



Office of Audits
Office of Inspector General
U.S. General Services Administration

GSA Complied with the Payment Integrity Information Act in Fiscal Year 2021

Report Number A220018/B/5/F22003
May 27, 2022



Office of Audits Office of Inspector General U.S. General Services Administration

Introduction

We performed an audit of GSA's compliance with the Payment Integrity Information Act of 2019 (PIIA) in Fiscal Year (FY) 2021 and have no reportable findings or recommendations. However, we are reporting one observation for management's attention.

We performed this audit as required by the PIIA. This law aims to improve efforts to identify and reduce government-wide improper payments. The PIIA requires federal agencies to review their programs and identify those that are susceptible to significant improper payments. For programs identified, agencies are required to estimate, report, and reduce improper payments through corrective action. Within GSA, the Office of the Chief Financial Officer (OCFO) is responsible for financial reporting and ensuring compliance with the PIIA. The PIIA requires each agency's Office of Inspector General (OIG) to assess agency compliance in six areas (as later described). Our audit objective was to determine if GSA complied with the PIIA in FY 2021.

See **Appendix A** – Objective, Scope, and Methodology for additional details.

Background

In FY 2021, the federal government reported over \$281 billion in estimated improper payments. Improper payments are a long-standing, widespread, and significant problem in the federal government. The goal of the PIIA is for agencies to improve efforts to identify and reduce improper payments.

Guidance and Regulations

The PIIA defines an improper payment as "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." According to the PIIA, the term "improper payment" includes:

- any payment to an ineligible recipient;
- any payment for an ineligible good or service;
- any duplicate payment;
- any payment for a good or service not received, except for those payments where authorized by law; and
- any payment that does not account for credit for applicable discounts.

In addition to the PIIA, we used a combination of the following requirements to complete our FY 2021 audit:

- Office of Management and Budget (OMB) Memorandum M-21-19, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement* (March 2021);
- OMB Memorandum M-18-14, *Implementation of Internal Controls and Grant Expenditures for the Disaster-Related Appropriations* (March 2018);
- Public laws related to disaster relief:
 - Continuing Appropriations Act, 2018, and Supplemental Appropriations for Disaster Relief Requirements Act, 2017, Pub. L. No. 115-56, 131 Stat. 1129 (2017);
 - Additional Supplemental Appropriations for Disaster Relief Requirements Act, 2017, Pub. L. No. 115-72, 131 Stat. 1224 (2017); and
 - Bipartisan Budget Act of 2018, Pub. L. No. 115-123, 132 Stat. 64 (2018);
- OMB Circular A-136, *Financial Reporting Requirements* (August 2021);
- OMB Annual Data Call Instructions;
- OMB Payment Integrity Question and Answer Platform; and
- Council of the Inspectors General on Integrity and Efficiency guidance required under the PIIA.

These requirements were expanded by Executive Order 13520, *Reducing Improper Payments*, which required federal agencies to decrease improper payments by intensifying efforts to eliminate payment error, waste, fraud, and abuse in the major programs administered by the federal government.¹

The PIIA requires federal agencies to review their programs and identify those that are susceptible to significant improper payments. OMB Memorandum M-21-19 states that improper payments are considered significant in a program if, in a given year, the gross improper payments in that program: (1) exceed both 1.5 percent of program payments and \$10 million or (2) exceed \$100 million regardless of the improper payment percentage. If a program is identified as being susceptible to significant improper payments, agencies are required to estimate, report, and reduce improper payments through corrective action. An agency is required to assess each program's risk every 3 years.

¹ Exec. Order No. 13520, 3 C.F.R. 13520 (2010).

The Office of Inspector General's Role

The PIIA requires the OIG to test for compliance by determining if an agency complied with six requirements, summarized below (see *Figure 1* on the next page for a complete description):

- Published payment integrity information with the annual financial statement and its accompanying materials for the most recent fiscal year and posted it on the agency's website;
- Conducted a program-specific risk assessment for required programs and adequately concluded whether these programs are likely to make improper and unknown payments;
- Published improper payment estimates for all programs and activities identified as susceptible to significant improper and unknown payments;
- Published programmatic corrective action plans for these programs;
- Published and developed a plan to meet annual reduction targets for each program assessed to be at risk and measured for improper and unknown payments; and
- Reported an improper and unknown payment rate of less than 10 percent for estimates published in the accompanying materials.

According to OMB Memorandum M-21-19, when determining compliance with the PIIA, the agency OIG should evaluate the accuracy and completeness of agency reporting and evaluate agency performance in reducing and recapturing improper payments.

