

**Defense Nuclear Facilities Safety Board Complied with the  
Requirements of the Payment Integrity Information Act of 2019 in  
Fiscal Year 2022**

**Audit Performed  
by  
CliftonLarsonAllen LLP**

**For  
Defense Nuclear Facilities Safety Board  
Office of the Inspector General**

**May 2, 2023**



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**DNFSB Complied with the Requirements  
of the Payment Integrity Information Act of 2019  
in Fiscal Year 2022**

**EXECUTIVE SUMMARY**

***WHY WE DID THIS AUDIT***

CliftonLarsonAllen LLP (CLA) was engaged by the United States Nuclear Regulatory Commission and Defense Nuclear Facilities Safety Board (DNFSB) Office of the Inspector General (OIG) to conduct a performance audit of DNFSB's compliance with the Payment Integrity Information Act of 2019 (PIIA), for fiscal year (FY) 2022 in accordance with Section VI.A. of the Office of Management and Budget (OMB) Memorandum M-21-19 (M-21-19), Appendix C to OMB Circular No. A-123 (A-123), *Requirements for Payment Integrity Improvement*, dated March 5, 2021.

As part of this audit, we were also engaged to evaluate the accuracy and completeness of DNFSB's reporting and its performance in preventing, reducing, and recapturing improper payments (IPs) and unknown payments (UPs).

Our audit performance period was from January 2023 through April 2023. We conducted our audit in accordance with generally accepted government auditing standards.

***WHAT WE CONCLUDED***

We concluded that DNFSB complied with the requirements of the PIIA for FY 2022. As required, DNFSB published applicable payment integrity information with the annual financial statement and in the accompanying materials to its annual financial statements for the most recent FY in accordance with payment integrity information guidance provided in OMB Circular A-136, *Financial Reporting Requirements* (June 2022), posted the annual financial statement and accompanying materials required under the guidance of OMB on the agency website with a link to [paymentaccuracy.gov](http://paymentaccuracy.gov), conducted an IP risk assessment for each program with annual outlays greater than \$10,000,000 at least once in the last three years, and adequately concluded whether the program is likely to make IPs and UPs above or below the statutory threshold. The remaining requirements are not applicable to DNFSB.

We also found DNFSB's reporting of and performance in reducing and recapturing IPs and UPs to be generally accurate and complete. The DNFSB concluded that payment recapture audits are not cost effective and notified OMB of its decision in 2014. Per OMB M-21-19 Section V.B.(2), if an agency determines that it would be unable to conduct a cost-effective recovery audit for certain programs, the analysis will need to be repeated only if circumstances change within the program that might make a recovery audit cost-effective. The DNFSB represented that circumstances have not changed in FY 2022 and therefore no analysis was necessary.

**TABLE 1: PIIA Compliance Reporting Table**

Program Name	Published payment integrity information with the annual financial statement	Posted the annual financial statement and accompanying materials on the agency website	Conducted IP risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years	Adequately concluded whether the program is likely to make IPs and UPs above or below the statutory threshold	Published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the annual financial statement	Published 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	Published 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	Demonstrated improvements to payment integrity or reached a tolerable IP and UP rate	Developed a plan to meet the IP and UP reduction target	Reported an IP and UP estimate of less than 10% for each program for which an estimate was published in the accompanying materials to the annual financial statement
Payroll *	Compliant	Compliant	Compliant	Compliant	N/A	N/A	N/A	N/A	N/A	N/A

Legend: The N/A in Table 1 means Not Applicable because DNFSB did not have programs or activities determined to be susceptible to significant improper payments under OMB M-21-19 Section II.A.

\*While other programs were reviewed in the DNFSB’s risk assessment, payroll is the only program that met the statutory threshold.

In addition, for programs or activities that are deemed not susceptible to significant improper payments, the DNFSB is required to perform a risk assessment at least once every three years under OMB M-21-19 Section II.A.2. The DNFSB conducted its latest risk assessment in FY 2020. Accordingly, the DNFSB was not required to conduct a risk assessment in FY 2022.

**Additional Observations**

During the FY 2021 PIIA audit, the OIG made two observations regarding areas where the DNFSB could strengthen its payment integrity review which continued to exist during FY 2022. These observations did not rise to the level of a finding of noncompliance.

