## Improper Payments Information Act of 2002

The Improper Payments Information Act of 2002 (IPIA) requires each executive branch agency to annually review all programs and activities it administers and identify those that may be susceptible to significant improper payments.  Significant improper payments are defined as annual improper payments in a program exceeding both 2.5 percent of program payments and $10 million.  For programs susceptible to significant improper payments, the Act requires agencies to report the estimate of improper payments and actions to reduce them.  OMB Circular A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*, issued in August 2006, provides guidance to implement the requirements of the Act and clarifies and updates the requirements in order to support government-wide IPIA compliance.

In accordance with IPIA, the Department reviewed its programs and activities for susceptibility to significant improper payments.  Based on the results of the review for the period ending September 30, 2007, the Department determined there were no programs susceptible to improper payments exceeding both 2.5 percent of program payments and $10 million.

The Department recognizes the importance of maintaining adequate internal controls to ensure proper payments and is committed to the continuous improvement of the overall disbursement management process.  In FY 2007, the Department implemented a top-down approach to comply with the Act, consistent with the 2006 guidance issued by OMB.  The Department's approach provides a methodology to identify key programs, document associated key controls, assess the risk of each program for improper payments, perform testing to identify improper payments, and report the estimate of improper payments.  In addition, the Department updated the policies and procedures for its recovery audit program to further strengthen its overall program to prevent, identify, detect, and recover improper payments.