

Guide to Improper Payments

What is an Improper Payment?

When an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, it is considered an error and improper. Payments that are ultimately determined to be improper will be subject to recoupment.

Based on [C.F.R §200.1, Improper payment\(a\)](#), an improper payment is

“...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...”

Improper payment may include any payment:

- to an ineligible party
- for an ineligible good or service
- that is a duplicate payment
- that is the incorrect amount
- for a good or service not received (except for such payments where authorized by law) that does not account for credit for applicable discounts, and
- any instance where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

For more information:

How to Avoid Improper Payments

All award recipients must comply with [C.F.R Cost Principles](#) and cost provisions contained in the Terms and Conditions of the award.

The following are some steps that recipients can take to mitigate instances where the use of improper payments may occur. These steps include:

- **Documentation** - Expenditures must be properly documented, allowable, reasonable, allocable, and obligated within the period of performance and otherwise eligible under award terms or conditions.

- **Policies and Procedures** – Development of policies and forms that are compliant with local, state, and federal regulations and [Improper Payments Information Act of 2002 \(IPIA\), Public Law No. 107-300](#).
- **Regular Meetings** - Schedule regular post-award meetings with procurement and finance officials to discuss payment systems and processes.
- **Training and Education** – Provide trainings to staff and pass-through entities on policies and procedures.
- **Evaluations** – Conduct regular evaluations during the grant process to identify adjustments to internal controls and/or processes prior to submission and audit.