



Office of Inspector General

April 6, 2017

SENT BY EMAIL

The Honorable Ron Johnson
Chairman
Senate Committee on Homeland Security
and Government Affairs
Dirksen Senate Office Building, SD-340
Washington, DC, 20510

Re: 2017 Office of Inspector General Review of NCUA Compliance
Under the Improper Payments Elimination and Recovery Act (IPERA)

Dear Chairman Johnson:

The *Improper Payments Information Act of 2002 (IPIA)* and Office of Management and Budget (OMB) Circular A-123, Appendix C, *Management's Responsibility for Internal Control: Requirements for Effective Measurement and Remediation of Improper Payments*, require federal agencies to review all programs and activities, identify those that are susceptible to significant erroneous payments, and determine an annual estimated amount of erroneous payments made in those payments. The IPIA was followed by the *Improper Payments Elimination and Recovery Act (IPERA)* in 2010 and a series of OMB memoranda, including an update to Circular A-123, which established new requirements for agencies on improper payments.

IPERA requires Inspectors General to annually assess and report on their agencies' analysis of improper payment risk, in accordance with specific IPERA criteria. The National Credit Union Administration (NCUA) Office of Inspector General (OIG) assessed NCUA management's analysis of its 2016 programs under IPERA. We report below our assessment of management's analysis under IPERA's established criteria:

1. Publish a PAR or AFR.

The agency published its [Annual Report](#) on March 10, 2017.

2. Conduct Risk Assessment.

We reviewed management's analysis of its programs and its determination that all NCUA funds have a low risk of significant improper payments. In addition, OIG considered management's review of the following: (1) level, experience, and quality of training for personnel responsible for monitoring its improper payments program and certifying that payments are accurate; and (2) the complexity and volume of the program's payments when determining low risk. We agree with NCUA's overall risk analysis. Because NCUA's improper payments are well below the

significant standard amount of improper payments, which is defined by OMB guidance as exceeding \$10 million and 2.5 percent of total outlays or \$100 million, OIG does not have anything further to review for compliance under IPERA.

Management's analysis pointed out further that OMB guidance requires agencies to reassess programs at low risk for improper payments at least every three years. Consequently, NCUA indicated its intent to conduct its next assessment cycle, at the latest, in 2019. We agree with this schedule.

3. Publish IP Estimates.

Because NCUA's programs are low risk, this requirement is not applicable.

4. Publish CAPs.

Because NCUA's programs are low risk, this requirement is not applicable.

5. Publish/Meet Reduction Goals.

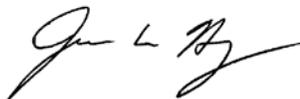
Because NCUA's programs are low risk, this requirement is not applicable.

6. Achieve an IP rate of less than 10%.

Because NCUA's programs are low risk, this requirement is not applicable.

Should you have any questions, please do not hesitate to contact my counsel, Sharon Separ, at 703/518-6352.

Sincerely,



James Hagen
Inspector General

Cc: The Honorable Claire C. McCaskill