



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

U.S. Department of the Interior's Compliance With the Payment Integrity Information Act of 2019 in Its Fiscal Year 2021 Agency Financial Report

This is a revised version of the report prepared for public release.



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INSPECTOR GENERAL
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JUN 21 2022

Memorandum

To: Deb Haaland
Secretary, U.S. Department of the Interior

Tonya R. Johnson
Deputy Chief Financial Officer and Director, Office of Financial Management

From: Mark Lee Greenblatt
Inspector General

Handwritten signature of Mark Lee Greenblatt in black ink.

Subject: Final Inspection Report – *U.S. Department of the Interior’s Compliance With the Payment Integrity Information Act of 2019 in Its Fiscal Year 2021 Agency Financial Report*
Report No. 2022–FIN–015

This memorandum presents our final inspection report on the U.S. Department of the Interior’s (DOI) compliance with requirements for improper payment reporting. Our objective was to determine whether the DOI complied with the requirements of the Payment Integrity Information Act of 2019 (PIIA) and accurately and completely reported on improper payments in its *Agency Financial Report* (AFR) for fiscal year (FY) 2021 and accompanying materials. **Attachment 1** provides our scope and methodology.

We found that the DOI complied with PIIA for FY 2021. Specifically, it complied with the first requirement by publishing payment integrity information in the AFR and posting it to the DOI’s website, and it complied with the second requirement by conducting risk assessments on 25 DOI programs that were new or had increased funding and concluding on the likelihood of improper payments (IPs) or underpayments (UPs) above or below the statutory threshold. We confirmed that the DOI did not identify or report any programs susceptible to significant improper payment.

Figure 1 summarizes the DOI compliance status with each of the applicable PIIA requirements. The remaining PIIA reporting requirements were not applicable for this reporting period because the DOI did not identify any programs susceptible to significant improper payments and therefore did not calculate or report improper payment estimates for any of its programs for FY 2021.

While the DOI complied with all necessary requirements, we determined that its payment integrity risk assessment methodology for DOI programs was not sufficiently supported, and we make two recommendations for improving the DOI’s payment integrity program.

Figure 1: The Department of Interior’s Compliance Status With Applicable PIIA Reporting Requirements for Agencies

Requirement No.	Requirement Description*	Status
1a	Publish payment integrity information with the AFR	Compliant
1b	Post the AFR on the Agency website	Compliant
2a	Conduct program risk assessments as required	Compliant
2b	Conclude on the likelihood of IPs or UPs above or below the statutory threshold	Compliant

*Note: PIIA reporting requirements 3, 4, 5a, 5b, 5c, and 6 were not applicable for this reporting period. See the “Results of Inspection” section for more information.

Background

Enacted on March 2, 2020, PIIA (Pub. L. No. 116–117) requires agencies to identify and review all programs and activities they administer that may be susceptible to significant improper payments.¹ PIIA also requires Inspectors General to review their respective agencies’ compliance with improper payment reporting requirements and issue an annual report.

On March 5, 2021, the Office of Management and Budget (OMB) issued implementation guidance containing a list of PIIA reporting requirements with OMB Memorandum M–21–19, *Transmittal of Appendix C to OMB Circular A–123, Requirements for Payment Integrity Improvement*. During our inspection, we used the guidance contained in Appendix C to OMB Circular A–123 in addition to other guidance as needed and as required under PIIA.²

PIIA requires each Federal agency to follow the OMB guidance to periodically review and identify all programs and activities that may be susceptible to significant improper payments. PIIA defines “significant” improper payments as those that constitute (1) more than \$10 million of all program or activity payments made during the fiscal year reported and 1.5 percent of total program outlays or (2) more than \$100 million.

To comply with PIIA, the agency must³:

- 1a. Publish payment integrity information with its annual financial statement.

¹ PIIA repealed the Improper Payments Elimination and Recovery Act of 2010 (Pub. L. No. 111–204) and amended the Improper Payments Information Act of 2002 (Pub. L. 107–300).

