OFFICE OF
INSPECTOR GENERAL
U.S.DEPARTMENT OF THE INTERIOR

U.S. Department of the Interior's Compliance With the Improper Payments Elimination and Recovery Act of 2010 in its Fiscal Year 2019 *Agency Financial Report*

In recognition of Secretarial Order No. 3380, we are providing estimated costs associated with certain work products. Applying a formula involving prior labor and salary expenses, we estimate the cost of preparing this report to be $13,000.

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OFFICE OF INSPECTOR GENERAL
U.S.DEPARTMENT OF THE INTERIOR

JUL 15 2020

Memorandum

To: David L. Bernhardt
Secretary, U.S. Department of the Interior

From: Mark Lee Greenblatt
Inspector General

Subject: Final Inspection Report – *U.S. Department of the Interior's Compliance With the Improper Payments Elimination and Recovery Act of 2010 in Its Fiscal Year 2019 Agency Financial Report*
Report No. 2020-FIN-023

We conducted this inspection to determine whether the U.S. Department of the Interior met the requirements of the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and accurately and completely reported on improper payments in its *Agency Financial Report* (AFR) for fiscal year (FY) 2019 and accompanying materials. Attachment 1 provides our scope and methodology.

We found that the Department complied with all applicable IPERA reporting requirements for FY 2019, namely the first two requirements of six. Specifically, it complied with the first requirement by publishing the AFR and posting it on the Department's website, and it complied with the second by conducting a program-specific risk assessment for 86 programs that met the reporting threshold for the fiscal year. We found an error in the number of programs reported as having been risk assessed. In particular, the Department misreported the number of programs that were risk assessed in FY 2019 as 93, when the actual number was 86. However, this reporting error does not change our determination that the Department complied with the requirement. We did not consider the four remaining IPERA reporting requirements applicable for this reporting period because the Department did not identify any programs that were susceptible to significant improper payments. Our analysis supported the Department's conclusion.

Background

IPERA, which became law on July 22, 2010, amended the Improper Payments Information Act of 2002 (IPIA) to prevent the loss of taxpayer dollars through improper payments. On January 10, 2013, the President signed into law the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), amending IPERA. The Office of Management and Budget (OMB) issued implementation guidance with requirements from IPIA, IPERA, and IPERIA on October 20, 2014, as OMB Memorandum M-15-02 (Appendix C to Circular No. A-123, *Requirements for Effective Estimation and Remediation of Improper*

Payments). On June 26, 2018, the OMB replaced M-15-02 with M-18-20 (Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement*) to transform the improper payment compliance framework and create a more unified, more comprehensive, and less burdensome set of requirements. On March 2, 2020, the President signed The Payment Integrity Information Act of 2019 (PIIA), which revokes and incorporates select provisions from IPIA, IPERA, and IPERIA. The OMB will issue implementing guidance for PIIA. Until then, agencies will continue to follow OMB Memorandum M-18-20.

IPERA 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. IPERA defines significant improper payments as (1) more than $10 million 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 IPERA, the agency must:

1. Publish an AFR that included a section related to IPERA reporting and post the AFR on the agency website—for the Department, see https://www.doi.gov/pfm/afr/2019

2. Perform a program-specific risk assessment on any new programs, programs with significant increases in expenditures, or programs due for assessment on a 3-year cycle

3. Publish improper payment estimates for all programs identified as susceptible to significant improper payments under its risk assessment

4. Publish programmatic corrective action plans, on the actions it has taken to reduce improper payments for programs or activities that have significant improper payments

5. Publish, and meet, annual reduction targets for each program assessed to be at risk and estimated for improper payments

6. Report a gross improper payment rate of less than 10 percent for each program for which an improper payment rate estimate was obtained and published

OMB Memorandum M-18-20 requires agencies to institute a systematic method of reviewing all programs to identify those susceptible to significant improper payments. The OMB requires agencies to perform risk assessments at least once every 3 years for programs that are deemed to be not susceptible to significant improper payments. In FY 2019, the Department conducted its latest 3-year risk assessments of 86 Department programs. If a program that is on a 3-year risk assessment cycle experiences a significant increase in its funding level, the OMB requires the agency to 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.

OMB Memorandum M-18-20 also requires that each agency's Inspector General review the agency's improper payment reporting published in the agency's annual *Performance and Accountability Report* (PAR) or AFR and accompanying materials to determine whether the agency has complied with IPERA.

Results of Inspection

We found that the Department complied with all applicable IPERA reporting requirements for FY 2019; the applicable requirements were the first and second requirements of six (see Figure 1). Specifically:

- The Department complied with the first reporting requirement by publishing an AFR that included a section related to IPERA reporting and posting the AFR on its website — https://www.doi.gov/pfm/afr/2019.

