

Federal Housing Finance Agency  
Office of Inspector General



# **FHFA's Controls to Detect and Prevent Improper Payments FY 2013**




## OFFICE OF INSPECTOR GENERAL

Federal Housing Finance Agency

400 7th Street, S.W., Washington DC 20024

March 20, 2014

**TO:** Mark Kinsey, Chief Financial Officer  
  
**FROM:** Russell A. Rau, Deputy Inspector General for Audits

**SUBJECT:** Audit of FHFA's Controls to Detect and Prevent Improper Payments – FY 2013

### Summary

Federal agency controls over improper payments have been the subject of numerous laws and related guidance. The Office of Management and Budget (OMB) defines an improper payment as follows:

An improper payment is 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 or underpayments that are made to eligible recipients (including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for the incorrect amount, and duplicate payments). An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments authorized by law). In addition, when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an improper payment.<sup>1</sup>

The Improper Payments Information Act of 2002 (IPIA) was enacted on November 26, 2002, to provide for estimates and reports of improper payments by federal agencies. The IPIA was amended by the enactment of the Improper Payments Elimination and Recovery Act of 2010 (IPERA) on January 5, 2010, to help prevent the further loss of billions in taxpayer dollars. The

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<sup>1</sup> OMB Memorandum M-11-16, *Issuance of Revised Parts I and II to Appendix C of OMB Circular A-123* (April 14, 2011) at Appendix C, Part I(A)(2). OMB Circular A-123, *Management's Responsibility for Internal Control*, dated December 21, 2004, provides guidance to federal agencies on improving the accountability and effectiveness of federal programs and operations by establishing, assessing, correcting, and reporting on internal control.

IPIA, as amended by the IPERA, requires federal agencies<sup>2</sup> to periodically review, determine, estimate, and report programs and activities that may be susceptible to significant improper payments. The Improper Payments Elimination and Recovery Act of 2012 (IPERIA), enacted on January 3, 2012, further amended the IPIA and the IPERA to intensify efforts to identify, prevent, and recover payment error, waste, fraud, and abuse within Federal spending.<sup>3</sup>

The IPIA, as amended by IPERA, requires Inspectors General to determine whether an agency is in compliance with the statute each fiscal year and to submit a report to the head of the agency, Congressional oversight committees, the Comptroller General of the United States, and OMB, regarding such compliance.<sup>4</sup> IPERIA incorporates the President's "Do Not Pay" initiative<sup>5</sup> and discusses the identification of and reporting on agency high-priority federal programs for enhanced annual oversight and review.<sup>6</sup> The Federal Housing Finance Agency (FHFA) Office of Inspector General (OIG) conducted a performance audit to assess FHFA's compliance with the IPIA for fiscal year 2013.

## Background

Federal agencies regularly make payments to program beneficiaries, grantees, vendors, and contractors, or on behalf of program beneficiaries. Some of these payments may be "improper" in one or more respects. For example, they may be made to the wrong recipients in the wrong amounts, at the wrong times, or for the wrong reasons. Therefore, per IPIA requirements, federal agencies should intensify efforts to eliminate payment errors, waste, fraud, and abuse, including reducing and recapturing erroneous payments. In accordance with OMB Memorandum M-11-16, the head of each agency shall periodically review all programs and activities that the relevant agency head administers, and identify, estimate, report, and publish all programs and activities

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<sup>2</sup> FHFA is an executive agency and therefore subject to the IPIA. However, not all IPIA provisions are applicable to FHFA for the reasons discussed herein.

<sup>3</sup> For simplicity throughout, OIG refers to the Improper Payments Information Act of 2002 and subsequent laws amending it as the IPIA. As reference, the IPIA (Public Law No. 107-300, 31 U.S.C. § 3321 note) was amended by the Improper Payments Elimination and Recovery Act of 2010 (Public Law No. 111-204, 31 U.S.C. § 3321 note) which was later strengthened by the Improper Payments Elimination and Recovery Act of 2012 (Public Law No. 112-248, 31 U.S.C. § 3321 note).

<sup>4</sup> IPERA § 3(b). Prior to enactment of the IPERA, Executive Order 13520, *Reducing Improper Payments*, dated November 20, 2009, included requirements for agencies and Inspectors General. For purposes of this order, FHFA was not designated by OMB as operating a high-priority program that required additional agency reporting and Inspector General review.

