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 2023 Agency Financial Report

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

Report No.: 2024–FIN–005

May 2024

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Memorandum

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

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

Subject: Final Inspection Report – *U.S. Department of the Interior's Compliance With the Payment Integrity Information Act of 2019 in Its Fiscal Year 2023 Agency Financial Report*
Report No. 2024-FIN-005

This memorandum transmits our 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 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) 2023 and accompanying materials. Attachment 1 provides our scope and methodology.

We found that DOI complied with PIIA for FY 2023. Specifically, it complied with the first requirement by publishing payment integrity information in the AFR and posting it to DOI's website, and it complied with the second requirement by conducting off-cycle risk assessments for 14 DOI programs[1] and drawing conclusions on the likelihood of improper payments, including underpayments, above or below the statutory threshold. We confirmed that DOI did not identify or report any programs susceptible to significant improper payments.

Figure 1 summarizes DOI's compliance status with each of the applicable PIIA requirements. The remaining PIIA reporting requirements were not applicable for this reporting period because 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 2023.

[1] PIIA requires that off-cycle risk assessments be completed for programs that are new or have significant increases in funding and with annual outlays greater than $10 million.

Figure 1: DOI'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 improper payments or underpayments above or below the statutory threshold	Compliant

*PIIA Requirements 3, 4, 5a, 5b, 5c, and 6 were not applicable for this reporting period. See the "Results of Inspection" section for more information.

While DOI complied with all requirements, we determined that the risk assessment conducted for the Departmentwide Energy Community Revitalization Program (known also as the Orphaned Wells Program) did not accurately evaluate qualitative factors. While we acknowledge that this issue did not affect DOI's overall compliance, inaccurately completing risk assessments could lead to an incorrect assessment of risk of improper payments in the future. OIG makes one recommendation that, if implemented, will help ensure risk assessments are more accurate and effective at identifying programs with certain factors that increase the likelihood that a program is at high risk of improper payments.

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.[2] 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.[3]

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

[2] 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. No. 107-300).

[3] These sources consisted of OMB Circular A-136, *Financial Reporting Requirements*, revised May 19, 2023; 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 19, 2023.

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:[4]

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

1b. Post the annual financial statement and accompanying materials on the agency website.

2a. Conduct improper payment 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 improper payments and underpayments above or below the statutory threshold.

3. Publish improper payment and underpayment estimates for programs susceptible to significant improper payments and underpayments 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 improper payment and underpayment 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 improper payment and underpayment rate.

5c. Develop a plan to meet the improper payment and underpayment reduction target.

6. Report an improper payment and underpayment 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* or AFR and accompanying materials to determine whether the agency has complied with PIIA.

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. If a

[4] 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, issued March 5, 2021.

program on a 3-year risk assessment cycle experiences a significant increase in its funding level, OMB suggests the agency 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. In FY 2023, DOI conducted its most recent off-cycle risk assessments of 14 programs that are new or have significant increases in funding. Attachment 2 lists the 14 DOI programs to which PIIA reporting requirements applied.

Additionally, OMB M-21-19, sets forth additional guidance regarding improper payment risk assessments. It states:

> when evaluating compliance, the Inspector General (IG) will evaluate and take into account the adequacy of the improper payment risk assessment and the IP [improper payment] risk assessment methodology used. Their compliance evaluation will include whether the audits, examinations, and legal actions of the OIG indicate a higher risk of IPs or actual IPs that were not included in the IP risk assessments.

Results of Inspection

We found that DOI complied with all applicable PIIA reporting requirements for FY 2023. 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 14 programs, and concluding that none of the programs were identified as being at high risk of significant improper payments.

The details of DOI's compliance with the two applicable PIIA reporting requirements follow:

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

  DOI published an AFR that included a section related to PIIA reporting as well as a link to paymentaccuracy.gov. It also posted the AFR on its website at: https://www.doi.gov/media/document/doi-fy2023-afr-pdf.

