May 13, 2015

Dr. Jane Chu  
Chairman  
National Endowment for the Arts  
400 7th Street, SW  
Washington, DC 20506

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

Dear Chairman Chu,

The Improper Payments Information Act (PIA) 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 Estimation 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 of 2010 (IPERA), the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), and a series of OMB memoranda, including an update to OMB Circular A-123, which established new requirements for agencies on improper payments.

The National Endowment for the Arts (NEA) reported in its Fiscal Year 2014 Annual Financial 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 1.5 percent of total outlays or, alternatively, $100 million. Therefore, the NEA Office of Inspector General did not have anything to review for compliance under IPERA.

Sincerely,

Tonie Jones  
Inspector General

\(^{1}\) P.L. 111-204.
cc: Hon. Ron Johnson
    Hon. Thomas R. Carper
    Hon. Jason Chaffetz
    Hon. Elijah Cummings
    Hon. Gene L. Dodaro, Comptroller General of the United States
    Mr. David Mader, Controller, Office of Management and Budget