<sup>5</sup> Presidential Memorandum, *Enhancing Payment Accuracy Through a "Do Not Pay List,"* dated June 18, 2010, describes the list as a network of databases, designated by the Director of OMB in consultation with federal agencies, that contains information on a recipient's eligibility to receive federal benefits payments or federal awards, such as grants or contracts.

<sup>6</sup> IPERIA and related OMB memoranda were deemed by FHFA's Office of General Counsel to be not applicable to FHFA. See FHFA, *Associate General Counsel Memorandum to Manager, Financial Management Operations and Systems* (December 16, 2013).

that may be susceptible to significant improper payments.<sup>7</sup> Additionally, for improper payments estimated in excess of \$10 million, the agency must report the potential actions it is taking to reduce and recapture improper payments.<sup>8</sup>

To comply with IPIA requirements each fiscal year, OIG is required to review FHFA's improper payment reporting in its annual Performance and Accountability Report (PAR), or Annual Financial Report (AFR), and accompanying materials to determine whether FHFA is in compliance with the IPIA and to report its findings.<sup>9</sup> OIG is expected to complete its review and determination within 120 days after FHFA's publication of its PAR or AFR.<sup>10</sup> In addition, as part of its review, an Inspector General should confirm that the agency:

- Published a PAR or AFR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website;
- Conducted a program specific risk assessment for each program or activity that conforms with section 2(a) of the IPIA (if required);
- Published improper payment estimates for all programs and activities identified under section 2(b) of the IPIA that have been found to be susceptible to significant improper payments by its risk assessment (if required);
- Published programmatic corrective action plans under section 2(c) of the IPIA in the PAR or AFR (if required);
- Published, and has met, annual reduction targets established under section 2(c) of the IPIA for each program assessed to be at risk and measured for improper payments;
- Reported a gross improper payment rate of less than 10% for each program and activity for which an improper payment estimate was obtained and published under section 2(b) of the IPIA; and
- Reported information on its efforts to recapture improper payments as provided in OMB Memorandum M-11-16.

In the event it is determined that an agency does not meet one or more of the requirements, then it is not compliant with IPIA. Agencies determined to be noncompliant are required to submit a

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<sup>7</sup> OMB Memo M-11-16 at Appendix C, Part I(A)(7). M-11-16 provides guidance on the implementation of the IPERA and requires agencies to review vendor payments as part of their annual risk assessment process. *Id.* at Part I(A)(5) note 4. If these risk assessments determine that contract or vendor payments are susceptible to significant improper payments (as defined in Part I(A)(7) Step 1), then agencies are required to establish an annual improper payment measurement for these vendor payments (as required by I(A)(7), Step 2). However, agencies also have the opportunity to pursue alternative measurements of these contract or vendor payments and may follow the steps outlined in I(A)(11).

<sup>8</sup> IPERA § 2(c).

<sup>9</sup> IPERA § 3(b).

<sup>10</sup> FHFA issued its PAR on December 16, 2013.

plan to Congress describing the actions the agency will take to come into compliance.<sup>11</sup> The plan shall include:

- Measurable milestones to be accomplished in order to achieve compliance for each program or activity;
- Designation of a senior agency official who shall be accountable for the progress of the agency coming into compliance for each program or activity; and
- Establishment of an accountability mechanism, such as a performance agreement, with appropriate incentives and consequences tied to the success of the senior agency official in leading agency efforts to achieve compliance for each program and activity.<sup>12</sup>

Further, OMB will notify agencies of additional required actions as needed based on the compliance level of each agency. OMB Memorandum M-11-16 provides detailed information on agency compliance planning and related efforts to become compliant. The IPJA and OMB Memorandum M-11-16 define the term “payment” as any payment or transfer of federal funds (including a commitment for future payment, such as cash, securities, loans, loan guarantees, and insurance subsidies) to any non-federal person or entity that is made by a federal agency, a federal contractor, a federal grantee, or a governmental or other organization administering a federal program or activity.

