



PERFORMANCE AUDIT OF THE DEFENSE NUCLEAR FACILITIES SAFETY BOARD'S COMPLIANCE WITH THE PAYMENT INTEGRITY INFORMATION ACT OF 2019 FOR FISCAL YEAR 2023

**SUBMITTED TO THE
DEFENSE NUCLEAR FACILITIES SAFETY BOARD
OFFICE OF THE INSPECTOR GENERAL**

PERFORMANCE AUDIT REPORT

MAY 20, 2024



TABLE OF CONTENTS

I. EXECUTIVE SUMMARY 1

II. PROGRAM BACKGROUND 3

III. RESULTS AND CONCLUSION 4

APPENDIX A – OBJECTIVE, SCOPE, AND METHODOLOGY 6

APPENDIX B – STATUS OF PRIOR YEAR FINDINGS AND OBSERVATIONS 8

APPENDIX C – DNFSB MANAGEMENT RESPONSE..... 9

APPENDIX D – ACRONYMS10

APPENDIX E – REPORT DISTRIBUTION LIST11



333 John Carlyle Street, Suite 500
Alexandria, VA 22314
703.836.6701

SIKICH.COM

May 20, 2024

Robert J. Feitel
Inspector General
U.S. Nuclear Regulatory Commission and
Defense Nuclear Facilities Safety Board
Mail Stop O12-A12
11555 Rockville Pike
Rockville, MD 20852

Subject: Performance Audit of the Defense Nuclear Facilities Safety Board's Compliance with the Payment Integrity Information Act of 2019 for Fiscal Year 2023

Sikich CPA LLC (Sikich)¹ is pleased to submit the attached report detailing the results of our performance audit of the Defense Nuclear Facilities Safety Board's (DNFSB) compliance with the Payment Integrity Information Act of 2019 (PIIA) for fiscal year (FY) 2023 in accordance with the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, revised May 19, 2023, Section II.4.5, and Section VI.A. of the 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.

We performed our work from January 2024 through April 2024. We conducted this performance audit in accordance with Generally Accepted 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 further in **Appendix A – Objective, Scope, and Methodology**.

We appreciate the assistance provided by DNFSB management and staff.

¹ Effective December 14, 2023, we amended our legal name from "Cotton & Company Assurance and Advisory, LLC" to "Sikich CPA LLC" (herein referred to as "Sikich"). Effective January 1, 2024, we acquired CLA's federal practice, including its work for the Defense Nuclear Facilities Safety Board.

I. EXECUTIVE SUMMARY

The U.S. Nuclear Regulatory Commission and Defense Nuclear Facilities Safety Board (DNFSB) Office of the Inspector General (OIG) engaged Sikich CPA LLC (Sikich) to conduct a performance audit of DNFSB’s compliance with the Payment Integrity Information Act of 2019 (PIIA²), for fiscal year (FY) 2023 in accordance with the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, revised May 19, 2023, Section II.4.5, and 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.

Our audit objective was to determine whether DNFSB complied with the requirements of the PIIA for FY 2023. Accordingly, we assessed DNFSB’s compliance with OMB guidance and corresponding reporting instructions and determined that DNFSB met the applicable requirements for PIIA compliance for the one program it identified as susceptible to improper payments (IP) or unknown payments (UP).

We concluded that DNFSB complied with the requirements of the PIIA for FY 2023. 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* revised May 19, 2023; posted the annual financial statement and accompanying materials required under the guidance of OMB on the agency website with a link to 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.

We also found DNFSB’s reporting of and performance in reducing and recapturing IPs and UPs to be generally accurate and complete. DNFSB concluded that a payment recapture audit would not be cost effective. DNFSB’s FY 2023 improper payment risk assessment concluded that there were no improper payments for the program that met the PIIA threshold for testing.

Table 1 identifies each of the compliance criteria and reports and whether DNFSB complied with each requirement per OMB Appendix C, Section VI, Subsection 5 – *Compliance Status Table and Summary*.

² Unless otherwise indicated, the term “PIIA” will imply IPERA and IPIA, as amended by PIIA.

Table 1: PIIA Compliance Reporting Table

Program Name	Published payment integrity information with the annual financial statement and in the accompanying materials to the annual financial statement for the most recent FY in accordance with OMB guidance	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 percent 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 VI.A.

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

In addition, for programs or activities that are deemed susceptible but found not to have significant improper payments, DNFSB is required to perform a risk assessment at least once every three years under OMB M-21-19 Section II.A.2. DNFSB conducted its latest risk assessment in FY 2023. DNFSB is not required to conduct another risk assessment until FY 2026 per OMB guidance.

II. PROGRAM BACKGROUND

PIIA³, which repealed the Improper Payments Information Act (IPIA)⁴ of 2002, as amended by the Improper Payments Elimination and Recovery Act (IPERA)⁵ of 2010, and the Improper Payment Elimination and Recovery Improvement Act (IPERIA)⁶ of 2012, requires the Inspector General of each agency to determine whether the agency is in compliance with PIIA 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 IP as any payment made in an incorrect amount or to the wrong recipient. 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 UP instead.