- The Department complied with the second reporting requirement by performing the 3-year risk assessments on 86 programs, including those that were new or had significant increases in expenditures in FY 2019 (see Attachment 2 for a list of all 86 assessed programs).

We reviewed the summary of FY 2019 risk assessments on the DOI SharePoint site and verified that each program's risk assessment score was below the threshold that would have required the Department to report an improper payment estimate for that program. To ensure that the risk assessments were done appropriately, we reviewed the Department's program-specific risk assessment summary schedules and verified that the nine required qualitative risk factors were addressed for each program and that the risk assessment rating appeared reasonable based on responses provided in the schedules, with no deficiencies noted. The four remaining IPERA reporting requirements were not applicable for this reporting period because the Department did not identify any programs that were susceptible to significant improper payments.

Figure 1: IPERA Criteria and the Department's Compliance

IPERA Requirement	Department Compliance
The agency published a PAR or AFR for the most recent fiscal year and posted that report on its website.	YES
The agency conducted a specific risk assessment for each program or activity in that fiscal year or obtained a waiver from the OMB.	YES
The agency published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment.	N/A
The agency published programmatic corrective action plans in the PAR or AFR.	N/A
The agency published and met annual reduction targets for each program assessed to be at risk and measured for improper payments.	N/A
The agency reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the PAR or AFR.	N/A

Although we determined that the Department was in compliance with the risk assessment requirement by conducting and reporting its required 3-year risk assessments in FY 2019, we identified that seven programs that were risk assessed in FY 2018 were erroneously included in the FY 2019 AFR's "Payment Integrity" section as having been risk assessed in FY 2019. As a result, the Department misreported by overstating the number of programs that were risk assessed for FY 2019 as 93, when the actual number of programs assessed in FY 2019 was in fact 86 (see Figure 2).

Figure 2: DOI Programs Risk Assessed in FY 2018 But Erroneously Included in the FY 2019 AFR as Having Been Risk Assessed in FY 2019

Bureau	Program
Departmental offices	Office of Natural Resources Revenue operations
U.S. Fish and Wildlife Service	National Wildlife Refuge (5091-F000*)
Bureau of Land Management	Land Acquisition (Bureau of Land Management)
National Park Service	Concessioner Improvement Accounts
Bureau of Reclamation (BOR)	BOR Central Utah Project Completion Account
Bureau of Reclamation	Utah Reclamation Mitigation and Conservation Account
U.S. Fish and Wildlife Service (FWS)	FWS Federal Aid – Highways (Liquidation of Contract Authorization), U.S. Department of Transportation

* Unique identifier provided because there are two funds with the same fund name.

This misreporting of the number of programs risk assessed in FY 2019 occurred because of a SharePoint system reporting issue. According to the Office of Financial Management (PFM), the PFM was still working out a problem with its new reporting tool that did not correctly eliminate the previous year's risk assessed programs from the program count. We plan to revisit whether the PFM has corrected the problem during our next review of the Department's payment integrity reporting, for the FY 2020 AFR.

Because the Department expended Hurricane Sandy funds during FY 2019, it is required by the Disaster Relief Act to identify these funds as susceptible to significant improper payments and determine and report an improper payment estimate. During FY 2017, the Department applied for and received a waiver from the OMB for relief from the Act's requirement for reporting an improper payment estimate, but the OMB requested that the Hurricane Sandy program be placed on a cycle of risk assessment every 3 years. NPS Hurricane Sandy supplemental funding of $12,035,839 was included in the FY 2019 risk assessment cycle, and the risk was assessed by the Department as low for this funding, therefore not requiring the reporting of an improper payment rate in the DOI's AFR for FY 2019.

In addition, OMB Memorandum M-18-14, *Implementation of Internal Controls and Grant Expenditures for the Disaster-Related Appropriations*, requires that, starting with FY 2019 reporting, disaster relief programs with expenditures meeting or exceeding $10 million will automatically be considered susceptible to improper payments and therefore require an improper payment rate to be calculated and reported in the Department's AFR. We determined, however, that the Department decided to delay the risk assessment and reporting of an improper payment rate for disaster relief funding related to Hurricanes Harvey, Irma, and Maria until FY 2020. We reviewed email correspondence showing that the Department asked for and obtained approval for this decision from the OMB, but the Department did not disclose this arrangement in its FY 2019 AFR. Regardless, in FY 2020, we expect that the Department will report an improper payment rate for the Harvey, Irma, and Maria disaster relief funding.

We do not require a response to this report. If you have any questions regarding our inspection or require further information, please contact me at 202-208-5745.

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit, inspection, and evaluation reports issued; actions taken to implement our recommendations; and recommendations that have not been implemented.

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 *Agency Financial Report* (AFR) for fiscal year (FY) 2019 to ensure it complied with Improper Payments Elimination and Recovery Act of 2010 (IPERA) reporting requirements. We conducted this inspection from April through May 2020.

