



Report in Brief

May 13, 2021

Background

As mandated by the Payment Integrity Information Act of 2019 (PIIA) and in accordance with guidance issued by the Office of Management and Budget (OMB), we initiated this review to determine whether the U.S. Department of Commerce (the Department) complied with PIIA, which is intended to improve efforts to identify and reduce government-wide improper payments.

Broadly defined, *improper payments* are those the federal government has made for the wrong amount, to the wrong entity, or for the wrong reason. PIIA set forth improper payment requirements for executive agencies including, but not limited to, (1) conducting program-specific risk assessments for each program or activity, (2) publishing improper payment estimates for programs susceptible to significant improper payments, and (3) reporting on corrective actions to reduce improper payments. We initiated our fiscal year (FY) 2020 annual compliance review using a combination of the requirements in *OMB Circular A-123, Appendix C (M-18-20, June 2018)*; *OMB Circular A-136 (August 2020)*; the *OMB Annual Data Call Instructions* and *OMB Supplemental Data Call Instructions (September 2020)*; the *OMB Payment Integrity Question and Answer Platform*; and the Council of the Inspectors General on Integrity and Efficiency's *Guidance for Payment Integrity Information Act Compliance Reviews (November 2020)*.

Why We Did This Review

Our review objective was to determine the Department's compliance with PIIA. To determine FY 2020 compliance, we reviewed the "Payment Integrity" section of its *FY 2020 Agency Financial Report (AFR)*, accompanying materials to the *AFR*, and other improper payment-related documentation. We also assessed the Department's efforts related to preventing and reducing improper payments.

OFFICE OF THE SECRETARY

FY 2020 Compliance with Improper Payment Requirements

OIG-21-026-I

WHAT WE FOUND

To comply with PIIA, the Department must adhere to the following criteria:

1. Publish improper payment information with the agency's *AFR* for the most recent FY and post the *AFR* and accompanying materials required by OMB on the agency's website.
2. Conduct improper payment risk assessments for each program with annual outlays greater than \$10 million at least once in the last 3 years and adequately conclude whether the program is likely to make improper payments above or below the statutory threshold.
3. Publish improper payment estimates for programs susceptible to significant improper payments in the accompanying materials to the *AFR*.
4. Publish corrective action plans for each program for which an estimate was above the statutory threshold.
5. Publish improper payment reduction targets and meet improper payment targets (published in FY 2019) for each program for which an estimate was above the statutory threshold and develop a plan to meet the improper payment reduction targets.
6. Report an improper payment estimate of less than 10 percent for each program for which an estimate was published.

We found that the Department did not conduct risk assessments for all required programs. Risk assessments for two programs under the U.S. Census Bureau were not performed as frequently as required. PIIA requires agencies to conduct risk assessments for covered programs and activities at least once every 3 years. Risk assessments play an important role in determining whether the program is susceptible to significant improper payments and, consequently, are important for reasonably ensuring that payment integrity information reported by the Department is complete and accurate.

Risk assessments for the Census Bureau's Working Capital Fund and Geographic Support programs were last performed during FY 2017 and, therefore, should have been performed during FY 2020, but were not. The FY 2020 gross outlays for the Working Capital Fund and Geographic Support programs were approximately \$850 million and \$60 million, respectively. As a result, the Department did not comply with criterion 2 above, and is therefore noncompliant with PIIA. The Department explained that it made an error updating its risk assessment schedule, resulting in the oversight, and communicated plans to revise its scheduling process to reduce the risk of future errors.

WHAT WE RECOMMEND

We recommend that the Deputy Chief Financial Officer and Director for Financial Management do the following:

1. Include the Census Bureau's Geographic Support and Working Capital Fund programs in the next risk assessment during FY 2021.
2. Implement a revised risk assessment scheduling process so the Department can ensure risk assessments are completed at least once every 3 years.