



Memorandum

U.S. Department of
Transportation

Office of the Secretary
of Transportation
Office of Inspector General

Subject: **INFORMATION:** DOT's High Dollar
Improper Payments Identified during
the Quarter Ending December 31, 2011

Date: September 12, 2012

From: Louis C. King 
Assistant Inspector General for Financial and
Information Technology Audits

Reply to
Attn. of: JA-20

To: Assistant Secretary for Budget and Programs/
Chief Financial Officer

Executive Order (EO) 13520, "Reducing Improper Payments," and Office of Management and Budget (OMB) Circular A-123, Appendix C, Part III,¹ require each agency to submit to its Inspector General and the Council of Inspectors General on Integrity and Efficiency (CIGIE) quarterly reports on individual high-dollar improper payments.² The EO also requires Inspectors General (IG) to review their agencies' reports and provide recommendations to agency heads for improvements to their improper payment corrective action plans.

To accomplish this requirement, we reviewed the "Department of Transportation (DOT) High Dollar Improper Payments identified during the Quarter Ending December 31, 2011" (appendix) for accuracy and completeness. Using OMB's reporting thresholds, we determined whether the report accurately presented the high-dollar improper payment amounts identified during DOT's fiscal year 2011 improper payment testing. We also assessed DOT's compliance with reporting requirements for high dollar overpayments. We obtained supporting documentation on the amounts reported and the actions taken as described in the Department's report. Finally, because DOT submitted its last prior quarterly report on high-dollar overpayments to OMB in January 2011, we confirmed that the Department notified OMB when it had no high-dollar overpayments in the quarters ending March 31, June 30, and September 30, 2011.

¹ Requirements for Implementing Executive Order 13520: Reducing Improper Payments, March 22, 2010.

² A high dollar overpayment is an improper payment to an entity that exceeds the correct amount by \$25,000 or more, in a single payment or in cumulative payments throughout a quarter.

In the enclosed report, submitted to OMB on January 30, 2012, DOT reported two high-dollar overpayments. We did not identify any additional high-dollar overpayments that DOT should have reported for the quarter ending December 31, 2011.³ Furthermore, the report contained the required information, except for (1) whether the improper payments were made by individuals or entities and (2) the actions taken to prevent improper payments in future. DOT included this information in its fiscal year 2011 Agency Financial Report. We are not making any recommendations at this time.

If you have any questions concerning this letter, please contact me at (202) 366-1407, or Earl Hedges, Program Director, at (410) 962-1729.

#

³ DOT-OIG, *DOT's Improper Payment Reporting Generally Complies with IPERA*, FI-2012-073, March 15, 2012. OIG reports can be found at www.oig.dot.gov.

APPENDIX DOT JANUARY 30, 2012 (QUARTERLY) EO REPORT MEMORANDUM



**U.S. Department of
Transportation**


Office of the Secretary
of Transportation

Assistant Secretary
for Budget and Programs
and Chief Financial Officer

1200 New Jersey Avenue, SE
Washington, DC 20590

JAN 30 2012

MEMORANDUM TO: Danny Werfel
Controller
Office of Federal Financial Management
Office of Management and Budget

FROM: Christopher P. Bertram 

SUBJECT: Department of Transportation High Dollar Improper Payments
Identified during the Quarter Ending December 31, 2011

This memorandum reports the U.S. Department of Transportation's (DOT) High Dollar Improper Payments identified during the quarter ending December 31, 2011, as required by Executive Order 13520, *Reducing Improper Payments*, and in accordance with the Office of Management and Budget (OMB) Circular A-123, Appendix C, Part III, *Requirements for Implementing Executive Order 13520: Reducing Improper Payments*.

DOT relies on its annual Improper Payment review, in compliance with the Improper Payments Information Act (IPIA) of 2002, to identify High Dollar Improper Payments. As part of the annual Improper Payment Review, DOT identified the following programs as susceptible to improper payments, due to the size of the programs, and produced extrapolated improper payment estimates for each program:

- FHWA Federal-Aid Highway Program
- FAA Airport Improvement Program
- FTA Capital Investment Grants Program
- FTA Formula and Bus Grants Program

During the quarter ended December 31, 2011, DOT did not identify any High Dollar Improper Payments within the Federal Aviation Administration's (FAA) Airport Improvement Program, the Federal Transit Administration's (FTA) Capital Investment Grants Program, or FTA's Formula and Bus Grants Program. However, during the same quarter DOT identified the following High Dollar Improper Payments.

FHWA Federal-Aid Highway Program High Dollar Improper Payments

Amount	Location	Root Cause	Agency Actions
\$70,100	New York	Documentation/Administrative	Recovered
\$30,624	New York	Documentation/Administrative	Recovered

APPENDIX DOT JANUARY 30, 2012 (QUARTERLY) EO REPORT MEMORANDUM

Historically, DOT's largest grant programs, which include the Federal Highway Administration's Federal-Aid Highway Construction and Planning Program, the FTA's Formula Grants and Capital Investment Grants, and the FAA's Airport Improvement Program, have all reported estimated programmatic improper payment rates of less than 2.5% of total program payments. The same is true for FY 2011 as all of DOT's major grant programs reported improper payment rates of less than 1.0% of total program payments.

Furthermore, virtually all improper payments identified by the most recent annual IPIA review qualify as "low-impact errors" as defined within Part III of OMB Circular A-123, Appendix C. DOT determined that the majority of these low-impact errors are in fact non-recoverable as the impropriety of these payments stem from documentation/administrative errors, have little bearing on the outlay of program funds, and do not affect the missions of the individual grant programs.

If your staff has any questions, they may contact Andrew Julian at (202) 366-5623 or andrew.julian@dot.gov.