



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 2020 Agency Financial Report



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MAY 14 2021

Memorandum

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

From: Mark Lee Greenblatt 
Inspector General

Subject: Inspection Report – *U.S. Department of the Interior’s Compliance With the Payment Integrity Information Act of 2019 in Its Fiscal Year 2020 Agency Financial Report*
Report No. 2021-FIN-027

This report transmits the results of our inspection of the U.S. Department of the Interior’s compliance with requirements for improper payment reporting. Our objective was to determine whether the Department 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) 2020 and accompanying materials. The attachment provides our scope and methodology.

We found that the Department did not comply with PIIA for FY 2020. Figure 1 summarizes the Department’s compliance status with each of the six requirements. See “Results of Inspection” section for additional detail on our specific findings.

Figure 1: Department Compliance Status

PIIA Compliance Requirement for Agencies	Status
Requirement 1: Publish an AFR	Compliant
Requirement 2: Conduct a risk assessment	Not Compliant
Requirement 3: Publish an improper payment estimate	Compliant
Requirement 4: Publish corrective action plans	Not Required
Requirement 5: Publish and meet reduction targets	Not Required
Requirement 6: Report an improper payment rate of less than 10%	Compliant

Background

Enacted on March 2, 2020, PIIA (Pub. L. No. 116-117) required agencies to identify and review all programs and activities they administer that may be susceptible to significant improper payments and Inspectors General to review their respective agencies’ compliance with

improper payment reporting requirements and issue an annual report.¹ Because final Office of Management and Budget (OMB) guidance related to improper payment reporting under the recently enacted PIIA was not expected to be issued until February 2021,² we initiated our FY 2020 annual compliance review prior to that date, using a combination of the requirements in OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement* (M-18-20, June 2018); OMB Circular A-136, *Financial Reporting Requirements* (August 2020); OMB Annual Data Call Instructions; OMB Payment Integrity Question and Answer Platform; and guidance issued by the Counsel of the Inspectors General on Integrity and Efficiency as required under PIIA.

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 must:

1. Publish an AFR that includes a section related to PIIA reporting, include a link within the AFR to [paymentaccuracy.gov](https://www.doi.gov/pfm/afr/2020), and post the AFR on the agency website (for the Department, see <https://www.doi.gov/pfm/afr/2020>)
2. Perform a program-specific risk assessment on any new programs, programs with significant increases in expenditures, or programs due for assessment on a 3-year cycle
3. Publish improper payment estimates for all programs identified as susceptible to significant improper payments under its risk assessment
4. Publish programmatic corrective action plans identifying the actions it has taken to reduce improper payments for programs or activities that have significant improper payments
5. Publish and meet annual reduction targets for each program assessed to be at risk and estimated for improper payments
6. Report a gross improper payment rate of less than 10 percent for each program for which an improper payment rate estimate was obtained and published

OMB Memorandum M-18-20 requires agencies to institute a systematic method of reviewing all programs to identify those susceptible to significant improper payments. The OMB requires agencies to perform risk assessments at least once every 3 years for programs that are deemed not to be susceptible to significant improper payments. In FY 2019, the Department conducted its most recent 3-year risk assessments of 86 Department programs. If a program that is on a 3-year risk assessment cycle experiences a significant increase in its funding level, the

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

² Revised Appendix C, *Requirements for Payment Integrity Improvement* (M-21-19), was issued March 5, 2021.

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.

OMB Memorandum M-18-20 also 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.

Results of Inspection

We found that the Department did not comply with PIIA reporting requirements for FY 2020 because it was unable to provide evidence that risk assessments were performed on three new programs. We were accordingly unable to verify the Department's representations and the accuracy of the information published in the AFR and so were required to report a finding of noncompliance pursuant to relevant inspection standards. Figure 2 on the next page summarizes the compliance status of each of the five Department programs to which PIIA requirements applied.