We initiated our FY 2023 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* (May 19, 2023); and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guidance for Payment Integrity Information Act Compliance Reviews*, October 2023 (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 in accordance with OMB guidance;
- 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;⁷
3. Publish IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the annual financial statement;

³ Pub. Law No. 116-117, 134 Stat. 113 (2020).

⁴ Pub. Law No. 107-300, 116 Stat. 2350 (2002).

⁵ Pub. Law No. 111-204, 124 Stat. 2224 (2010).

⁶ Pub. Law No. 112-248, 126 Stat. 2390 (2012).

⁷ 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.

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 2023 Agency Financial Report (AFR), DNFSB reported FY 2023 PIIA information.

III. RESULTS AND CONCLUSION

If an agency does not meet one or more of the below requirements, then it is not compliant under PIIA. DNFSB complied with the requirements of PIIA in accordance with OMB M-21-19.

Table 2 shows the OMB compliance requirements, DNFSB compliance status, and the results of Sikich’s review.

Table 2: Results of DNFSB Compliance with the Requirements of PIIA

Compliance Reference	OMB Compliance Requirement	DNFSB Compliance Status	Sikich Review
1a.	Published Payment Integrity information with the annual financial statement and in the accompanying materials to the annual financial statement for the most recent FY in accordance with OMB guidance.	Compliant	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	Compliant	The AFR is published on DNFSB’s website which includes a link to: https://www.paymentaccuracy.gov https://www.dnfsb.gov/documents/reports/reports-congress/fy2023-agency-financial-report
2a.	Conducted IP risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years	Compliant	DNFSB has a risk assessment process in place for determining whether DNFSB has programs or activities susceptible to significant improper payments. DNFSB also has procedures in place to identify, estimate, and report on improper payments. DNFSB determined their programs and activities were not susceptible to significant improper payments. The most recent risk assessment was performed in FY 2023.
2b.	Adequately concluded whether the program is likely to make IPs and UPs above or below the statutory threshold	Compliant	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.

Compliance Reference	OMB Compliance Requirement	DNFSB Compliance Status	Sikich Review
3.	Published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the annual financial statement	Not Applicable	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.
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	Not Applicable	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	Not Applicable	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	Not Applicable	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	Not Applicable	This requirement was not applicable as none of 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	Not Applicable	DNFSB determined that none of its programs or activities were susceptible to significant improper payments. Therefore, this requirement was not applicable.

Sincerely,

Sikich CPA LLC

APPENDIX A – OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of our performance audit is to assess DNFSB's compliance with PIIA in accordance with OMB Circular A-136, *Financial Reporting Requirements*, revised May 19, 2023, Section II.4.5, and OMB Memorandum M-21-19, Appendix C to Circular A-123, *Requirements for Payment Integrity Improvement*, dated March 5, 2021.

Scope

The scope of this performance audit included the improper payment and reporting details in DNFSB's FY 2023 AFR. We designed procedures to gain an understanding of the risk assessment that DNFSB performed to identify programs that are susceptible to significant risk of improper payments and unknown payments, as well as an understanding of the process that DNFSB performed to calculate its estimated improper payment rates.

Our audit performance period was from January 2024 through April 2024. We conducted our audit in accordance with Generally Accepted Government Auditing Standards.

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 2023:

- Reviewed all applicable laws, rules, and regulations pertaining to improper payments, as well as DNFSB guidance, policies, and procedures.
- Obtained an understanding of DNFSB's 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 2023 AFR and accompanying material to assess the agency's compliance with PIIA and related OMB guidance.
- Reviewed and analyzed the improper payments reporting details in DNFSB's Improper Payments Summary by Program and Improper Payment worksheet.
- Reviewed DNFSB's Payment Detail population used to identify the programs that met the PIIA threshold for improper payment risk assessment.
- Agreed the total outlays per program to the FY22 general ledger for accuracy and completeness.
- 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 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.
- Tested disbursements to ascertain fund availability at the time of contract award.
- Tested payroll to ascertain that disbursement amounts were appropriately supported.
- Concluded whether the agency met each of the six PIIA compliance requirements.

In planning our work, we gained an understanding of DNFSB's internal controls in place for compiling, validating, and reporting the payment integrity information. However, the purpose of our work was not to provide an opinion on internal controls. 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
PIIA risk assessment for payroll not assessed separately from disbursements (Observation).	1. Perform a separate improper payments risk assessment of payroll and any other applicable program, if it meets the statutory threshold in the applicable year.	Closed
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 the requirement became effective after FY 2020 (Observation).	2. Apply and document any relevant OMB risk factors when DNFSB conducts its next PIIA risk assessment.	Closed



APPENDIX C – DNFSB MANAGEMENT RESPONSE

DNFSB Management concurs with the conclusion contained in the report.

APPENDIX D – 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
IP	Improper Payment
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act of 2002
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PIIA	Payment Integrity Information Act of 2019
UP	Unknown Payment



APPENDIX E – REPORT DISTRIBUTION LIST

- Chair
- Vice Chair
- Board Member
- Executive Director of Operations
- General Manager
- Chief Financial Officer
- 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