1. The PIIA requires agencies to triennially review all programs and activities that meet the statutory threshold to determine susceptibility to significant improper payments. Under the most recent Appendix C to OMB Circular A-123, risk assessments are only required for programs with outlays exceeding \$10 million. The DNFSB performed a qualitative risk assessment in FY 2020 where payroll was the only program above the \$10 million threshold. Although the DNFSB’s risk assessment met the minimum statutory requirements, the OIG noted the agency did not assess payroll separately. Instead, payroll was included and reviewed under total disbursements. While reviewing disbursements, the OIG noted discrepancies and difficulties in obtaining source documents for payroll. Therefore, the OIG suggests that, during its next improper payments risk assessment, the DNFSB perform a separate assessment of payroll, and any other applicable program, if it meets the statutory threshold in the applicable fiscal year.

2. When conducting a qualitative risk assessment, the OMB guidance directs agencies to ensure proper consideration is given to relevant risk factors that would help determine a program's susceptibility to improper payments. The most recent Appendix C to OMB Circular A-123 suggests 11 risk factors to agencies when performing qualitative risk assessments. This version of Appendix C was not issued yet when the DNFSB conducted its FY 2020 risk assessment. Therefore, the DNFSB did not document consideration of the OMB's suggested risk factors in that assessment. The OIG suggests the DNFSB apply and document any relevant OMB risk factors when it conducts its next risk assessment.

See Status of Prior Year Findings and Observations at Appendix B.

The purpose of our work was not to provide an opinion on internal controls over improper payments or its reporting process. Therefore, we do not express such an opinion. We conducted this performance audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusion based on our audit objective. Our objective, scope, and methodology are described in Appendix A.

We appreciate the assistance provided by DNFSB management and staff.

**CliftonLarsonAllen LLP**

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

Greenbelt, MD  
May 2, 2023

## PROGRAM BACKGROUND

The Payment Integrity Information Act (PIIA)<sup>1</sup> of 2019, which repealed the Improper Payments Information Act (IPIA)<sup>2</sup> of 2002, as amended by the Improper Payments Elimination and Recovery Act (IPERA)<sup>3</sup> of 2010 and the Improper Payment Elimination and Recovery Improvement Act (IPERIA)<sup>4</sup> of 2012, requires the Inspector General (IG) of each agency to determine whether the agency is in compliance with PIIA<sup>5</sup> and submit a report on that determination. The current OMB implementation guidance, M-21-19 Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement*, was issued on March 5, 2021.

OMB M-21-19, Appendix C, Section I (1) describes an improper payment as any payment made in an incorrect amount or to the wrong recipient, and for instances where an agency is unable to determine whether the payment falls into the proper or improper category that payment should be considered an unknown payment.

We initiated our FY 2022 annual compliance review using a combination of the requirements in OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement*, (M-21-19, March 2021), OMB Circular A-136, *Financial Reporting Requirements*, (June 2022), and the Counsel of the Inspectors General on Integrity and Efficiency (CIGIE) Guidance for Payment Integrity Information Act Compliance Reviews, November 2022, (the Guide).

To be compliant with PIIA, the Guide states each agency must:

- 1a. Publish payment integrity information with the annual financial statement and in the accompanying materials to the annual financial statement for the most recent FY;
- 1b. Post the annual financial statements and accompanying materials on the agency website;
- 2a. Conduct IP risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years;
- 2b. Adequately conclude whether the program is likely to make IPs and UPs above or below the statutory threshold;<sup>6</sup>
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 reached a tolerable IP and UP rate;
- 5c. Develop a plan to meet the IP and UP reduction target; and,
6. Report an IP and UP estimate of less than 10% for each program for which an estimate was published in the accompanying materials to the annual financial statement.

In the Payment Integrity Information Act Reporting Details section of the DNFSB's FY 2022 Agency Financial Report (AFR), DNFSB reported FY 2022 PIIA information.

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<sup>1</sup> Pub. Law No. 116-117, 134 Stat. 113 (2020).

<sup>2</sup> Pub. Law No. 107-300, 116 Stat. 2350 (2002).

<sup>3</sup> Pub. Law No. 111-204, 124 Stat. 2224 (2010).