*Not All IPJA Requirements are Applicable to FHFA*

In its fiscal year 2013 PAR, dated December 16, 2013, FHFA states that:

The Improper Payments Elimination and Recovery Act requires that agencies: (1) review activities susceptible to significant erroneous payments; (2) estimate the amount of annual erroneous payments; (3) implement a plan to reduce erroneous payments; and (4) report the estimated amount of erroneous payments and the progress to reduce them. The Act defines significant erroneous payments as the greater of 2.5 percent of program activities and \$10 million. FHFA, in the spirit of compliance and as part of a sound internal control structure, has established controls to detect and prevent improper vendor payments. FHFA has identified no activities susceptible to significant erroneous payments that meet the Act’s thresholds. Additionally, FHFA pursues the recovery of all improper payments.<sup>13</sup>

By a recent memorandum, FHFA stated that most requirements of the IPJA and implementing guidance are not applicable to FHFA, as noted in Table 1 of this report.<sup>14</sup>

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<sup>11</sup> IPJA § 3(c)(1)(A).

<sup>12</sup> *Id.* § 3(c)(1)(B).

<sup>13</sup> FHFA, fiscal year 2013 PAR, page 139, citing actions regarding erroneous payments.

<sup>14</sup> FHFA, *Associate General Counsel Memo*, at 1-5.

FHFA notes that these sections are applicable to payments made with federal funds, but that FHFA funds are not to be construed as government or public funds.<sup>15</sup> Hence, FHFA reasons that the payments FHFA makes, such as payments to vendors, are not transfers of federal funds.<sup>16</sup> Also, because FHFA does not make “payments” with federal funds, FHFA concludes further that it is not required to conduct program specific risk assessments even if the payments FHFA makes were to fall within the specified dollar thresholds that trigger program assessments.<sup>17</sup> FHFA contends that actions to achieve IPIA compliance involving requests to Congress for reprogramming, transfer, and reauthorization of programs and activities are not actions that are available to FHFA in light of its status as an independent regulatory agency that does not seek appropriations for its activities.<sup>18</sup>

## **Audit Objective**

OIG’s audit objective was to determine whether FHFA is in compliance with the IPIA as well as criteria established in OMB Memorandum M-11-16.

## **Scope and Methodology**

This audit covered FHFA’s efforts to comply with the IPIA and OMB Memorandum M-11-16 as that memorandum pertains to actions taken to detect, prevent, and report improper payments during FHFA’s fiscal year period October 1, 2012, to September 30, 2013. To accomplish the audit objective, OIG reviewed applicable statutes, executive orders, and other related compliance requirements on improper payments; reviewed various Government Accountability Office (GAO) audit reports; interviewed key FHFA officials; obtained sufficient and appropriate evidence on compliance actions taken; and reviewed and assessed improper payment element requirements and related activities. OIG concluded its field work during January through March 2014 and issued its report in accordance with OMB requirements (i.e., within 120 days of publication of FHFA’s PAR.)

OIG’s review of FHFA’s internal controls designed to comply with IPIA requirements was limited. OIG reviewed FHFA’s written documentation and legal opinions related to its determination that IPIA provisions—and therefore most improper payment compliance elements—are not applicable to FHFA. OIG also reviewed the IPERIA to ascertain whether FHFA is subject to the Act’s requirements. FHFA determined that the IPERIA—like the IPIA and the IPERA—do not apply to FHFA because the agency does not utilize appropriated funds. For this reason, the funds used by FHFA to make payments do not qualify as “federal funds” under applicable law, and therefore most of the various improper payments requirements set forth by these statutes are not triggered. OIG confirmed the posting of the 2013 PAR and

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<sup>15</sup> *Id.* at 5, citing 12 U.S.C. § 4516(f).

<sup>16</sup> *Id.*

<sup>17</sup> *Id.* at 5. OMB guidance at Part II.A of Appendix C of OMB Circular A-123, states the agency should conduct “a program specific risk assessment for each program or activity that conforms with Section 3321 [note] of Title 31 U.S.C. (if required).”

<sup>18</sup> FHFA, *Associate General Counsel Memo*, at 5.

accompanying materials on FHFA's external website in accordance with OMB guidance and the inclusion of appropriate language that FHFA established and maintains internal control procedures for handling improper payments.

FHFA stated that it follows the spirit of the three subsections of the IPIA because, although the subsections are not applicable to FHFA, it has established and maintains internal controls over payments to detect and prevent improper payments made to vendors.<sup>19</sup> FHFA provided OIG with relevant vendor invoice and payment desktop procedures that FHFA implemented to ensure that a system of internal controls is followed to mitigate the potential for fraud, misuse, and payment delinquency.

