

The Department Complied with Payment Integrity Information Act Requirements for Fiscal Year 2023

FINAL REPORT NO. OIG-24-020-I

MAY 8, 2024



U.S. Department of Commerce
Office of Inspector General
Office of Audit and Evaluation



INFORMATION MEMORANDUM FOR SECRETARY RAIMONDO

FROM: Roderick Anderson, Acting Inspector General, (202) 794-7788

DATE: May 8, 2024

CC: Jeremy Pelter, Acting Chief Financial Officer and Assistant Secretary for Administration
Stephen Kunze, Deputy Chief Financial Officer and Director for Financial Management, Office of Financial Management, Office of the Secretary

RE: **The Department Complied with Payment Integrity Information Act Requirements for Fiscal Year 2023 Final Report No. OIG-24-020-I**

This memorandum provides our final report on fiscal year (FY) 2023 improper payment reporting. The objective of our evaluation was to determine the U.S. Department of Commerce's (Department's) compliance with the Payment Integrity Information Act of 2019 (PIIA) for FY 2023. To determine compliance, we reviewed the "Payment Integrity" section of the Department's FY 2023 *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 and unknown payments.

Based on our review, we concluded that the Department complied with the PIIA criteria for FY 2023. We did not identify any actions needed to further improve prevention and reduction measures within the Department.

This final report will be posted on the Office of Inspector General's website pursuant to the Inspector General Act of 1978, as amended (5 U.S.C. §§ 404 & 420).

As required by PIIA, we are also issuing a copy of this final report to the U.S. Senate Committee on Homeland Security and Governmental Affairs; the U.S. House Committee on Oversight and Accountability; the U.S. Senate Committee on Appropriations; the U.S. House Committee on Appropriations; the Comptroller General of the United States; and the Controller of the Office of Management and Budget.

We would like to thank the Department's staff and management for their cooperation during our review. Please contact me at (202) 794-7788 if you would like to discuss the results of this review.

Attachment



Report in Brief

MAY 8, 2024

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 (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 in an incorrect amount or to the wrong recipient. Improper payments can negatively impact the public's trust in the federal government and distract from the benefits of federal programs.

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. To meet improper payment requirements, the Department followed OMB guidance and performed procedures to detect and prevent improper payments and unknown payments, including (1) risk assessments of selected programs and activities and (2) routine monitoring and minimization activities, such as post-payment reviews. During fiscal year (FY) 2023, the Department reported approximately \$22.5 million in overpayments identified for recapture and approximately \$18.9 million in overpayments recovered.

Why We Did This Review

Our objective was to determine the Department's compliance with PIIA for FY 2023. We also assessed the Department's efforts related to preventing and reducing improper payments and unknown payments.

OFFICE OF THE SECRETARY

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WHAT WE CONCLUDED

To comply with PIIA, the Department must:

1. Publish payment integrity information with the agency's *Agency Financial Report (AFR)* for the most recent fiscal year 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 and unknown payments above or below the statutory threshold.
3. Publish improper payment and unknown payment estimates for programs susceptible to significant improper payments and unknown payments in the accompanying materials to the *AFR*.
4. Publish corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the *AFR*.
5. Publish an improper payment and unknown payment reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the *AFR*, demonstrate payment integrity improvements or reach a tolerable improper payment and unknown payment rate, and develop a plan to meet the improper payment and unknown payment reduction target(s).
6. Report an improper payment and unknown payment estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the *AFR*.

We concluded that the Department complied with the PIIA criteria for FY 2023 based on our review. We did not identify any actions needed to further improve prevention and reduction measures within the Department.

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Cover: Herbert C. Hoover Building main entrance at 14th Street Northwest in Washington, DC. Completed in 1932, the building is named after the former Secretary of Commerce and 31st President of the United States.

Introduction

As mandated by the Payment Integrity Information Act of 2019¹ (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 (Department) complied with PIIA, which is intended to improve efforts to identify and reduce government-wide improper payments.

Broadly defined, *improper payments* are those that the federal government has made in an incorrect amount or to the wrong recipient.² In fiscal year (FY) 2023, agencies across the federal government made an estimated \$191 billion in improper payments.³ Improper payments can negatively impact the public's trust in the federal government and distract from the benefits of federal programs. Accordingly, resolving the problem of improper payments is of the utmost importance.

On March 2, 2020, 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.

To meet improper payment requirements, the Department followed *OMB Circular A-123, Appendix C* (from March 5, 2021), *OMB Circular A-136, Revised*, May 19, 2023, and *OMB FY 2023 Payment Integrity Annual Data Call Instructions*. It also performed procedures to detect and prevent improper payments and unknown payments,⁴ including (1) risk assessments of selected programs and activities and (2) routine monitoring and minimization activities, such as post-payment reviews.