² These sources consisted of OMB Circular A-136, *Financial Reporting Requirements*, revised August 10, 2021; the “OMB Annual Data Call Instructions” and the “OMB Payment Integrity Question and Answer Platform” (both located on max.gov); and *Guidance for Payment Integrity Information Act Compliance Reviews* issued by the Council of the Inspectors General on Integrity and Efficiency on October 26, 2021.

³ OMB Circular A–123, *Requirements for Payment Integrity Improvement*, Part VI, Section A, “Achieving and Evaluating Compliance (Agency and OIG Responsibilities),” pp. 43–49, as issued under OMB Memorandum M–21–19, dated March 5, 2021.

- 1b. Post the annual financial statement and accompanying materials on the agency website.
- 2a. Conduct IP risk assessments for each program with annual outlays greater than \$10 million at least once in the last 3 years.
- 2b. Adequately conclude whether the program is likely to make IPs and UPs above or below the statutory threshold.
3. Publish IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the annual financial statement.
4. Publish corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.
- 5a. Publish an IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.
- 5b. Demonstrate improvements to payment integrity or reach a tolerable IP and UP rate.
- 5c. Develop a plan to meet the IP and UP reduction target.
6. Report an IP and UP estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual financial statement.

OMB Circular A–123, Appendix C, requires each agency’s Inspector General to review the agency’s improper payment reporting published in the agency’s annual *Performance and Accountability Report* (PAR) or AFR and accompanying materials to determine whether the agency has complied with PIIA.

The OMB requires agencies to perform risk assessments at least once every 3 years for programs that are not determined to be susceptible to significant improper payments. In FY 2019, the DOI conducted its most recent 3-year risk assessments of 86 programs. If a program on a 3-year risk assessment cycle experiences a significant increase in its funding level, the OMB requires the agency to reassess the program’s risk susceptibility during the next annual cycle. For newly established programs, agencies should also complete a risk assessment after the first 12 months of the program.

What We Found

We found that the DOI complied with all applicable PIIA reporting requirements for FY 2021. The DOI met requirements 1a through 2b by publishing payment integrity information in the AFR and posting it to the agency website, conducting and reporting risk assessments on 25 new programs, and concluding that none of the programs were likely to make improper

payments and underpayments above or below the statutory thresholds. **Attachment 2** summarizes the compliance status of each of the 25 DOI programs to which PIIA reporting requirements applied.

The details of the DOI's compliance with the two applicable PIIA reporting requirements are as follows:

- **Requirement 1 (a and b): Publish payment integrity information in the AFR and post it to the agency website – Complied**

The DOI published an AFR that included a section related to PIIA reporting as well as a link to [paymentaccuracy.gov](https://www.doi.gov/pfm/afr/2021). It also posted the AFR on its website at <https://www.doi.gov/pfm/afr/2021>.

- **Requirement 2 (a and b): Conduct a risk assessment and adequately conclude whether the program is likely to make IPs and UPs above or below the statutory level – Complied**

The DOI reported in its FY 2021 AFR that risk assessments had been performed on 25 programs that were new or had increased funding. We reviewed the risk assessments for all 25 programs and confirmed that the programs were properly assessed for risk using 13 qualitative risk factors; we also confirmed that the results of the risk assessments did not identify any of the programs to be at high risk for improper payment. Our review did not verify whether these 25 programs represent the complete population of programs that should have been risk assessed.

The remaining PIIA reporting requirements (requirements 3, 4, 5a, 5b, 5c, and 6) were not applicable for this reporting period because the DOI did not identify any programs susceptible to significant improper payments and therefore did not calculate or report improper payment estimates for any of its programs for FY 2021.

Although we concluded that the DOI complied with the risk assessment requirement, we identified an area that needs improvement in the DOI's payment integrity risk assessment methodology. Improving the methodology would ensure that the result of the IP risk assessment reasonably supports a determination as to whether programs are or are not susceptible to significant improper payments.

