



National Credit Union Administration

Office of Inspector General

April 12, 2018

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: 2018 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), 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), require 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 susceptible to significant improper payments.

IPERA requires 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, 2018, which included a section on IPERA that concluded that the NCUA does not have programs that are risk-susceptible as identified by the threshold amounts in OMB Circular A-123.

2. Conduct risk assessment.

We reviewed the NCUA's risk assessments of its programs and its determination that all NCUA programs have a low risk of significant improper payments. In addition, OIG considered the NCUA's assessment 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 all programs' payments when determining low risk. Further, OIG considered the additional procedures completed by the external auditor during their risk assessment for the annual financial statement audit. To reach our final conclusion we reviewed both the NCUA's risk assessment and the external auditor's risk assessment 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 requires agencies to assess their programs at least once every 3 years. Consequently, the NCUA indicated its intent to conduct its next assessment cycle, at the latest, in 2020. 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.

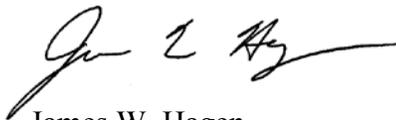
Because the NCUA's programs are low risk, this IPERA requirement is not applicable.

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

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

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

Sincerely,



James W. Hagen
Inspector General

cc: Ranking Member Claire C. McCaskill