<sup>4</sup> Pub. Law No. 112-248, 126 Stat. 2390 (2012).

<sup>5</sup> Unless otherwise indicated, the term "PIIA" will imply IPERA and IPIA, as amended by PIIA.

<sup>6</sup> Programs are considered to be above the statutory threshold if they are reporting an annual IP and UP estimate that is either above \$10,000,000 and 1.5% of the program's total outlays or above \$100,000,000 regardless of their associated percentage of the program's total annual outlays that the estimated IP and UP represents.

## RESULTS AND CONCLUSION

If an agency does not meet one or more of these requirements, then it is not compliant under PIIA. The DNFSB complied with the requirements of PIIA in accordance with OMB M-21-19. Table 2 below shows the OMB compliance requirements, DNFSB compliance status, and the results of CLA's review.

<b>Table 2: RESULTS OF DNFSB COMPLIANCE WITH THE REQUIREMENTS OF PIIA</b>			
<b>Compliance Reference</b>	<b>OMB Compliance Requirement</b>	<b>DNFSB Compliance Status</b>	<b>CLA Review</b>
1a.	Published Payment Integrity information with the annual financial statement	<b>Compliant</b>	The AFR is published on DNFSB's website and includes applicable PIIA information in accordance with payment integrity guidance provided in OMB Circular A-136.
1b.	Posted the annual financial statement and accompanying materials on the agency website	<b>Compliant</b>	The AFR is published on DNFSB's website which includes a link to <a href="https://www.paymentaccuracy.gov">https://www.paymentaccuracy.gov</a> . <a href="https://www.dnfsb.gov/documents/reports/reports-congress/fy2022-agency-financial-report">https://www.dnfsb.gov/documents/reports/reports-congress/fy2022-agency-financial-report</a> .
2a.	Conducted IP risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years	<b>Compliant</b>	DNFSB has a risk assessments process in place for determining whether DNFSB has programs or activities susceptible to significant improper payments. The DNFSB also has procedures in place to identify, estimate, and report on improper payments. The DNFSB determined their programs and activities were not susceptible to significant improper payments. The most recent risk assessment was performed in FY 2020.
2b.	Adequately concluded whether the program is likely to make IPs and UPs above or below the statutory threshold	<b>Compliant</b>	The DNFSB has an adequate risk assessment program and the methodology used adequately concludes whether the program is likely to make IPs plus UPs above or below the statutory threshold.
3.	Published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying	<b>Not Required</b>	This requirement was not applicable as none of DNFSB's programs or activities were determined to be susceptible to significant improper payments. All programs were measured at low risk.

<b>Table 2: RESULTS OF DNFSB COMPLIANCE WITH THE REQUIREMENTS OF PIIA</b>			
	materials to the annual financial statement		
4.	Published 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	<b>Not Required</b>	This requirement was not applicable as none of DNFSB's programs or activities were determined to be susceptible to significant improper payments. No programs reached the statutory threshold.
5a.	Published 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	<b>Not Required</b>	This requirement was not applicable as none of DNFSB's programs or activities were determined to be susceptible to significant improper payments or above the statutory threshold.
5b.	Demonstrated improvements to payment integrity or reached a tolerable IP and UP rate	<b>Not Required</b>	This requirement was not applicable as none of DNFSB's programs or activities were determined to be susceptible to significant improper payments.
5c.	Developed a plan to meet the IP and UP reduction target	<b>Not Required</b>	This requirement was not applicable as none of the DNFSB's programs or activities were determined to be susceptible to significant improper payments.
6.	Reported an IP and UP estimate of less than 10% for each program for which an estimate was published in the accompanying materials to the annual financial statement	<b>Not Required</b>	The DNFSB determined that none of its programs or activities were susceptible to significant improper payments. Therefore, this requirement was not applicable.

## **APPENDIX A - OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective and Scope**

Our objective was to determine if DNFSB's IP reporting in its FY 2022 AFR was in compliance with PIIA and in accordance with OMB M-21-19 Section VI.A. As part of this audit, we also evaluated the accuracy and completeness of DNFSB's reporting, and its performance in preventing, reducing, and recapturing improper payments.