We found that the Office of Financial Management's (PFM's) current risk assessment methodology for DOI programs does not include sufficient support for the decision to use an equally weighted system across all 13 qualitative risk factors. OMB Circular A-123 provides examples of qualitative risk factors but states that it is the agency's responsibility to ensure factors selected will be able to identify programs at high risk of improper payment or underpayments.⁴ Specifically, Appendix C of the circular states:

⁴ OMB Circular A-123, Appendix C, pp. 14-15, attached to OMB Memorandum M-21-19, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, dated March 5, 2021.

The agency should develop an IP risk assessment methodology that is appropriate to ensure that the result of the IP risk assessment reasonably supports whether the program is or is not susceptible to significant IPs Additionally, agencies should be mindful that, when evaluating compliance, the Inspector General (IG) will evaluate and take into account the adequacy of the IP risk assessment and the IP risk assessment methodology used.⁵

The DOI methodology states that an equal weight is applied to each qualitative risk factor. However, we identified two concerns with this methodology. The methodology did not provide a reason why this method was selected and whether other methods were rejected or even considered. Furthermore, the methodology does not provide sufficient justification for the use of equal weighting. Specifically, it does not explain why all risks factors are considered to have the same risk for improper payment or underpayment. As a result, there is a risk that the current risk assessment methodology may not sufficiently ensure that risk assessments adequately identify programs at high risk for improper payment and underpayment.

What We Recommend

We make two recommendations to help the PFM improve the DOI's payment integrity program.

We provided a draft of this report to the PFM for review. The PFM concurred with both recommendations. Based on this response, we consider the recommendations resolved but not implemented. Below we summarize the PFM's response to our recommendations, as well as our comments on its response. See **Attachment 3** for the full text of the PFM's response; **Attachment 4** lists the status of each recommendation.

We recommend that the Office of Financial Management:

1. Reassess its use of an equally weighted qualitative factor approach in its payment integrity risk assessment methodology to determine if it is appropriate and provides reasonable assurance that it will identify programs at high risk of improper or under payment.

PFM Response: The DOI concurred with this recommendation and stated the PFM “will commission a group to reassess the Department’s use of an equally weighted qualitative factor approach in its payment integrity risk assessment methodology to determine if it is appropriate and provides reasonable assurance that will identify programs at high risk of improper or under payment.”

OIG Comment: We consider Recommendation 1 resolved but not implemented. The recommendation will be considered closed when we receive documentation demonstrating that the PFM has reassessed its use of an equally weighted qualitative factor approach in its payment integrity risk assessment methodology.

⁵ OMB Circular A-123, Appendix C, Part II.A.1., “Structure of an IP Risk Assessment,” p. 14, dated March 5, 2021.

2. Revise its payment integrity risk assessment methodology to include sufficient justification for the approach selected and used.

PFM Response: The DOI concurred with this recommendation and stated the “PFM will issue an updated FY 2023 payment integrity risk assessment methodology based upon the latest Appendix C risk factors.”

OIG Comment: We consider Recommendation 2 resolved but not implemented. The recommendation will be considered closed when we receive documentation demonstrating that the PFM has revised its payment integrity risk assessment methodology to include sufficient justification for the approach selected and used.

We will refer Recommendations 1 and 2 to the Office of Policy, Management and Budget for resolution and implementation tracking and to report to us on their status. In accordance with PIIA reporting requirements, we are also providing this report to Congress, the Government Accountability Office, and OMB. In addition, we will notify Congress about our findings, and we will report semiannually, as required by law, on actions you have taken to implement the recommendations and on recommendations that have not been implemented. We will also post a public version of this report on our website.

If you have any questions, please contact me, or your staff may contact Kathleen Sedney, Assistant Inspector General for Audits, Inspections, and Evaluations, at 202–208–5745.

