



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

April 29, 2016

**OFFICE OF THE
INSPECTOR GENERAL**

MEMORANDUM TO: Chairman Burns

A handwritten signature in cursive script that reads "Hubert T. Bell".

FROM: Hubert T. Bell
Inspector General

SUBJECT: AUDIT OF NRC'S FISCAL YEAR 2015 COMPLIANCE
WITH IMPROPER PAYMENT LAWS (OIG-16-A-14)

The Office of the Inspector General (OIG) conducted this audit to assess the Nuclear Regulatory Commission's (NRC) compliance with 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 report any material weaknesses in internal control. OIG determined that the agency is in compliance with the requirements of IPIA¹ as demonstrated in Table 1. OIG also concluded that agency reporting of improper payments is accurate and complete.

¹ Unless otherwise indicated, from this point forward in this report, the term "IPIA" will imply "IPIA, as amended by IPERA and IPERIA."

Table 1: NRC's Compliance with IPIA

Requirement	Compliant
1. Published an Agency Financial Report (AFR) or Performance and Accountability Report (PAR) for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency Web site.	Yes
2. Conducted a program specific risk assessment for each program or activity that conforms with Section 3321 note of Title 31 U.S.C. (if required).	Yes
3. Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required).	N/A
4. Published programmatic corrective action plans in the AFR or PAR (if required).	N/A
5. Published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable).	N/A
6. 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 AFR or PAR.	Yes

BACKGROUND

On July 22, 2010, IPERA was signed into law, which amended IPIA. IPERA directed the Office of Management and Budget (OMB) to issue implementing guidance to agencies. IPERA also requires Federal agencies to periodically review all programs and activities that the agency administers and identify all programs and activities that may be susceptible to significant improper payments.² In addition, IPERA requires each

² 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)).

agency to conduct recovery audits³ 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. IPERIA was signed into law on January 10, 2013. This law established the Do Not Pay Initiative, which directs agencies to verify the accuracy of payments using databases before making payments. On October 20, 2014, OMB issued Memorandum M-15-02, Appendix C to Circular No. A-123, *Requirements for Effective Estimation and Remediation of Improper Payments*. Appendix C implements requirements from IPIA, as amended by IPERA, and IPERIA. Table 1 of this report lists the IPIA requirements. If the agency does not meet one or more of the requirements listed in Table 1, it is not compliant.

OMB guidance also specifies that each agency's Inspector General should review agency improper payment reporting in the agency's annual PAR or AFR, and accompanying materials, to determine whether the agency complied with IPERA.

OBJECTIVE

The audit objective was to assess NRC's compliance with IPIA, as amended by IPERA and IPERIA, and report any material weaknesses in internal control.

FINDING

Based on our review of NRC's FY 2015 PAR and other documentation provided by the agency, OIG determined that the agency is in compliance with the requirements of IPIA.

OIG also concluded that agency reporting of improper payments is accurate and complete. See Table 1.

³ Recovery audits are also referred to as "payment recapture audits."

AGENCY COMMENTS

The Office of the Executive Director for Operations and the Office of the Chief Financial Officer reviewed the draft memorandum report and had no comments.

SCOPE AND METHODOLOGY

To accomplish the audit objectives, OIG audited agency documents related to NRC's compliance with IPIA for FY 2015. OIG also reviewed applicable Federal laws, regulations, and requirements for IPIA. OIG reviewed and analyzed internal controls related to the audit objectives. Throughout the audit, auditors were aware of the possibility of fraud, waste, or abuse in the program.

We conducted our work at NRC headquarters in Rockville, MD, during March 2016 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This audit was conducted by Eric Rivera, Team Leader; Terri Cooper, 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 415-5390.

cc: Commissioner Svinicki
Commissioner Ostendorff
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COMMENTS AND SUGGESTIONS

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