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

  DOI reported in its FY 2023 AFR that, in FY 2023, it completed its off-cycle risk assessments for 14 DOI programs that are new or had significant increases in funding with over $10 million in outlays for the assessment period of quarter 4 of FY 2022 through quarter 3 of FY 2023. We reviewed the risk assessments for all 14 programs and confirmed that DOI properly assessed the programs 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 of improper payments. Our review did not verify whether these 14 programs represent the complete population of programs that should have been assessed for risk.

The remaining PIIA reporting requirements (Requirements 3, 4, 5a, 5b, 5c, and 6) were not applicable for this reporting period because 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 2023.

However, we determined during our review that DOI's risk assessment for at least one program, the Orphaned Wells Program, did not accurately evaluate qualitative factors. To perform a risk assessment, DOI answers 20 questions concerning 13 risk factors. Accurately completing risk assessments is increasingly important when programs are new or receive significant increases in funding, as these circumstances can pose increased risk, as programs must create new processes and, in some cases, offices or entities.[5] For example, the Orphaned Wells Program received significant Infrastructure Investment and Jobs Act (IIJA) funding and, after the IIJA was enacted in 2021, an Orphaned Wells Program Office was established. We focused on this program because OIG has conducted various reviews of operations of the Orphaned Wells Program in the past several years due to the increased risk it may face because of the substantial growth in the overall program.[6] To test the accuracy of DOI's risk assessment for the Orphaned Wells Program, we evaluated our completed and ongoing work for the Orphaned Wells Program in conjunction with the 20 risk assessment questions in DOI's own FY 2023 risk assessment. We found that DOI's determination of low risk for 3 of the 20 questions was inconsistent with the information that DOI assessed. Specifically:

- **Assessment Question 1: How many years has the program been in operation?** The response to this question accurately stated that the Orphaned Wells Program is a new program established by IIJA in 2021, and that DOI created a new program office in 2023. DOI nonetheless assessed this factor as creating a low risk of improper payment.

- **Assessment Question 2: Does the program have documented policies?** DOI assessed this as creating a low risk of improper payment. DOI did not, however, refer to or describe any documented policies. The recent establishment of the Orphaned Wells Program Office raises questions of whether fully documented policies have been developed and implemented.

- **Assessment Question 8: Have there been recent changes (within the past 2 years) in program funding, authorities, practices, procedures and/or financial systems?** DOI assessed this as at low risk of improper payment even though, as noted above, DOI created a new program office in 2023, hired new staff, and created policies and

[5] All 14 programs reviewed in the off-cycle risk assessment either are new or received significant supplemental appropriations. See Attachment 2 for a list of the 14 programs and their relevant funding sources.

[6] OIG issued two reports on the Orphaned Wells Program: Report No. 2022-INF-042, *The U.S. Department of Interior's Efforts to Collect Data to Meet Annual Orphaned Wells Programs Reporting Requirements* (April 2023) and Report No. 2022-INF-043, *Breaking Down Responsibilities for Addressing Orphaned Wells* (January 2023). Additionally, OIG has an ongoing audit on the management of Texas IIJA orphaned wells grant funds and an ongoing evaluation of the Orphaned Wells Office's oversight of State funding.

procedures, which have been in place for less than 2 years, which is a threshold in DOI's risk assessment methodology.

We concluded that, based on the information available, the program risk assessor should have determined that the three questions reproduced above constituted a high or moderate risk of improper payment. We acknowledge that, even if the assessor determined the program to be at high risk of improper payments for these three questions, the overall program would not have met the DOI risk assessment methodology's threshold for high risk of improper payment. However, inaccurately completing risk assessments could lead to an incorrect assessment of risk of improper payments, which would thus fail to comply with the requirements of PIIA.

