



National Credit Union Administration

Office of Inspector General

April 23, 2020

SENT BY EMAIL

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

Re: 2020 Office of Inspector General Review of the NCUA's 2019 Compliance
under the Improper Payments Elimination and Recovery Act (IPERA)

Dear Chairman Johnson:

The *Improper Payments Information Act of 2002* (IPIA), as amended by the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) and the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA), 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* (OMB Circular A-123), required federal agencies to review all programs and activities they administer, identify those that may be susceptible to significant improper payments, and publish improper payment estimates for any programs or activities identified as being susceptible to significant improper payments. Significant improper payments are defined as gross annual improper payments in a program exceeding both 1.5 percent of program outlays and \$10 million of all program payments made during the year, or \$100 million regardless of the percentage.

The National Credit Union Administration (NCUA) annually conducts risk assessments of all its programs and activities. Based on these risk assessments, the NCUA has concluded that it does not have programs that are susceptible to significant improper payments.

IPERA required inspectors general to annually assess and report on their agencies' improper payment risk assessments, in accordance with specific IPERA criteria. The NCUA Office of Inspector General (OIG) assessed the NCUA's compliance with the following IPERA requirements:

1. Publish a Performance and Accountability Report (PAR) or Agency Financial Report (AFR).

The NCUA published its Annual Report on March 20, 2020, which included a section on IPERA that concluded that the NCUA does not have programs that are susceptible to significant improper payments, as defined by IPERA and OMB Circular A-123, Appendix C.

2. Conduct risk assessments.

We reviewed the NCUA's 2019 risk assessment of all of its programs and activities and its determination that these programs and activities have a low risk of significant improper payments. To reach our final conclusion, we reviewed both the NCUA's risk assessment and its 2019 annual report for compliance with IPERA requirements. We agree with the NCUA's overall risk analysis and because the NCUA's improper payment amount was below the statutory threshold, we have nothing further to review for compliance under IPERA.

IPERA required agencies to assess their programs at least once every three fiscal years. Consequently, the NCUA indicated its intent to reassess the susceptibility of its programs and activities in calendar year (CY) 2020, as it operates on a CY basis, and was not required to estimate or report total improper payments for CY 2019 since it did not meet the thresholds previously mentioned. We agree with this schedule based on the low risk of improper payments of NCUA funds.

3. Publish improper payment estimates.

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

4. Publish corrective action plans.

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

5. Publish and meet improper payment reduction targets.

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

6. Achieve an improper payment rate of less than 10%.

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

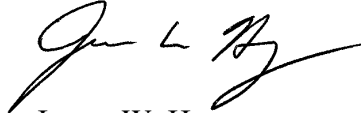
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Please note that the Payment Integrity Information Act of 2019 recently consolidated and amended improper payment reporting requirements. These new requirements may apply to the NCUA's next risk assessment. Should you have any questions, please do not hesitate to contact my counsel, Marta Erceg, at 703/518-6352.

Sincerely,

A handwritten signature in black ink, appearing to read "James W. Hagen". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

James W. Hagen
Inspector General