



**FEMA**

**Grant Programs Directorate Information Bulletin**  
**No. 349**  
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MEMORANDUM FOR: All State Administrative Agency Heads  
All State Administrative Agency Points of Contact  
All Urban Areas Security Initiative Points of Contact  
All State Homeland Security Directors  
All State Emergency Management Agency Directors  
All Eligible Regional Transit Agencies  
All Private Sector Transportation Security Partners  
All Public and Private Sector Port Security Partners  
All Tribal Nation Points of Contact

FROM: Elizabeth M. Harman  
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Grant Programs Directorate

SUBJECT: **Improper Payments Information Act of 2002 (IPIA),  
Public Law No. 107-300**

There have been a number of changes and new requirements within the Federal Government in the areas of fiscal accountability, management, and transparency to ensure and demonstrate that controls are in place to protect the integrity and use of Federal dollars. One of the laws in place to regulate compliance is the Improper Payments Information Act of 2002 (IPIA), Public Law No: 107-300.

The objective of the IPIA is to enhance the accuracy and integrity of federal payments. Both the Executive Branch and Congress use the IPIA as a tool to strengthen accountability and to enhance oversight.

Under the IPIA Federal agencies are required, on an annual basis, to identify programs and activities that are vulnerable to significant improper payments, and to report to Congress steps being taken to reduce such payments. In May 2003, the Office of Management and Budget (OMB) Office of Federal Financial Management, issued guidance to agencies on the implementation of the IPIA. This guidance was revised in August 2006 and incorporated into OMB Circular A-123, Management's Responsibility for Internal Control (Appendix C). Additional information regarding the IPIA and the OMB requirements can be found at [http://www.whitehouse.gov/omb/financial\\_fia\\_improper/](http://www.whitehouse.gov/omb/financial_fia_improper/). By law and regulation, Federal funds must be used to carry out the purposes established by the Congress. To ensure the correct use of federal funds and to avoid improper or erroneous payments, recipients of FEMA funds must comply with several OMB Cost Circulars. Recipients of FEMA grant funds must

comply with OMB Cost Principles Circulars (A-21 or A-87 or A-122), which are codified in 2 CFR Parts 220, 225, and 230, respectively. FEMA contractors must comply with the cost principles in 44 CFR Part 31.

The Federal Emergency Management Agency's (FEMA) IPIA assessment efforts began in 2006, when the Office of the Chief Financial Officer performed an IPIA assessment of the Individuals and Households Program (IHP). This assessment was followed the next year with an assessment of the Disaster Relief Fund Vendor Payments Program for payments made during Hurricanes Katrina and Rita.

In January 2009, FEMA conducted a risk assessment of its Fiscal Year (FY) 2008 disbursements and identified four programs vulnerable or at high risk for improper payments. These were: the Assistance to Firefighters Grant Program; the Public Assistance Program; the Homeland Security Grant Program; and the National Flood Insurance Program. In January 2010, FEMA conducted a risk assessment of FY 2009 disbursements and identified an additional vulnerable program, the Transit Security Grant Program.

What constitutes an improper payment is very specific under the IPIA. An improper or erroneous payment is defined as:

*“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. Incorrect amounts are overpayments and underpayments (including inappropriate denials of payment or service). An improper payment includes any payment that was made to an ineligible recipient or for an ineligible service, duplicate payments, payments for services not received, and payments that are for the incorrect amount. In addition, when an agency's review is unable to discern whether payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an error.”*

Some programs vulnerable to improper payments may be subject to an IPIA compliance assessment. This means that any and all payments made to grantees under these programs may be assessed and evaluated to identify any improper payments. This also means that any and all recipients of federal funding should be prepared to demonstrate that they are/were eligible to receive the federal award and that the funds are utilized for eligible purposes.

To guard against improper payments all award recipients must comply with 2 CFR Cost Principles and cost provisions contained in the Terms and Conditions of the award. Expenditures must be properly documented, allowable, reasonable, allocable, and obligated within the period of performance and otherwise eligible under award terms or conditions.

Payments that are ultimately determined to be improper will be subject to recoupment. More information can be found regarding OMB cost and administrative Circulars at [www.whitehouse.gov/omb/grants\\_circulars](http://www.whitehouse.gov/omb/grants_circulars). Questions should be directed to Centralized Scheduling and Information Desk at [askcsid@dhs.gov](mailto:askcsid@dhs.gov) or 1-800-368-6498.