The Department reported the results of these FY 2023 actions and other required improper payment data to OMB for inclusion on [PaymentAccuracy.gov](https://www.paymentaccuracy.gov).⁵ During FY 2023, the

¹ Pub. L. 116-117, § 3353(a), Mar. 2, 2020, 134 Stat. 113 (codified at 31 U.S.C. § 3353(a)).

² An *improper payment* is any payment that should not have been made or that was made in an incorrect amount, including an overpayment or underpayment, under a statutory, contractual, administrative, or other legally applicable requirement. See 31 U.S.C. § 3351(4). It includes any payment (1) to an ineligible recipient, (2) for an ineligible good or service, (3) that is duplicate, (4) for a good or service not received (except for those payments where authorized by law), and (5) that does not account for credit for applicable discounts. *Id.*

³ Fiscal Year 2023 Improper Payment Amount per the Improper Payment Totals tab on the *FY2023 Payment Accuracy Dataset*. Available online at www.paymentaccuracy.gov (The Numbers > 2023 Dataset > Improper Payment Totals) (accessed January 2024).

⁴ An *unknown payment* is one that could be either proper or improper, but the agency is unable to determine whether the payment was proper or improper as a result of insufficient or missing documentation. See, e.g., *OMB Memorandum M-21-19*, March 5, 2021; *OMB Circular A-123, Appendix C, Section VIII* (“Appendix IA: Definitions for Purposes of this Guidance”).

⁵ [PaymentAccuracy.gov](https://www.paymentaccuracy.gov) is a website created by the U.S. Department of the Treasury, in coordination with the U.S. Department of Justice and OMB, to serve as a centralized location for publishing information about improper payments made by the federal government to individuals, organizations, and contractors.

Department reported approximately \$22.5 million in overpayments identified for recapture and approximately \$18.9 million in overpayments recovered—a recovery rate of about 84 percent.

Objective and Conclusion

The objective of our evaluation was to determine the Department's compliance with PIIA for FY 2023. To determine compliance, we reviewed the "Payment Integrity" section of its FY 2023 *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 and unknown payments. Appendix A contains additional details on the scope and methodology of this evaluation.

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

1. Publish payment integrity information with the agency's *AFR* for the most recent fiscal year 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 and unknown payments above or below the statutory threshold.⁶
3. Publish improper payment and unknown payment estimates for programs susceptible to significant improper payments and unknown payments in the accompanying materials to the *AFR*.
4. Publish corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the *AFR*.
5. Publish an improper payment and unknown payment reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the *AFR*, demonstrate payment integrity improvements or reach a tolerable improper payment and unknown payment rate, and develop a plan to meet the improper payment and unknown payment reduction target(s).
6. Report an improper payment and unknown payment estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the *AFR*.

We concluded that the Department complied with the PIIA criteria for FY 2023 based on our review and as summarized in table I on the following page. We did not identify any actions needed to further improve prevention and reduction measures within the Department.

⁶ Programs are considered to be above the statutory threshold if they are reporting improper payments and unknown payments above (1) \$10 million and 1.5 percent of the program's total annual outlays or (2) \$100 million. See 31 U.S.C. § 3352(a)(3)(A).

Table I. PIIA Compliance Requirements

Program Name ^a	Compliance Criteria									
	Published payment integrity information with the AFR	Posted the AFR and accompanying materials on the agency website	Conducted improper payment risk assessments for each program with annual outlays greater than \$10 million at least once in the last 3 years	Adequately concluded whether the program is likely to make improper payments and unknown payments above or below the statutory threshold	Published improper payment and unknown payment estimates for programs susceptible to significant improper payments in the accompanying materials to the AFR	Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AFR	Published improper payment and unknown payment reduction target(s) for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AFR	Demonstrated improvements to payment integrity or reached a tolerable improper payment and unknown payment rate	Developed a plan to meet the improper payment and unknown payment reduction target(s)	Reported an improper payment and unknown payment estimate of less than 10% for each program for which an estimate was published in the accompanying materials to the AFR
Bureau of Economic Analysis	Yes	Yes	Yes	Yes	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b
Bureau of Industry and Security's Dual Use Export Administration and Enforcement	Yes	Yes	Yes	Yes	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b
U.S. Census Bureau's (Census') Enterprise Data Collection and Dissemination Systems (EDCADS) - Administrative Records Research and Integration	Yes	Yes	Yes	Yes	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b
Census EDCADS - Census Personnel and Employment Check Systems (CPECS)	Yes	Yes	Yes	Yes	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b
Census Geographic Support	Yes	Yes	Yes	Yes	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b
Census EDCADS - Data Ingest and Collection for the Enterprise (DICE)	Yes	Yes	Yes	Yes	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b
Census EDCADS - Enterprise Data Lake	Yes	Yes	Yes	Yes	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b
International Trade Administration's Enforcement and Compliance	Yes	Yes	Yes	Yes	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b
Minority Business Development Administration's (MBDA's) Minority Business Development and Advocacy	Yes	Yes	Yes	Yes	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b
MBDA's Minority Business Development Grants	Yes	Yes	Yes	Yes	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b
National Institute of Standards and Technology's Purchase Card	Yes	Yes	Yes	Yes	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b