Attachments (4)

Attachment 1: Scope and Methodology

The scope of this inspection was to review the improper payment information contained in the U.S. Department of the Interior's (DOI's) *Agency Financial Report* (AFR) for fiscal year (FY) 2021 to ensure it complied with Payment Integrity Information Act of 2019 reporting requirements. We conducted this inspection from January through May 2022.

To accomplish our objective, we:

- Reviewed the AFR for information reported on improper payments.
- Interviewed Office of Financial Management (PFM) staff.
- Reviewed DOI payment integrity information reported to OMB Max and [paymentaccuracy.gov](https://www.paymentaccuracy.gov).
- Reviewed documentation supporting payment integrity reporting for 25 newly risk-assessed DOI programs for FY 2021.
- Reviewed the DOI's internal controls over the preparation and reporting of the AFR.

We conducted our inspection in accordance with the *Quality Standards for Inspection and Evaluation* as put forth by the Council of the Inspectors General on Integrity and Efficiency. We believe that the work performed provides a reasonable basis for our conclusions and recommendations.

Attachment 2: PIIA Compliance for DOI’s New Programs and Programs With Increased Funding in Fiscal Year 2021 Assessed for Risk of Improper Payments

Programs	Applicable PIIA Requirements*			
	1a	1b	2a	2b
Abandoned Mine Reclamation Fund (OSMRE)	Compliant	Compliant	Compliant	Compliant
California Bay Delta Restoration (BOR)	Compliant	Compliant	Compliant	Compliant
Central Utah Project Completion Account, Central Utah Project	Compliant	Compliant	Compliant	Compliant
Colorado River Dam Fund, Boulder Canyon Project (BOR)	Compliant	Compliant	Compliant	Compliant
NPS Construction	Compliant	Compliant	Compliant	Compliant
FWS Construction	Compliant	Compliant	Compliant	Compliant
Departmental Operations (IOS)	Compliant	Compliant	Compliant	Compliant
Indian Guaranteed Loan Program Account (BIA and BIE)	Compliant	Compliant	Compliant	Compliant
Land Acquisition and State Assistance (NPS)	Compliant	Compliant	Compliant	Compliant
Lower Colorado River Basin Development Fund (BOR)	Compliant	Compliant	Compliant	Compliant
Oil Spill Research (BSEE)	Compliant	Compliant	Compliant	Compliant
Operation of Indian Education Programs (BIE)	Compliant	Compliant	Compliant	Compliant
Operation of Indian Programs (BIA)	Compliant	Compliant	Compliant	Compliant
Outer Continental Shelf Revenues, LWCF Share from Certain Leases (NPS)	Compliant	Compliant	Compliant	Compliant
Payments to States in Lieu of Coal Fee Receipts (OSMRE)	Compliant	Compliant	Compliant	Compliant
Policy and Administration (BOR)	Compliant	Compliant	Compliant	Compliant
Reclamation Trust Funds (BOR)	Compliant	Compliant	Compliant	Compliant
Reclamation Water Settlements Fund (BOR)	Compliant	Compliant	Compliant	Compliant
Regulation of Technology (OSMRE)	Compliant	Compliant	Compliant	Compliant
Selis-Qlispe Ksanka Settlement Trust Fund	Compliant	Compliant	Compliant	Compliant
Surveys, Investigations, and Research (USGS)	Compliant	Compliant	Compliant	Compliant

Applicable PIIA Requirements*

Programs	1a	1b	2a	2b
Supplemental Payments to UMWA Health Plans (OSMRE)	Compliant	Compliant	Compliant	Compliant
Upper Colorado River Basin Fund (BOR)	Compliant	Compliant	Compliant	Compliant
Utah Reclamation Mitigation and Conservation Account	Compliant	Compliant	Compliant	Compliant
Working Capital Fund (BOR)	Compliant	Compliant	Compliant	Compliant

*Note: PIIA reporting requirements 3, 4, 5a, 5b, 5c, and 6 were not applicable for this reporting period. See the "Results of Inspection" section for more information. The "Background" section provides a description for each PIIA requirement.