GAO provides an opinion on the effectiveness of FHFA's internal control over financial reporting as of September 30 each fiscal year. GAO assesses, evaluates, and determines whether such internal controls are properly designed and operating effectively in all material respects. GAO did not evaluate all internal controls relevant to operating objectives as broadly established under the Federal Managers Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to preparing performance information and ensuring efficient operations. GAO limited its internal control testing to testing controls over financial reporting. Its internal control testing was to express an opinion on whether effective internal control over financial reporting was maintained, in all material respects. Consequently, its audit may not identify all deficiencies in internal control<sup>20</sup> over financial reporting that are less severe than a material weakness.<sup>21</sup>

In its *Financial Audit: Federal Housing Finance Agency's Fiscal Years 2013 and 2012 Financial Statements* report, GAO identified deficiencies in FHFA's internal control over financial reporting that it did not consider to be a material weakness or significant deficiency.<sup>22</sup> These deficiencies were the result of GAO's testing of relevant internal control over financial reporting performed during its fiscal year 2013 audit, based on criteria established under FMFIA.<sup>23</sup> GAO stated that it intends to follow up on these issues during the course of its fiscal year 2014 audit of FHFA.

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<sup>19</sup> FHFA, *Associate General Counsel Memo*, at 5.

<sup>20</sup> A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

<sup>21</sup> A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

<sup>22</sup> A significant deficiency is a deficiency in internal control, or a combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

<sup>23</sup> GAO-14-171R, *Financial Audit: Federal Housing Finance Agency's Fiscal Years 2013 and 2012 Financial Statements*, at 97 and 99.



OIG also notes that FHFA stated in its 2013 PAR that FHFA adhered to the internal control requirements of FMFIA and guidance provided by OMB Circular A-123. FHFA explained that its Executive Committee on Internal Controls provided reasonable assurance that internal controls over financial reporting as of September 30, 2013, were operating effectively and no material weaknesses were found in the design or operation of the internal controls.<sup>24</sup>

GAO, in its *Management Report: Opportunities for Improvement in the Federal Housing Finance Agency's Internal Controls*, GAO-12-499R, dated May 16, 2012, found that “FHFA did not establish effective controls to assess the risk of errors by its payroll service provider [National Finance Center (NFC)] and determine if any compensating controls were necessary to ensure the accuracy of payroll calculations.” GAO stated that this finding increased the risk to FHFA that misstatements in its financial statements may not be promptly detected and corrected. In addition, errors in the calculation of its payroll amounts may not be identified.<sup>25</sup> In order to identify and address any NFC errors in processing FHFA payroll, GAO recommended that FHFA develop and implement a process to assess and address the risk to FHFA from any internal control issues at NFC including, as appropriate, any compensating controls commensurate with any identified risk.<sup>26</sup>

In response to GAO’s recommendation, FHFA reported that it instituted a formal quality control process on payments prior to release to NFC and performed additional review of payroll transactions as part of its annual internal control testing. OIG confirmed that GAO intends to close this recommendation in fiscal year 2014.

Also, GAO, in its previous *Management Report: Opportunities for Improvement in the Federal Housing Finance Agency's Internal Controls and Accounting Procedures*, GAO-11-398R, dated April 29, 2011, found that FHFA did not always properly verify vendor invoice amounts prior to payment.<sup>27</sup> GAO indicated that deficiencies in controls over FHFA’s invoice payment processing procedures can increase the risk of it making improper payments and misstating expenses in its financial statements.<sup>28</sup> GAO recommended that FHFA include detailed instructions in its Invoice and Payment Desktop Procedures on how to verify the accuracy of invoice amounts prior to payment.<sup>29</sup>

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<sup>24</sup> *Id.* at 68.

<sup>25</sup> GAO-12-499R at 1 & 2. This report was issued by GAO to provide additional information on the internal control and accounting procedure issues that were identified during its audit of FHFA’s fiscal year 2011 financial statements and to provide recommendations to address those issues.

<sup>26</sup> *Id.* at 6.

<sup>27</sup> GAO-11-398R at 1. This report was issued by GAO to provide additional information on the internal control and accounting procedure issues that were identified during its audit of FHFA’s fiscal year 2010 financial statements and to provide recommendations to address those issues.

<sup>28</sup> *Id.* at 5.