Four of the six PIIA requirements—namely, Requirements 1, 2, 3, and 6—were applicable to the Department. The details of the Department's compliance status with these four requirements are set forth below:

- **Requirement 1: Publish an AFR – Complied**
The Department 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/2020). It also posted the AFR on its website, <https://www.doi.gov/pfm/afr/2020>.
- **Requirement 2: Conduct a Risk Assessment – Did Not Comply**
The Department reported in its FY 2020 AFR that risk assessments had been performed on three new programs: the Centennial Challenge, National Park Service; Multinational Species Conservation Fund, U.S. Fish and Wildlife Service; and Operation of Indian Education, Indian Affairs. However, the Department was unable to provide any documentation supporting the risk assessments for the three programs, and inspection standards require that we obtain documentation to substantiate the Department's verbal representations that it performed the risk assessments. The Office of the Chief Information Officer (OCIO) decommissioned the Office of Financial Management's (PFM's) hosting SharePoint server in November 2020, resulting in insufficient evidence of compliance. The decommissioning led to the total loss of two PFM SharePoint sites that documented the risk assessments' analysis and conclusions. PFM officials informed us that they do not have any other means of providing support that the risk assessments occurred for the three programs at issue.

- Requirement 3: Publish an Improper Payment Estimate – Complied**
 The Department published improper payment estimates for two Disaster-Related Appropriations (DRA) programs that were deemed susceptible to significant improper payments, as required by OMB Memorandum M-18-14, *Implementation of Internal Controls and Grant Expenditures for the Disaster-Related Appropriations*. To calculate the improper payment estimates, the Department used a statistical sample of FY 2019 outlays to establish an improper payment error rate of 0.07 percent. The statistical sample included a 0.12-percent improper payment error rate on the FY 2019 NPS Construction Program, which resulted from one excepted payment, and a 0.00 percent improper payment error rate from the U.S. Geological Survey’s Core Science Program.
- Requirement 6: Report an Improper Payment Rate of Less Than 10 Percent – Complied**
 The Department reported improper payment rates that were less than 10 percent.

The two remaining PIIA reporting requirements (Requirements 4 and 5) were not applicable for this reporting period because the Department did not calculate improper payment estimates above the statutory threshold.

Figure 2. PIIA Criteria and the Department’s Compliance for Its Five Applicable Programs

Program	Req 1: AFR/PAR	Req 2: Risk Assessment	Req 3: Improper Payment Estimate	Req 4: Corrective Action Plans	Req 5: Reduction Targets	Req 6: Improper Payment Rate <10%
Centennial Challenge	Compliant	Not compliant*	N/A	N/A	N/A	N/A
Multinational Species Conservation Fund	Compliant	Not compliant*	N/A	N/A	N/A	N/A
Operation of Indian Education Programs	Compliant	Not compliant*	N/A	N/A	N/A	N/A
NPS Construction	Compliant	N/A	Compliant	N/A	N/A	Compliant
USGS Core Science Systems	Compliant	N/A	Compliant	N/A	N/A	Compliant

*Agency could not provide documentation for review.

Abbreviations:
 FWS – U.S. Fish and Wildlife Service
 IA – Indian Affairs
 NPS – National Park Service
 USGS – U.S. Geological Survey

Recommendations

We recommend that the Department:

1. Recover or rebuild the two SharePoint risk assessment sites that were decommissioned or create an appropriate alternative
2. Implement controls to ensure that the risk assessments are saved in the event the system becomes inaccessible again in the future

Please provide us with a written response to this report by June 15, 2021. The response should identify the actions taken or planned to address the recommendations and the target dates and titles of officials responsible for implementing such actions. Please send the response to aie_reports@doioig.gov.

After receiving the response, we will refer recommendations to the Office of Policy, Management and Budget for resolution and implementation tracking as appropriate. In addition, we will notify Congress of our findings and report semiannually, as required by law, on actions taken to implement the recommendations. We will also post a public version of this report on our website.

If you have any questions, please contact me at 202-208-5745.

Attachment

Attachment: 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 *Agency Financial Report* (AFR) for fiscal year 2020 to ensure it complied with Payment Integrity Information Act of 2019 reporting requirements. We conducted this inspection from March through May 2020.

To accomplish our objective, we:

- Reviewed the AFR for information reported on improper payments
- Interviewed Office of Financial Management (PFM) staff
- Reviewed a memorandum of understanding between the PFM and the Office of the Chief Information Officer explaining the circumstances surrounding the November 2020 decommissioning of the SharePoint site that housed the risk assessments necessary for our inspection
- Reviewed the methodology and calculations supporting the reported improper payment estimates
- Reviewed the Department'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.