Abbreviations:

- BIA = Bureau of Indian Affairs
- BIE = Bureau of Indian Education
- BOR = Bureau of Reclamation
- BSEE = Bureau of Safety and Environmental Enforcement
- DOI = Department of Interior
- FWS = U.S. Fish and Wildlife Service
- IOS = Immediate Office of the Secretary
- LWCF = Land and Water Conservation Fund
- NPS = National Park Service
- OSMRE = Office of Surface Mining Reclamation and Enforcement
- PIIA = Payment Integrity Information Act of 2019
- UMWA = United Mine Workers of America
- USGS = U.S. Geological Survey

Attachment 3: Response to Draft Report

The Office of Financial Management's response to our draft report follows on page 11.



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

Memorandum

To: Kathleen Sedney
Assistant Inspector General for Audits, Inspections, and Evaluations

From: Tonya R. Johnson
Deputy Chief Financial Officer (Deputy CFO) and
Director, Office of Financial Management

TONYA JOHNSON
Digitally signed by TONYA JOHNSON
Date: 2022.05.24 18:07:11 -04'00'

Subject: DOI Response to the Office of Inspector General Draft Inspection Report 2022-FIN-015 (Issued on May 12, 2021) on the *U.S. Department of the Interior's Compliance with the Payment Integrity Information Act (PIIA) of 2019 in its Fiscal Year 2021 Agency Financial Report (AFR)*

This memorandum is to provide the Department of the Interior's (DOI/Department) response to the Office of Inspector General's (OIG) Report 2022-FIN-015, regarding the *U.S. Department of the Interior's compliance with the Payment Integrity Information Act of 2019 in its Fiscal Year 2021 Agency Financial Report (AFR)*. The DOI concurs with both recommendations and submits the following responses.

Recommendation 1: Reassess the Office of Financial Management's use of an equally weighted qualitative factor approach in its payment integrity risk assessment methodology to determine if it is appropriate and provides reasonable assurance that it will identify programs at high risk of improper or under payment.

The DOI concurs with this recommendation. In FY 2023, the Office of the Secretary (OS), Office of Financial Management (PFM) will commission a group to reassess the Department's use of an equally weighted qualitative factor approach in its payment integrity risk assessment methodology to determine if it is appropriate and provides reasonable assurance that it will identify programs at high risk of improper or under payment. The report will include an evaluation of the risk factors identified in Appendix C of the Office of Management and Budget's (OMB) Circular A-123 (Memorandum M-22-14/Appendix C) and their relative weighting for the purposes of determining program susceptibility to significant improper payments in compliance with the Payment Information Improvement Act of 2019 (PIIA). The report will include benchmarking of other CFO Act agencies application of Appendix C risk factors and their relative weighting to identify high risk programs. The report will result in the Department's first significant update to our Appendix C risk assessment methodology since 2018 when the Department first adopted the qualitative factor approach concurrent with the development and implementation of the Payment Integrity SharePoint site.

Recommendation 2: Revise the Office of Financial Management’s payment integrity risk assessment methodology to include sufficient justification for the approach selected and used.

The DOI concurs with this recommendation. Prior to the Department’s FY 2023 PIIA/Appendix C risk assessments, PFM will issue an updated FY 2023 payment integrity risk assessment methodology based upon the latest Appendix C risk factors identified in M-21-19 and their relative weighting. In accordance with the FY 2023 risk assessment methodology, the PFM will update the Appendix C risk factors and their weighting on the PIIA Payment Integrity SharePoint site for use in the FY 2023 PIIA compliance reporting.

If you have any questions concerning this correspondence, please contact Nelson Alvarado, Chief of the Internal Control and Evaluation Division, via e-mail at ██████████@ios.doi.gov.

Attachment 4: Status of Recommendations

Recommendation	Status	Action Required
1-2	Resolved but not implemented	We will refer these recommendations to the Office of Policy, Management and Budget to track implementation.



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