<sup>29</sup> *Id.*



In response to GAO's recommendation, FHFA provided additional guidance to invoice approvers/contracting officer representatives to take action to address this internal control issue.<sup>30</sup> On April 4, 2011, FHFA issued supplemental guidance on invoice approval procedures in response to the GAO recommendation. OIG confirmed with GAO that it followed up on this prior recommendation as part of its annual audit of FHFA's fiscal year 2013 financial statements. GAO further confirmed that it plans to close this recommendation in fiscal year 2014.

OIG followed up on the implementation of GAO's recommendation to FHFA through review of GAO's reports on its audits of FHFA's financial statements. Specifically, GAO issued FHFA's Financial Statements Audit Report as follows: fiscal year 2013 on December 16, 2013; fiscal year 2012 on November 15, 2012; and fiscal year 2011 on November 15, 2011. For all three audits, GAO found: (1) FHFA's financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles; (2) FHFA maintained, in all material respects, effective internal control over financial reporting as of the last day of the audit period; and (3) no reportable noncompliance for the fiscal year tested with provisions of applicable laws, regulations, contracts, and grant agreements it tested.<sup>31</sup> In its reports, GAO noted matters involving FHFA's internal control that were less significant than a material weakness or significant deficiency, but which nonetheless merited management's attention.<sup>32</sup> GAO indicated it would report separately to FHFA management on these matters<sup>33</sup> and has since issued GAO-12-499R as a follow-up to its fiscal year 2011 Financial Statements Audit Report.<sup>34</sup> With respect to the issues identified during the fiscal year 2012 and fiscal year 2013 FHFA audits, GAO decided not to issue a formal report.

Although OIG was not required by the IPIA and OMB Memorandum M-11-16 to assess compliance with FHFA's internal controls over payments to detect and prevent improper payments made to vendors, OIG reviewed GAO's reports related to FHFA's internal control over financial reporting as part of this audit. The purpose of GAO's audit was to express an opinion on the effectiveness of internal control over financial reporting in all material respects as part of the audit of FHFA's financial statements. That audit was not designed to express an opinion on the effectiveness of FHFA's internal control related to improper payments or FHFA's compliance with the IPIA. Accordingly, deficiencies may exist in FHFA's internal control over improper payments that were not identified as part of GAO's audit of FHFA's financial statements. OIG coordinated with GAO to confirm its understanding of GAO's scope of work and results.

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<sup>30</sup> GAO-11-398R at 5.

<sup>31</sup> GAO-14-171R, *Financial Audit: Federal Housing Finance Agency's Fiscal Years 2013 and 2012 Financial Statements*, at 1; GAO-13-124R, *Federal Housing Finance Agency's Fiscal Years 2011 and 2010 Financial Statements*, at 1; and GAO-12-161, *Federal Housing Finance Agency's Fiscal Years 2011 and 2010 Financial Statements* (originally issued November 15, 2011, revised on November 29, 2011 and January 26, 2012), at 4-6.

<sup>32</sup> *Id.* at 99, *Id.* at 75, and *Id.* at 6, respectively.

<sup>33</sup> *Id.*

<sup>34</sup> GAO-12-499R at 1.

OIG conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that audits be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for OIG's findings and conclusions based on the audit objective. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions included herein, based on the audit objectives.

## OIG Conclusion

OIG concluded that FHFA complied with the applicable statutory improper payment requirements, as well as related criteria established in the OMB Memorandum M-11-16. FHFA opined that the remaining requirements were not applicable. A summary of OIG's conclusions on IPIA compliance by compliance element is provided in Table 1.<sup>35</sup>

