

PREVENTING IMPROPER PAYMENTS



U.S. Department
of Transportation

**Federal Highway
Administration**

What Is An Improper Payment

- An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.

Objectives

- Highlight FHWA national objectives pertaining IPERIA
- Describe what is IPERIA
- Define what is an improper payment
- Describe the IPERIA review
- Discuss current efforts to address improper payments
- Prevent Improper Payments on your Project

Background

- On July 15, 2016, FHWA headquarters issued a memorandum describing national objectives to Division Offices emphasizing the need to strengthen internal controls for detecting and preventing improper payments
- FHWA has a threshold of \$100 millions or .25% of improper payments
- National results from FY 2015 IPERIA testing revealed that an estimate of \$479 millions or 1.08% of improper payments made by FHWA
- Main categories of improper payments in FY 2015:
 - Incorrect Federal share
 - Administrative errors
 - Incorrect indirect cost rates
 - Not following approved processes or lack of proper documentation

FHWA National Objectives Pertaining IPERIA

- Division Offices Responsibilities
 - Ensure that Federal fund obligations and expenditures comply with federal requirements
 - Regularly evaluate State's processes and financial management systems
- Recipient and Subrecipients Responsibilities
 - Establish and implement internal controls sufficient to determine that Federal awards are used in accordance with applicable laws, regulations, and Federal awards instruments

What is IPERIA?

- Improper Payments Elimination and Recovery Improvement Act of 2012
 - Improper payment law require Federal agencies to conduct an annual review of programs and activities that the agency administers, and identify those which may be susceptible to significant improper payments.
 - For any program identified as susceptible to significant erroneous payments, agencies are required to report to the President and Congress the amount of estimated improper payments, along with steps taken and actions planned to reduce them in the future.

What is an Improper Payment?

- Is any payment that is:
 - Made to an incorrect recipient
 - With an incorrect amount (Federal Share)
 - Not in accordance with Federal laws, regulations, or terms and conditions of the Federal award
 - For ineligible, unallowable, or unauthorized goods or services (includes charging to incorrect program code, improvement type/activity)
 - Lacking sufficient required contract documentation and traceability (audit trail)

How is the IPERIA Review Conducted?

- A consultant selects a statistical sample of FHWA transactions to improper payments review
- Division Office enters sampled transactions in workbook provided by consultant
- Consultant selects transactions for testing
- Division Office:
 - reviews selected transactions
 - documents findings
 - provides consultant with supporting documentation
- Consultant prepares report encompassing nationwide findings

Current Efforts at FHWA and PRHTA to Address Improper Payments

- On February 25, 2016, Governor Alejandro Garcia Padilla and the US Department of Transportation Secretary Hon. Anthony Foxx signed a memorandum of understanding (MOU).
- This MOU is intended to:
 - facilitate improvements to PRHTA's Federal-aid billing procedures
 - enable PRHTA's ability to be suitably equipped and organized to meet federal requirements
 - expedite project delivery in Puerto Rico.
- We have participated in the development of various RFPs geared to implement:
 - a project development process, including billing procedures, compliant with Federal laws and regulations
 - improved communication, project monitoring, and financial billing systems

Prevent Improper Payments on your Project

- Effective and efficient internal controls
 - supervisory reviews
 - segregation of duties
 - adequate staffing
 - documenting policies and procedures
 - programs aimed to prevent waste, fraud, and abuse
- Record management
 - Develop, retain, and make available required supporting documentation, such as:
 - daily inspection reports
 - approved mix design
 - certificate of compliance
 - delivery tickets
 - materials testing reports
 - buy america certifications
 - others