Results

We determined that GSA complied with the PIIA in FY 2021. As shown in *Figure 1* on the next page, GSA published payment integrity information with the annual financial statement, posted the annual financial statement and accompanying materials on the Agency website, conducted improper payment risk assessments for each program with annual expenses greater than \$10 million at least once in the last 3 years, and adequately concluded whether these programs are likely to make improper and unknown payments above or below the statutory threshold. Finally, the Agency has controls in place to prevent and reduce improper and unknown payments. GSA did not report any significant improper payments at the program level for FY 2021 and, as a result, the remaining criteria did not apply.

The audit has no reportable findings or recommendations. However, we identified one observation for management's attention, which is discussed on the next page.

For a complete list of programs assessed, see **Appendix B**.

Figure 1 – Summary of GSA’s FY 2021 Compliance with the PIIA

FY 2021 Overall Evaluation	Compliant
1a. Published payment integrity information with the annual financial statement and in the accompanying materials to the annual financial statement of the agency for the most recent FY in accordance with OMB guidance;	Compliant
1b. Posted the annual financial statement and accompanying materials required under guidance of OMB on the agency website;	Compliant
2a. Conducted improper payment risk assessments for each program with annual expenses greater than \$10 million at least once in the last 3 years;	Compliant
2b. Adequately concluded whether the program is likely to make improper payments and unknown payments above or below the statutory threshold;	Compliant
3. Published improper payment and unknown payment estimates for programs susceptible to significant improper payments and unknown payments in the accompanying materials to the annual financial statement;	Not Applicable
4. Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the financial statement;	Not Applicable
5a. Published 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 financial statement;	Not Applicable
5b. Demonstrated improvements to payment integrity or reached a tolerable improper payment and unknown payment rate;	Not Applicable
5c. Developed a plan to meet the improper payment and unknown payment reduction target; and	Not Applicable
6. Reported 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 financial statement.	Not Applicable

Observation – The recovery audit organization’s FY 2021 management report to GSA did not include any recommendations.

The PIIA requires agencies to perform a payment recapture or recovery audit on all programs with annual expenditures of \$1 million or more if conducting the audits would be cost-effective. GSA has determined that the Rental of Space program is the only program where a recovery audit is cost-effective.

GSA contracted with a recovery audit organization named PRGX Global, Inc. (PRGX) to conduct the recovery audit. GSA’s multi-year contract requires that PRGX detect overpayments and other errors and identify opportunities for process improvements. GSA’s contract also requires PRGX to report on its findings and recommendations in its annual management report, called the Engagement Management Report.

Despite this contract requirement, PRGX’s FY 2021 Engagement Management Report included findings, but did not include recommendations. A representative from PRGX stated that they did not include recommendations because: (1) they believed recommendations were

redundant and (2) GSA had already implemented recommendations from a previous report (issued in June 2017 for FY 2016).

However, recommendations are important to GSA's ability to make continuous process improvements to further reduce improper payments. Annual recommendations allow GSA to implement process improvements and track its progress over time.

The GSA contracting officer's representative concurred with our observation and requested that PRGX provide recommendations in next year's Engagement Management Report.

Conclusion

We determined that GSA complied with the PIIA in FY 2021, and have no reportable findings or recommendations resulting from this audit. However, we identified one observation for management's attention: the recovery audit organization did not include recommendations in its FY 2021 Engagement Management Report. Recommendations are required by the contract, and allow the Agency to track its progress in addressing improper payments over time. The Agency requested PRGX to provide recommendations in next year's Engagement Management Report.

GSA Comments

The OCFO agreed with our audit conclusion and stated it will take action to address the report observation. The OCFO's written comments are included in their entirety as **Appendix C**.

Audit Team

This audit was managed out of the Great Lakes Region Audit Office and conducted by the individuals listed below:

Michael Lamonica	Regional Inspector General for Auditing
Franklin Moy	Audit Manager
Dana Johnson	Auditor-In-Charge
Misty Deckard	Auditor
James Dean	Auditor

Appendix A – Objective, Scope, and Methodology

Objective

We performed this audit as a requirement under the PIIA. The objective of our audit was to determine if GSA complied with the PIIA for FY 2021.

Scope and Methodology

Within GSA, the OCFO is responsible for financial reporting and ensuring compliance with the PIIA. We examined the OCFO's processes related to compliance with the PIIA in FY 2021.

To accomplish our objective, we:

- Examined relevant criteria, including public laws, executive orders, auditing and internal control standards, OMB memorandums, and GSA directives;
- Evaluated the OCFO's processes to identify and reduce improper payments;
- Accessed GSA systems to verify claim information;
- Examined supporting documentation for the OCFO's reporting on improper payments in GSA's FY 2021 annual financial statement;
- Held discussions with OCFO officials regarding improper payment identification, risk assessment, reporting, and improper payments estimation;
- Interviewed U.S. Department of Agriculture (USDA) officials regarding the improper payments claim process. USDA provides GSA with overpayment reports for improper payment calculations;
- Reviewed previous GSA OIG improper payment reports;
- Reviewed the OCFO Standard Operating Procedure document describing the controls related to PIIA compliance, FY 2021 Internal Controls Division's Statement of Assurance, and the Disaster Relief program's PIIA compliance testing instructions;
- Reviewed and implemented the Council of the Inspectors General on Integrity and Efficiency guidance required under the PIIA;
- Evaluated OCFO's adherence to the Government Accountability Office's (GAO's) *Standards for Internal Control in the Federal Government* (GAO-14-704G); and
- Assessed the design, implementation, and operating effectiveness of relevant internal controls.