We determined that these deficiencies occurred, in part, because there is no formal training program for risk assessors on how to complete a PIIA risk assessment. Instead, risk assessors rely on "guidance memorandum" that do not provide detailed information. Providing more formalized and standardized risk assessment training across DOI bureaus and offices can help ensure a common, comprehensive approach across all DOI programs that are assessed. Even aside from enhanced training, program risk assessors should take greater care to ensure that assessments overall are effectively assessing and identifying factors that increase the likelihood that a program is at higher risk of improper payment.

Recommendation

We make one recommendation to help the Office of Financial Management (PFM) improve DOI's payment integrity program.

We provided a draft of this report to PFM for review. PFM concurred with our recommendation and we consider the recommendation resolved. We determined that the recommendation is significant and will be reported as such in our semiannual report to Congress in accordance with the Inspector General Act.[7] Below, we summarize PFM's response to our recommendation, as well as our comment on its response. Attachment 3 lists the status of prior recommendations, Attachment 4 provides the full text of DOI's response, and Attachment 5 lists the status of our recommendation.

We recommend that the Office of Financial Management:

1. Establish and implement a uniform training program for all improper payment risk assessors that provides comprehensive guidance on appropriate assessment of all required risk factors.

   PFM Response: PFM concurred with our recommendation and stated that "in FY 2024, the Department plans to design and implement a Payment Integrity Training Program for staff and supervisors who complete, review, and approve, the

[7] The Inspector General Act of 1978, 5 U.S.C. § 405(b), requires inspectors general to prepare semiannual reports summarizing OIG activities during the immediately preceding 6-month periods ending March 31 and September 30. It also states that these semiannual reports should include an identification of each "significant recommendation" described in previous semiannual reports on which corrective action has not been completed.

required annual risk assessments of the relevant risk factors at the Bureau/Office level. The Payment Integrity Program will be facilitated annually by PFM."

OIG Comment: Based on the PFM response, we consider the recommendation resolved. We will consider this recommendation implemented when the Department provides documentation that it has completed and launched the uniform training program for all improper payment integrity risk assessors that provides comprehensive guidance on appropriate assessment of all required risk factors.

We will track open recommendations for resolution and implementation. 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 about this report, please contact me at aie_reports@doioig.gov.

Attachments (3)

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) 2023 to ensure it complied with Payment Integrity Information Act of 2019 reporting requirements. We conducted this inspection from January through May 2024.

To accomplish our objective, we:

- Reviewed the AFR for information reported on improper payments.
- Interviewed Office of Financial Management (PFM) staff as necessary.
- Reviewed DOI payment integrity information reported to Office of Management and Budget (OMB) max.gov and paymentaccuracy.gov.
- Reviewed documentation supporting payment integrity reporting for 14 off-cycle risk assessments of DOI programs that are new or have significant increases in funding with over $10 million in outlays for the assessment period of quarter 4 of FY 2022 through quarter 3 of FY 2023.
- Reviewed DOI internal controls over AFR preparation and reporting.

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: Fiscal Year 2023 Programs Assessed for Risk of Improper Payments

For fiscal year 2023, the U.S. Department of the Interior (DOI) conducted off-cycle risk assessments on 14 DOI programs that are new or had significant increases in funding and with annual outlays greater than $10 million and determined the likelihood of improper payments, including underpayments, above or below the statutory threshold. All 14 programs required off-cycle risk assessments due to expenditures of special supplemental appropriations from the Infrastructure Investment and Jobs Act (IIJA), Great American Outdoors Act (GAOA), the Inflation Reduction Act (IRA), and Disaster Relief (DR).

