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March 21, 2014

L-14-02a

The Honorable Thomas R. Carper
Chairman
U.S. Senate Committee on Homeland Security & Governmental Affairs
340 Dirksen Senate Office Building
Washington, DC 20510

Re: Office of Inspector General Review of NEA Compliance
Under the Improper Payments Elimination and Recovery Act (IPERA)

Dear Chairman Carper,

The *Improper Payments Information Act (IPIA) of 2002*¹ and the 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*, require agencies to review all programs and activities, identify those that are susceptible to significant erroneous payments, and determine an annual estimated amount of erroneous payments made in those payments. The IPIA was followed by the *Improper Payments Elimination and Recovery Act (IPERA)* in 2010 and a series of OMB memoranda, including an update to Circular A-123, which established new requirements for agencies on improper payments.

The National Endowment for the Arts (NEA) reported in its November 2013 Performance and Accountability Report, that none of the four major fund categories that comprise its "program inventory" (per OMB Circular A-136) qualifies as risk-susceptible based on OMB guidance thresholds.

The occurrence of NEA's improper payments is well below the significant standard of improper payments, which is defined by OMB guidance as exceeding \$10 million and 2.5 percent of total outlays or, alternatively, \$100 million. Therefore, the NEA Office of Inspector General (OIG) did not have anything to review for compliance under IPERA.

Thank you.

Sincerely,

Tonie Jones
Inspector General

¹ P.L. 111-204.

National Endowment for the Arts

The Nancy Hanks Center
1100 Pennsylvania Avenue NW
Washington DC 20506-0001

cc: The Hon. Tom Coburn
The Hon. Darrell Issa
The Hon. Elijah Cummings
The Hon. Gene L. Dodaro, Comptroller General
Mr. Mark Reger, Interim Controller, OMB
Joan Shigekawa, NEA Senior Deputy Chairman