Program Name ^a	Compliance Criteria									
	Published payment integrity information with the AFR	Posted the AFR and accompanying materials on the agency website	Conducted improper payment risk assessments for each program with annual outlays greater than \$10 million at least once in the last 3 years	Adequately concluded whether the program is likely to make improper payments and unknown payments above or below the statutory threshold	Published improper payment and unknown payment estimates for programs susceptible to significant improper payments in the accompanying materials to the AFR	Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AFR	Published improper payment and unknown payment reduction target(s) for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AFR	Demonstrated improvements to payment integrity or reached a tolerable improper payment and unknown payment rate	Developed a plan to meet the improper payment and unknown payment reduction target(s)	Reported an improper payment and unknown payment estimate of less than 10% for each program for which an estimate was published in the accompanying materials to the AFR
National Oceanic and Atmospheric Administration's Loans, Intra-Governmental Payment and Collection System, Other	Yes	Yes	Yes	Yes	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b
National Telecommunications and Information Administration's (NTIA's) Broadband Equity, Access, and Deployment Program	Yes	Yes	Yes	Yes	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b
NTIA's Broadband Infrastructure Program & Tribal Broadband Connectivity Program	Yes	Yes	Yes	Yes	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b
NTIA's First Responder Network Authority	Yes	Yes	Yes	Yes	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b
NTIA's Non-FirstNet Activity Included in (a) Public Safety Trust Fund; and (b) Network Construction Fund	Yes	Yes	Yes	Yes	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b
Office of the Secretary's Departmental Management	Yes	Yes	Yes	Yes	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b
U.S. Patent and Trademark Office's Patents and Trademarks	Yes	Yes	Yes	Yes	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b	NA ^b

Source: OIG analysis of Departmental data

^a We assessed these Departmental programs, including improper payment risk assessments, if applicable. The Department completed 19 program risk assessments during FY 2023, including one for OIG. Because we did not review OIG's risk assessment, it is not included in this table.

^b The Department was not required to report improper payment data for this program in FY 2023, as the Department's risk assessment process did not identify the program as susceptible to significant improper payments and unknown payments.

Appendix A: Objective, Scope, and Methodology

In December 2023, we initiated an evaluation to determine the Department's compliance with PIIA for FY 2023.

To accomplish our objective, we performed the following:

- Reviewed relevant laws, regulations, and other guidance, including:
 - *Payment Integrity Information Act of 2019* (Pub. L. No. 116-117) dated March 2, 2020
 - *OMB Circular A-123, Appendix C*, as revised by *OMB Memorandum M-21-19*, dated March 5, 2021
 - *OMB Circular A-136, Revised*, dated May 19, 2023
 - *OMB FY2023 Payment Integrity Annual Data Call Instructions*, updated August 2023
 - *OMB Payment Integrity Question and Answer Platform*
 - Council of the Inspectors General on Integrity and Efficiency, *Guidance for Payment Integrity Information Act Compliance Reviews*, dated October 19, 2023
- Reviewed the “Payment Integrity” section in the FY 2023 AFR and the Department's accompanying materials (*FY2023 Payment Accuracy Dataset*) included on [PaymentAccuracy.gov](https://www.paymentaccuracy.gov).
- Gained an understanding of internal controls by interviewing staff in the Office of the Secretary's Office of Financial Management, National Oceanic and Atmospheric Administration, National Telecommunications and Information Administration, National Institute of Standards and Technology, and Enterprise Services responsible for improper payment oversight and reporting.
- Obtained and analyzed documents related to the FY 2023 risk assessments and improper payment reporting—including the FY 2023 risk assessment tracking log, completed risk assessments, and the FY 2023 improper payments and amounts recaptured summary.
- Reviewed Departmental processes and practices for identifying, assessing, and reporting programs and activities susceptible to significant improper payments.
- Reviewed the Departmental processes and practices in place to prevent, reduce, and recapture improper payments during FY 2023.
- Reviewed the Department's compliance with applicable provisions of PIIA.

In addition, we assessed the reliability of the Department's FY 2023 improper payments data by identifying the data sources, understanding how the data was extracted, and analyzing the data. We also traced data to source documents. We determined that the data was sufficiently reliable for the purposes of this report.

We conducted our review from December 2023 through May 2024 under the authority of the Inspector General Act of 1978, as amended (5 U.S.C. §§ 401-424), and Department Organization Order 10-13, as amended October 21, 2020. We performed our fieldwork remotely.

We conducted this evaluation in accordance with *Quality Standards for Inspection and Evaluation* (December 2020) issued by the Council of the Inspectors General on Integrity and Efficiency. Those standards require that the evidence must sufficiently and appropriately support the evaluation findings and provide a reasonable basis for conclusions and recommendations related to the objective. We believe that the evidence obtained provides a reasonable basis for our conclusion based on our review objective.

REPORT

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