programs, Agencies should consider defining discrete tests and reporting requirements for each applicable program. This could be done by re-

structuring CFDA codes as needed, or by including more specific program tests for each program contained in a CFDA code to address IPIA needs.

2. Audit Thresholds:
   a. *Major Program Threshold:* Agencies may consider defining what constitutes a major program through the Compliance Supplement to provide needed program coverage. For example, Circular A-133, Subpart E—Auditors, provides several opportunities for Federal agencies to define major programs as needed for their oversight purposes. Agencies may want to consider submitting to OMB the requirement that all Section 57 programs, or all programs deemed high risk through the initial IPIA risk assessment, be included as major programs.

   b. *Finding Threshold:* Establish uniformity for IPIA related audit finding definitions to enable aggregation of said findings.

3. View of Sub-Grantees: Modifications to the A-133 reporting requirements should be considered to allow the cognizant agency access to all single audit reports (to the terminal dollar), conducted for a particular program, including those performed for its sub-grantees. This access may be best gained via the Federal Audit Clearinghouse; however, changes would have to be made to the data that are currently captured in order to provide the detail necessary for IPIA purposes.

4. Depth and Detail:
   a. *Depth of testing:* Compliance Supplements may require considerable more testing criteria to achieve IPIA compliance. The OMB Circular A-133 provides that Federal agencies must annually inform OMB of any updates needed to the Supplement. Consequently, OMB should encourage Agencies to define testing requirements, clear improper payment definitions, and minimum sample sizes through their program specific compliance supplements to ensure single audits achieve sufficient depth in analysis. Such modifications to testing criteria could be done multiple ways within the confines of the current provisions. Agencies could take advantage of the current compliance test "N-Special Tests and Provisions" and establish a comprehensive test to meet IPIA requirements, or they could consider utilizing current, more myopic compliance tests and modifying their structure to better meet IPIA needs. For example, changes to the five compliance tests with the greatest potential for IPIA relevance (e.g. "A-Activities Allowed or Unallowed" or "M-Subrecipient Monitoring") would be more constructive if redefined with IPIA specificity.

   b. *Detail of reporting:* Agencies and OMB should consider increasing the reporting requirements in the Compliance Supplement. For the statistical estimation of error rates required by IPIA, it is necessary to identify the entire universe tested (to establish the equation's denominator). Current requirements that *only* findings are reported means that agencies are unable to properly define the sampled population. Consider altering reporting requirements so that for all testing conducted (regardless of findings) specifics as sample size, total dollars tested, tests failed, dollars associated with failed tests, etc. are reported. This would include modifying data capture in the Federal Audit Clearinghouse to reflect the enhanced reporting requirements.

Additionally, it is imperative that the federal community work together to develop cost effective methods of data gathering. This is best accomplished by leveraging the current infrastructure when working to capture data needed to achieve IPIA compliance for grant programs. Should each agency individually attempt to gather information through a variety of means, grantees may face an undue administrative burden. As such, the Department believes that using the single audit process already in place is an approach that benefits much of the federal government. Moreover, the current method of single audit data submission, the Federal Audit Clearinghouse, should also be enhanced to assist agencies in meeting the challenges of grant programs. The Federal Audit Clearinghouse could be used to capture additional depth and detail that would further assist agencies in their efforts to statistically estimate improper payments.