



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

**OFFICE OF THE
INSPECTOR GENERAL**

March 15, 2012

MEMORANDUM TO: Chairman Jaczko

FROM: Hubert T. Bell */RA/*
Inspector General

SUBJECT: MEMORANDUM REPORT: AUDIT OF NRC'S FISCAL YEAR
2011 COMPLIANCE WITH THE IMPROPER PAYMENT
ELIMINATION AND RECOVERY ACT OF 2010
(OIG-12-A-11)

This report reflects the results of the Office of the Inspector General's (OIG) audit of the Nuclear Regulatory Commission's (NRC) fiscal year (FY) 2011 compliance with the Improper Payment Elimination and Recovery Act of 2010 (IPERA). OIG determined that NRC complied with the requirements of IPERA.

BACKGROUND

On July 22, 2010, IPERA was signed into law, which amended the Improper Payments Information Act of 2002 (IPIA) and generally repealed the Recovery Auditing Act. IPERA also directed the Office of Management and Budget (OMB) to issue implementing guidance to agencies. IPERA requires Federal agencies to periodically review all programs and activities that they administer and identify all programs and activities that may be susceptible to significant improper payments.¹ In addition, IPERA requires each agency to conduct recovery

¹ According to IPERA, an improper payment is (A) any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements and (B) includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts. IPERA provides a detailed explanation of what is considered a "significant" improper payment (Section 2 (a)(3)(A)).

audits² with respect to each program and activity of the agency that expends \$1,000,000 or more annually, if conducting such audits would be cost-effective. On April 14, 2011, OMB issued Memorandum M-11-16, *Issuance of Revised Parts I and II to Appendix C of OMB Circular A-123*, as implementing guidance for the requirements of IPERA.

OMB guidance also specifies that each agency's Inspector General should review agency improper payment reporting in the agency's annual Performance and Accountability Report (PAR) or Annual Financial Report (AFR), and accompanying materials, to determine whether the agency complied with IPIA, as amended by IPERA.³

According to OMB guidance, compliance with IPIA, as amended by IPERA, means that the agency has:

- Published a PAR or AFR for the most recent FY and posted that report and any accompanying materials required by OMB on the agency Web site.
- Conducted a program specific risk assessment for each program or activity that conforms with Section 3321 of Title 31, U.S. Code (if required).
- Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required).
- Published programmatic corrective action plans in the PAR or AFR (if required).
- Published, and has met, annual reduction targets for each program assessed to be at risk and measured for improper payments.
- Reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the PAR or AFR.
- Reported information on its efforts to recapture improper payments.

OBJECTIVE

The audit objective was to assess NRC's compliance with IPERA and report any material weaknesses in internal control.

RESULTS

Based on our review of NRC's FY 2011 PAR and other documentation provided by the agency, OIG has determined that the agency is in compliance with the requirements of IPERA.

² Recovery audits are also referred to as "payment recapture audits."

³ Even though IPERA amends IPIA, the authorizing legislation is still named IPIA.

Additionally, OIG did not identify any instances that would indicate that NRC's improper payment reporting is other than accurate and complete.

AGENCY COMMENTS

A draft report was provided to the Chief Financial Officer for comment. No comments were provided on the report.

SCOPE AND METHODOLOGY

OIG audited agency documents related to NRC's compliance with IPERA for FY 2011. These documents included NRC's FY 2011 PAR, a report on the agency's assessment on improper payments, and agency correspondence related to IPERA. By comparing the information in these documents, OIG assessed the accuracy and completeness of the agency's reporting on improper payments.

We conducted our work at NRC headquarters during February 2012 in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. The audit work was conducted by Kathleen Stetson, Team Leader; Eric Rivera, Audit Manager; and Michael Steinberg, Senior Auditor.

If you have any questions, please contact Stephen D. Dingbaum, Assistant Inspector General for Audits, at 415-5915 or me at 415-5930.

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