### **Methodology**

OMB M-21-19, Section VI., states that the agency is responsible for ensuring it has met the requirements to achieve compliance with PIIA and the OIG is responsible for evaluating the agency to determine whether the agency is compliant with PIIA. To accomplish our objective, we completed the following procedures for FY 2022:

- Reviewed all applicable laws, rules, and regulations pertaining to improper payments, as well as DNFSB guidance, policies, and procedures.
- Obtained an understanding of DNFSB internal controls over improper payments and evaluated the design and operating effectiveness of relevant payments, reduction, and recapture controls.
- Reviewed the payment integrity information section of the agency's FY 2022 AFR and accompanying material to assess the agency's compliance with PIIA and related OMB guidance.
- Evaluated agency efforts to prevent and reduce improper payments.
- Reviewed information on <https://paymentaccuracy.gov/> through the annual OMB payment accuracy data call. The information collected through the data calls and published on [paymentaccuracy.gov](https://paymentaccuracy.gov/) is considered accompanying materials to the AFR.
- Leveraged prior work in deciding the level of work to do for the PIIA compliance review.
- Assessed the overall presentation of the IPs and UPs in the AFR for completeness as per Section II.4.5. of OMB A-136.
- Concluded whether the agency met each of the six PIIA compliance requirements.

In planning our work, we gained an understanding of the internal controls over DNFSB's improper payments identification, reduction, recapture, and reporting processes. Our audit procedures included inquiries and reviews of the DNFSB Improper Payments Summary by Program and AFR, as per OMB Circular A-123, Appendix C. However, the purpose of our work was not to provide an opinion on internal controls over improper payments or its reporting process. Therefore, we do not express such an opinion.

**APPENDIX B – STATUS OF PRIOR YEAR FINDINGS AND OBSERVATIONS**

Prior Year Findings or Observations (no Material Weakness or Significant Deficiency noted)	Recommendations	Current Status
The DNFSB is not compliant with PIIA (Finding)	<ol style="list-style-type: none"> <li>1. Submit annual data call documentation to the OMB, as required by Appendix Circular A-136;</li> <li>2. Include the paymentaccuracy.gov link in the annual AFR, as required by Appendix C to OMB Circular A-123; and</li> <li>3. Develop and implement a process for continuous monitoring of financial statutory requirements.</li> </ol>	Closed
PIIA risk assessment for Payroll not assessed separately from disbursements (Observation)	<ol style="list-style-type: none"> <li>4. Perform a separate improper payments risk assessment of payroll and any other applicable program, if it meets the statutory threshold in the applicable fiscal year.</li> </ol>	Open
The DNFSB did not document the assessment of the 11 risk factors in Appendix C to OMB Circular A-123 when conducting the FY 2020 PIIA risk assessment because this requirement became effective after FY 2020 (Observation)	<ol style="list-style-type: none"> <li>5. Apply and document any relevant OMB risk factors when DNFSB conducts its next PIIA risk assessment.</li> </ol>	Open

## **APPENDIX C – ACRONYMS**

AFR	Agency Financial Report
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CLA	CliftonLarsonAllen LLP
DNFSB	Defense Nuclear Facilities Safety Board
FY	Fiscal Year
IG	Inspector General
IP	Improper Payment
IPIA	Improper Payments Information Act of 2002
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PIIA	Payment Integrity Information Act of 2019
UP	Unknown Payment

## **APPENDIX D - DNFSB'S MANAGEMENT RESPONSE**

DNFSB management concurs with comments.

Comments: The report carries forward the two observations from the prior year 2021 audit regarding the 2020 performance of risk assessments. DNFSB conducted a risk assessment in FY 2023 as required every three years. Documentation was submitted to the auditor demonstrating our actions taken to rectify those prior year observations. However, the documentation was not assessed by the auditor because the observations were not within scope for the FY 2022 audit. Based on our corrective actions, we fully expect the observations to be closed during the FY 2023 audit.

## **APPENDIX E – REPORT DISTRIBUTION LIST**

Chair

Vice Chair

Board Member

Chief Financial Officer

General Manager

Committee on Homeland Security and Governmental Affairs of the Senate

Committee on Oversight and Reform of the House of Representatives

Comptroller General of the United States

Office of Management and Budget

House Committee on Appropriations

Senate Committee on Appropriations