



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

August 10, 2006

THE DIRECTOR

M-06-23

MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Rob Portman 
SUBJECT: Issuance of Appendix C to OMB Circular A-123

Congress has enacted several provisions of law aimed at improving the integrity of the government's payments and the efficiency of its programs and activities, including the Improper Payments Information Act of 2002 (IPIA) (Pub. L. No. 107-300), and section 831 of the Defense Authorization Act for Fiscal Year 2002 (Pub. L. No. 107-107, codified at 31 U.S.C. §§ 3561-3567), also known as the Recovery Auditing Act.

OMB has issued memoranda to carry out these laws and provide guidance to agencies on their implementation. These memoranda include M-03-07 of January 16, 2003 ("Programs to Identify and Recover Erroneous Payments to Contractors"); M-03-12 of May 8, 2003 ("Allowability of Contingency Fee Contracts for Recovery Audits"); and M-03-13 of May 21, 2003 ("Improper Payments Information Act of 2002 (Public Law No: 107-300)"). In addition, OMB has been routinely working with agencies in clarifying this guidance to best reflect current policy and legislative intent.

This Appendix C to OMB Circular A-123 consolidates these three memoranda (M-03-13 is encompassed in Part I of Appendix C, and M-03-07 and M-03-12 are encompassed in Part II of Appendix C). In addition, this Appendix clarifies and updates requirements in order to support government-wide IPIA compliance.

Significant updates to OMB's IPIA guidance include:

- New language clarifying the definition of an improper payment;
- Provisions for alternative sampling methodologies;
- Reporting requirements for certain low risk programs;
- Guidance for Federal agencies that fund State-administered programs;
- List of best practices for preventing, identifying, detecting, and recovering improper payments; and
- Clarification of OMB's authority to require agencies to track programs under the IPIA with low error rates (i.e., less than 2.5 percent), but significant improper payment amounts.

This revised guidance is effective for agencies to use immediately and for the fiscal year 2006 Performance and Accountability Report reporting. Please contact Sally Clark Beecroft, Office of Federal Financial Management, telephone (202) 395-1040, with any questions regarding this guidance.