

Improper Payments Information Act Reporting Details

Description of the Risk Assessment Process

Interior's supplemental Management Control Guidance for FY 2005 issued November 22, 2004, required managers to conduct risk assessments of all programs (meeting OMB's definition of "program") over \$100 million in planned annual outlays to determine if any of these programs were risk-susceptible for making significant improper payments. In FY 2004, the first year under the Improper Payments Information Act, Interior's efforts were considerably more intense, i.e., all programs were reviewed and in addition to risk assessments, Departmental Functional Reviews were conducted by various types of payments. Please refer to the FY 2004 Performance and Accountability Report for additional information on last year's review. As a result of the initial reviews conducted in FY 2004, no programs were determined to be risk-susceptible for making significant improper payments based on the threshold set by OMB. As a result, OMB permitted Interior to review those programs in excess of \$100 million for FY 2005.

Recovery Audits

Toward the end of FY 2003, the Department selected PRG Schultz to perform recovery audit services. PRG Schultz started working with the Office of the Secretary and performed a pilot effort to set up its program. By the end of FY 2004, all bureaus of the Department had issued a Task Order engaging PRG Schultz to perform recovery auditing services. In FY 2005, all of the Department's bureaus performed recovery audits. *Table 4-1* summarizes Interior's recovery audit activities since inception.

TABLE 4-1

FY 2005 Recovery Audit Activities							
Amount of Payment Errors	Amount Deemed Not Recoverable	Amount Recovered	Amount Pending Resolution	Found by Internal Agency	Found by Recovery Auditor	Agency Costs	Amount Earned by Contractor
\$1,548,620	\$1,169,309	\$195,479	\$183,834	Not tracked	\$195,479	Not tracked but very minimal	\$39,096

Conclusion

The result of the risk assessments performed in FY 2005 reaffirmed that none of the programs reviewed pose a high-risk of making significant improper payments. (A summary of the programs reviewed can be found in the Management Discussion and Analysis portion of this report.) Moreover, PRG Schultz has found that the incidence of improper payments identified through its recovery audit efforts are far less at Interior than experienced through its work in the private sector. Interior's rate of improper payments thus far is 0.0001% and PRG's experience with the private sector is between .05% to .10% of the audit basis. This evidence speaks well for Interior's internal controls over payment processes. Having said that, Interior will continue to use all cost effective means to keep improper payments to a minimum and pursue recovery when an improper payment is identified.