	Compliant with Applicable PIIA Requirements*			
Program and Funding Source	**1a**	**1b**	**2a**	**2b**
Departmentwide Programs				
Energy Community Revitalization Program – IIJA	Yes	Yes	Yes	Yes
Bureau of Indian Affairs				
Operation and Maintenance, Indian Irrigation Systems – IIJA	Yes	Yes	Yes	Yes
Power Systems, Indian Irrigation Projects – IIJA	Yes	Yes	Yes	Yes
Bureau of Indian Affairs/ Bureau of Indian Education				
Wildland Fire Management (Departmentwide Programs)† – IIJA	Yes	Yes	Yes	Yes
Bureau of Land Management				
Management of Lands and Resources – IRA	Yes	Yes	Yes	Yes
National Parks and Public Land Legacy Restoration Fund (Departmentwide Programs)† – GAOA	Yes	Yes	Yes	Yes
Wildland Fire Management (Departmentwide Programs)† – IIJA	Yes	Yes	Yes	Yes
Bureau of Reclamation				
Water and Related Resources – IRA	Yes	Yes	Yes	Yes
Water and Related Resources – IIJA	Yes	Yes	Yes	Yes
San Gabriel Basin Restoration Fund – Consolidated Appropriations Acts of 2022 and 2023	Yes	Yes	Yes	Yes

Program and Funding Source	Compliant with Applicable PIIA Requirements* 1a	1b	2a	2b
National Park Service				
Construction – DR	Yes	Yes	Yes	Yes
National Parks and Public Land Legacy Restoration Fund (Governmentwide Programs)† – GAOA	Yes	Yes	Yes	Yes
Wildland Fire Management (Departmentwide Programs)† – IIJA	Yes	Yes	Yes	Yes
U.S. Geological Survey				
Surveys, Investigations, and Research – IIJA	Yes	Yes	Yes	Yes

* PIIA 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.

† This program has a Departmentwide "parent" program but different "child" programs distinguished by bureau or office. DOI assessed each "child" program separately.

Attachment 3: Status of Recommendations From Prior Inspection

Recommendations	Status
2022-FIN-015-01 We recommend that the Office of Financial Management 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.	**Implemented**
2022-FIN-015-02 We recommend that the Office of Financial Management revise its payment integrity risk assessment methodology to include sufficient justification for the approach selected and used.	**Implemented**

Attachment 4: Response to Draft Report

The Office of Financial Management's response to our draft report follows on page 13.

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
Office of the Inspector General

From: Tonya R. Johnson-Simmons
Deputy Chief Financial Officer (Deputy CFO)

Subject: DOI Response to the Office of Inspector General Draft Inspection Report 2024-FIN-005 (Issued on May 3, 2024) on the *U.S. Department of the Interior's Compliance with the Payment Integrity Information Act of 2019 in Its Fiscal Year 2023 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 2024-FIN-005, regarding the *U.S. Department of the Interior's compliance with the Payment Integrity Information Act of 2019 in its Fiscal Year 2023 Agency Financial Report (AFR)*.

Recommendation: Establish and implement a uniform training program for all improper payment risk assessors that provides comprehensive guidance on appropriate assessment of all required risk factors.

The DOI concurs with this recommendation. In FY 2024, the Department plans to design and implement a Payment Integrity Training Program for staff and supervisors who complete, review, and approve, the required annual risk assessments of the relevant risk factors at the Bureau/Office level. The Payment Integrity Training Program will be facilitated annually by PFM. Below are the plan milestones regarding the recommendation.

During FY 2024 and beyond, PFM plans to conduct the following:

- Analyze aspects of the payment integrity risk assessment methodology to identify learning objectives for the audience of assessors and their supervisors.
- Design a learning program, consistent with learning objectives, that covers each instructional goal for users and supervisors to accurately conduct risk assessments.
- Develop learning materials and prepare subject-matter knowledge resources to facilitate training sessions (with consideration of a small group pilot training course).
- Implement the learning program and continuously evaluate feedback on the quality of learning materials and effectiveness for how well instructional goals are accomplished.

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

Attachment 5: Status of Recommendations

Recommendation	Status	Action Required
2024-FIN-005-01 We recommend that the Office of Financial Management establish and implement a uniform training program for all improper payment risk assessors that provides comprehensive guidance on appropriate assessment of all required risk factors.	**Resolved**	We will track implementation.

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