To accomplish our objective, we:

- Reviewed the AFR for information reported on improper payments
- Interviewed Office of Financial Management (PFM) staff
- Reviewed the Department's request for and the Office of Management and Budget's waiver of the IPERA requirement to report an improper payment rate for Hurricane Sandy relief program funding
- Reviewed the PFM's internal guidance and methodology for performing risk assessments and determining risk ratings
- Reviewed the PFM's FY 2019 program-specific risk assessments summary schedules
- Reviewed the Department's internal controls over the preparation and reporting of the AFR

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.

Attachment 2: FY 2019 Programs Assessed for Risk of Improper Payments

Following is the list of programs assessed for risk of improper payments presented in the U.S. Department of Interior's *Agency Financial Report* for fiscal year (FY) 2019. The original included seven programs that should not have been listed, which we have omitted, but otherwise we present the list without alteration.

- Abandoned Mine Reclamation Fund
- BIA Federal Highways (Liquidation of Contract Authorization)
- BIA Wildland Fire
- BIA, BIE Contract Support Costs
- BLM Management of Land Resources
- BLM Recreation Enhancement Fee Program
- BLM Southern Nevada Public Land Management
- BLM Wildfire Management
- BLM Working Capital Fund
- BOR Policy and Administration
- BOR Working Capital Fund
- California Bay-Delta Restoration
- Central Valley Project Restoration Fund
- Childcare Entitlement to States, HHS
- Colorado River Dam Fund, Boulder Canyon Project
- Contributions from Annuity Benefits
- Cooperative Endangered Species Conservation Fund
- DO Administrative Operations
- DO Land and Water Conservation Fund
- DO National Indian Gaming Commission, Gaming Activity Fees
- DO Wildland Fire Management
- DO Working Capital Fund
- Emergency Relief
- Federal Aid to Wildlife Restoration
- FWS Construction Program
- FWS Cooperative Endangered Species Conservation Fund for LWCF
- FWS Land Acquisition
- FWS Natural Resource Damage Assessment Program
- FWS Wildland Fire Management
- Helium Fund
- Historic Preservation Fund-Special
- IA Construction Program
- Indian Guaranteed Loan Program Account
- Indian Land and Water Claim Settlements
- Indian Land Consolidation
- Insular Affairs Operations – Assistance to Territories
- Insular Affairs Operations – Compact of Free Association
- Insular Affairs Operations – Payments to U.S. Territories
- Interior Franchise Fund, Departmental Management
- Land Acquisition and State Assistance
- Land and Resource Management Trust Funds
- Land Buy-Back
- Lower Colorado River Basin Development Fund
- Migratory Bird Conservation Account
- National Recreation and Preservation
- National Wildlife Refuge Fund (1691-F000*)
- North American Wetlands Conservation Fund
- NPS Construction Program
- NPS Donations

- NPS Federal Aid Highways (Liquidation of Contract Authorization)
- NPS Hurricane Sandy Supplemental
- NPS Recreational Enhancement Fee Program
- NPS Wildfire Management
- Office of Inspector General Operations
- Office of the Solicitor Operations
- Office of the Special Trustee for American Indians Operations
- Offshore Safety and Environmental Enforcement
- Oil Spill Research
- Operation and Maintenance of Quarters
- Operations and Maintenance, Indian Irrigation System
- Operation of Indian Programs
- Operations of the National Park System
- Oregon and California Land Grants
- OS Natural Resource Damage Assessment and Restoration Fund
- OSMRE Regulation and Technology
- Park Concessions Franchise Fees
- Payments in Lieu of Coal Receipts
- Payments in Lieu of Taxes
- Payments to Counties Oregon and California Grant Lands
- Payments to State and County From Clark County, Land Sales
- Payments to States for the Childcare and Development Block Grant
- Permit Processing Fund
- Power Systems, Indian Irrigation Projects
- Resource Management
- Royalty Offshore
- Service Charges, Deposits and Forfeitures
- Sportfish Restoration Account
- State and Tribal Wildlife Grants
- Supplemental Payments to United Mine Workers of America
- Temporary Assistance for Needy Families
- Training and Employment Services, Employment and Training Administration
- Transportation Systems Fund
- Upper Colorado River Basin Fund
- USGS All Programs
- USGS Working Capital Fund
- Water and Related Resources

* Unique identifier provided because there are two funds with the same fund name.

Abbreviations:

BIA = Bureau of Indian Affairs
BIE = Bureau of Indian Education
BLM = Bureau of Land Management
BOR = Bureau of Reclamation
FWS = U.S. Fish and Wildlife Service
HHS = U.S. Department of Health and Human Services
LWCF = Land and Water Conservation Fund
NPS = National Park Service
OSMRE = Office of Surface Mining Reclamation and Enforcement
USGS = U.S. Geological Survey

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