**Table 1. FHFA's Status of Improper Payments Information Act Compliance for Fiscal Year 2013**

Compliance Element	OIG Conclusion
(A) The agency has published an annual PAR or financial statement for the most recent fiscal year and posted that report and any accompanying materials required under guidance of OMB on the agency website.	FHFA published the 2013 PAR and included relevant information pertaining to improper payments.
(B) If required, the agency has conducted a program specific risk assessment for each program or activity that conforms with section 2(a) of the IPIA (31 U.S.C. § 3321 note).	FHFA determined that section 2(a) of the IPIA is not applicable because FHFA funds are not federal funds for purposes of this provision.
(C) The agency has published improper payments estimates for programs and activities identified as susceptible to significant improper payments under its risk assessment (if required).	FHFA determined that section 2(b) of the IPIA is not applicable because FHFA funds are not federal funds for purposes of this provision.
(D) The agency has published programmatic corrective action plans in the PAR or AFR (if required).	FHFA determined that section 2(c) of the IPIA is not applicable because FHFA funds are not federal funds for purposes of this provision.
(E) The agency published, and has met, improper payments reduction targets established under section 2(c) of the Improper Payments Information Act of 2002 (31 U.S.C. § 3321 note) in the accompanying materials to the annual financial statement for each program assessed to be at risk and measured for improper payments.	FHFA determined that section 2(c) of the IPIA is not applicable because FHFA funds are not federal funds for purposes of this provision.
(F) The agency has reported a gross improper payment rate of less than 10% for each program and activity for which an estimate was obtained and published in the PAR or AFR.	FHFA determined that section 2(b) of the IPIA is not applicable because FHFA funds are not federal funds for purposes of this provision.

<sup>35</sup> OMB Memo M-11-16 at Appendix C, Part II(A)(4).

Compliance Element	OIG Conclusion
(G) The agency has reported information on its efforts to recapture improper payments.	FHFA stated in its PAR that it has established and maintains internal control procedures for handling improper payments. Furthermore, FHFA stated it pursues the recovery of any improper payments with its vendors. Also, it should be noted that OIG recently completed an audit of FHFA's use of government purchase cards and is scheduled to complete a subsequent audit of government travel cards shortly. These audits include procedures to identify inappropriate purchase and travel card spending and to assess FHFA's internal controls in place to prevent and/or detect inappropriate card use. <sup>36</sup>

OIG recognizes that FHFA is acting to achieve the intent of the IPIA, the IPERA, and the related OMB Memorandum M-11-16, in spite of its determination that it is not required to do so. Specifically, in the spirit of compliance and as part of a sound internal control structure, FHFA had established controls to detect and prevent improper vendor payments. For example, FHFA's invoice payment processing procedures include detailed instructions on properly verifying the accuracy of vendor invoice amounts prior to payment.

OIG appreciates the courtesies and cooperation extended to us by FHFA staff during this audit. This audit was led by Brent Melson, Audit Director, and Theresa Patrizio, Auditor-in-Charge. On March 11, 2014, FHFA responded to a draft of this report, offering no objection to its conclusions. FHFA's response is included in Appendix A of this report.

cc: Melvin L. Watt, Director  
Edward DeMarco, Senior Deputy Director  
Eric Stein, Special Advisor and Acting Chief of Staff  
Richard Hornsby, Chief Operating Officer  
John Major, Internal Controls and Audit Follow-up Manager

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<sup>36</sup> OIG, *FHFA's Use of Government Purchase Cards* (AUD-2014-006, January 31, 2014). Available at <http://www.fhfaig.gov/Content/Files/AUD-2014-006.pdf>.


## Appendix A: FHFA's Comments on the Audit



## Federal Housing Finance Agency

### MEMORANDUM

TO: Russell A. Rau  
Deputy Inspector General for Audits

FROM: Mark Kinsey   
Chief Financial Officer

SUBJECT: FHFA's Controls to Detect and Prevent Improper Payments – FY 2013  
(Audit Report No. AUD-2014-003)

DATE: March 11, 2014

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Thank you for the opportunity to respond to the Federal Housing Finance Agency-Office of Inspector General's (FHFA-OIG) draft audit report titled, FHFA's Controls to Detect and Prevent Improper Payments – FY 2013, Audit Report No. AUD-2014-003. This report presents the results of FHFA-OIG's performance audit to assess FHFA's compliance with the Improper Payments Information Act of 2002 (IPIA).

I am pleased that FHFA-OIG concluded that FHFA complied with the applicable provisions of the IPIA, as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA), as well as criteria established in the OMB Memorandum M-11-16. The FHFA-OIG audit report recognized that in the spirit of compliance and as part of a sound internal control process, FHFA had established controls to detect and prevent improper vendor payments; and FHFA's invoice payment processing procedures include detailed instructions on properly verifying the accuracy of vendor invoice amounts prior to payment.

I would like to acknowledge the dedicated FHFA-OIG staff that worked with FHFA during this audit.

If you have any questions relating to our response, please do not hesitate to call me at (202) 649-3780.

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