Data Reliability

We assessed the reliability of data through: (1) data reconciliation of GSA's risk assessment summary to source documentation and (2) review of supporting invoices and reports from GSA's financial system of record. We also interviewed GSA and USDA officials to assess data reliability. We determined that the data was sufficiently reliable for purposes of this audit.

Sampling

We analyzed a sample of FY 2020 improper payment claims to evaluate data reliability and appropriateness of claims amounts. The sample was divided into two sections: (1) claims from the USDA Kansas City office (Kansas City) and (2) claims from the USDA Fort Worth office (Fort Worth). The claims from Kansas City focused on GSA's Federal Acquisition Service; claims from Fort Worth focused on GSA's Public Buildings Service.

The audit team selected a judgmental sample of 20 transactions. The dollar amounts sampled represented over 19 percent (\$5.4 million) of the total \$28.1 million claim. While this nonstatistical sample design does not allow for projection of the results to the population, it allowed us to address our audit objective.

Internal Controls

We assessed internal controls significant within the context of our audit objective against GAO-14-704G, *Standards for Internal Control in the Federal Government*. The methodology above describes the scope of our assessment and the observation above includes the internal control issue we identified. Our assessment is not intended to provide assurance on GSA's internal control structure as a whole. GSA management is responsible for establishing and maintaining internal controls.

Compliance Statement

We conducted the audit between October 2021 and March 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B – List of Programs Assessed

Program Names	
Acquisition Services Fund - Operating	Integrated Award Environment
Assisted Acquisition Services (AAS)	Operating Expenses (Direct)
Audit Contracts and Contract Administration	Products and Programs
Building Operations	Rental of Space
Construction and Acquisition of Facilities	Repairs and Alterations
Disaster Emergency Funds	Special Services and Improvements
General Supplies and Services (GSS)	Technology Transformation Service
Government-wide Policy	Travel/Motor Vehicles and Card Services (TMVCS) - Flow-Thru
Government-wide Policy (Reimbursable)	Working Capital Fund (Reimbursable)
Information Technology Category (ITC)	

OMB Memorandum M-21-19 requires OIGs to include this table to show the criteria the OIG used, as well as the name of each program assessed in the PIIA compliance report. We assessed GSA's results related to the risk assessments completed for these programs. The table above shows the 19 programs that GSA performed risk assessments on in FY 2021. It does not include programs that were not due for risk assessments. We found all 19 programs to be compliant with PIIA criteria numbers 1a, 1b, 2a, and 2b; the remaining criteria (numbers 3, 4, 5a, 5b, 5c, and 6) were not applicable (see *Figure 1* on page 4 of the report).

Appendix C – GSA Comments

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GSA Office of the Chief Financial Officer

MEMORANDUM FOR MICHAEL LAMONICA
REGIONAL INSPECTOR GENERAL FOR AUDITING
GREAT LAKES REGION AUDIT OFFICE (JA-5)

FROM: MEHUL PAREKH
ACTING CHIEF FINANCIAL OFFICER
OFFICE OF THE CHIEF FINANCIAL OFFICER (B)

Mehul Parekh

SUBJECT: Response to the Office of the Inspector General Draft Report "*GSA Complied With the Payment Integrity Information Act in Fiscal Year 2021*"
Assignment Number A210018

The Office of the Chief Financial Officer (OCFO) appreciates the opportunity to comment on the Office of the Inspector General draft report "*GSA Complied With the Payment Integrity Information Act in Fiscal Year 2021*" (A210018).

The OCFO concurs with the report. As acknowledged in the report, the General Services Administration (GSA) fully complied with the requirements of the Payment Integrity Information Act in Fiscal Year 2021. In addition, GSA will take action to address the observation noted in the report.

Thank you for your effective communication and diligence throughout this audit process.

Should you have any questions regarding this matter, please contact Kathy Hammer at kathy.hammer@gsa.gov.

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Appendix D – Report Distribution

GSA Administrator (A)

GSA Deputy Administrator (AD)

Acting Chief Financial Officer (B)

Deputy Chief Financial Officer (B)

Chief of Staff (B)

Deputy Chief of Staff (B)

Director of Financial Management (BG)

Office of Audit Management and Accountability (BA)

Assistant Inspector General for Auditing (JA)

Director, Audit Planning, Policy, and Operations Staff (JAO)

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