



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

October 20, 2014

M-15-02

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Shaun Donovan
Director

SUBJECT: Appendix C to Circular No. A-123, *Requirements for Effective Estimation and Remediation of Improper Payments*

The Administration has made reducing improper payments—payments made to the wrong entity, in the wrong amount, or for the wrong reason—a top priority. Since coming into office, the President has signed two laws and issued three directives—including an Executive Order—that created a robust infrastructure for agencies to reduce improper payments in their programs. Through this committed focus, the government-wide improper payment rate has declined for four consecutive years, from 5.42 percent in fiscal year (FY) 2009 to 3.53 percent in FY 2013.

The enactment of the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012 provided an opportunity for the Office of Management and Budget (OMB) to re-examine existing guidance to ensure agencies are able to more efficiently reduce their improper payment rates, while also complying with multiple legislative and administrative requirements. The goal of this overhauled version of Appendix C to Circular No. A-123¹ is to transform the improper payment compliance framework to create a more unified, comprehensive, and less burdensome set of requirements. Appendix C accomplishes the following:

- Consolidates and streamlines reporting requirements for agencies and Inspectors General, and eliminates duplicative and old one-time requirements so agencies can spend less time producing compliance reports and more time focusing on game-changing solutions for achieving payment accuracy;
- Establishes new categories for reporting improper payments that will provide more granularity on improper payment estimates—thus leading to more effective corrective actions at the program level and more focused strategies for reducing improper payments at the government-wide level;

¹ Appendix C implements requirements from the following: (1) the Improper Payments Information Act of 2002 (IPIA), as amended; (2) the Improper Payments Elimination and Recovery Act of 2010 (IPERA); (3) the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA); and (4) Executive Order 13520—*Reducing Improper Payments*—issued November 20, 2009.

- Introduces a new internal control framework to ensure that payments are made in the right amount, to the right entity, and for the right purpose; and
- Provides guidance to agencies—as required by the most recent statute, IPERIA—to strengthen the statistical validity of estimates and include payments to Federal employees in the definition of improper payments, among other things.

OMB Circular A-123, Appendix C, Parts I and II (which were issued in April 2011 as OMB Memorandum M-11-16) and Part III (which was issued in March 2010 as OMB Memorandum M-10-13) are hereby modified. Unless otherwise noted in the guidance, the requirements found in Appendix C are effective starting in FY 2014. OMB will continue to work closely with agencies and Inspectors General to provide further implementation guidance as needed.

Please contact Flavio Menascé (fmenasce@omb.eop.gov), Heather Pajak (hpajak@omb.eop.gov), or Mike Wetklow (mwetklow@omb.eop.gov) in OMB's Office of Federal Financial Management with any questions regarding this guidance.

Attachment