



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 2022 Agency Financial Report

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



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

MAY 22 2023

Memorandum

To: Deb Haaland
Secretary, U.S. Department of the Interior

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

From: Mark Lee Greenblatt 
Inspector General

Subject: Final Inspection Report – *U.S. Department of the Interior’s Compliance With the Payment Integrity Information Act of 2019 in Its Fiscal Year 2022 Agency Financial Report*
Report No. 2023–FIN–010

This memorandum transmits our inspection report on the U.S. Department of the Interior’s (DOI’s) compliance with requirements for improper payment reporting. Our objective was to determine whether the DOI complied with the requirements of the Payment Integrity Information Act of 2019 (PIIA)¹ and accurately and completely reported on improper payments in its *Agency Financial Report* (AFR) for fiscal year (FY) 2022 and accompanying materials. Attachment 1 provides our scope and methodology.

We found that the DOI complied with PIIA for FY 2022. Specifically, it complied with the first requirement by publishing payment integrity information in the AFR and posting it to the DOI’s website. It also complied with the second requirement by conducting its 3-year risk assessments on 110 DOI programs with annual outlays greater than \$10 million and concluding on the likelihood of improper payments (IPs), including underpayments (UPs), above or below the statutory threshold. We confirmed that the DOI did not identify or report any programs susceptible to significant improper payment.

Figure 1 summarizes the DOI’s compliance status with each of the applicable PIIA requirements. The remaining PIIA reporting requirements were not applicable for this reporting period because the DOI did not identify any programs susceptible to significant improper payments. Therefore, it did not calculate or report improper payment estimates for any of its programs for FY 2022.

¹Pub. L. No. 116–117.

Figure 1: The Department of Interior’s Compliance Status With Applicable PIIA Reporting Requirements for Agencies

Requirement No.	Requirement Description*	Compliant
1a	Publish payment integrity information with the AFR.	Yes
1b	Post the AFR on the Agency website.	Yes
2a	Conduct program risk assessments as required.	Yes
2b	Conclude on the likelihood of IPs or UPs above or below the statutory threshold	Yes

* Note: PIIA reporting 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 the DOI complied with all necessary requirements, we determined that its payment integrity risk assessment methodology for DOI programs was not sufficiently supported. This issue was originally identified during our FY 2021 compliance inspection,² and we made two recommendations for improving the DOI’s payment integrity program. These recommendations have not yet been fully implemented.

Background

Enacted on March 2, 2020, PIIA requires agencies to identify and review all programs and activities they administer that may be susceptible to significant improper payments.³ 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.⁴

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 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.

² Report No. 2022–FIN–015, *U.S. Department of the Interior’s Compliance With the Payment Integrity Information Act of 2019 in Its Fiscal Year 2021 Agency Financial Report*, issued June 21, 2022.

³ PIIA repealed the Improper Payments Elimination and Recovery Act of 2010 (Pub. L. No. 111–204) and the Improper Payments Information Act of 2002 (Pub. L. No. 107–300).

⁴ These sources consisted of OMB Circular A–136, *Financial Reporting Requirements*, revised June 3, 2022; 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 November 8, 2022.

To comply with PIIA, the agency must:⁵

- 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 IP 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 IPs and UPs above or below the statutory threshold.
3. Publish IP and UP estimates for programs susceptible to significant IPs and UPs 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 IP and UP 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 IP and UP rate.
- 5c. Develop a plan to meet the IP and UP reduction target.
6. Report an IP and UP 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.

The 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. In FY 2022, the DOI conducted its most recent 3-year risk assessments of 110 programs. If a program 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.

⁵ 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, dated March 5, 2021.

Results of Inspection

We found that the DOI complied with all applicable PIIA reporting requirements for FY 2022. The 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 110 programs with outlays greater than \$10 million, and concluding that none of the programs were identified as being at high risk of susceptibility to significant improper payments. Attachment 2 lists the 110 DOI programs to which PIIA reporting requirements applied.

The details of the DOI's compliance with the two applicable PIIA reporting requirements are as follows:

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

The DOI published an AFR that included a section related to PIIA reporting as well as a link to [paymentaccuracy.gov](https://www.doi.gov/pfm/afr/2022). It also posted the AFR on its website at <https://www.doi.gov/pfm/afr/2022>.

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

The DOI reported in its FY 2022 AFR that, in FY 2022, the DOI completed in-cycle risk assessments for all DOI programs with over \$10 million in outlays for the assessment period of quarter three of FY 2021 through quarter four of FY 2022. We reviewed the risk assessments for all 110 programs and confirmed that the 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 for improper payment. Our review did not verify whether these 110 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 the 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 2022.

In our prior year's PIIA compliance inspection, we found that the Office of Financial Management's (PFM's) risk assessment methodology for DOI programs did not include sufficient support for the decision to use an equally weighted system across all 13 qualitative risk factors. We recommended that the PFM:

1. 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.

2. Revise its payment integrity risk assessment methodology to include sufficient justification for the approach selected and used.

We found that the PFM has made progress toward updating its payment integrity risk assessment methodology to address both of our recommendations, but the recommendations are not yet implemented. As a result, the PFM did not apply the new methodology to the FY 2022 in-cycle risk assessments of 110 applicable programs the DOI reported in its FY 2022 AFR.

In February 2023, DOI officials provided a detailed timeline for implementation that showed that it had collaborated with five other Federal agencies by conducting interviews to understand each agency's approach to the risk assessment with particular attention to risk factor weighting methodology. It conducted these interviews to form observations and develop proposed enhancements to strengthen the DOI's risk assessment process. PFM officials stated that they are planning to implement the new risk assessment methodology in June 2023. If the PFM does so, the new methodology will be available for the FY 2023 off-cycle risk assessment. Both recommendations are designated as resolved; we will consider these recommendations implemented once the DOI provides documentation showing that these updates are complete.

We provided a draft of this report to the DOI for review. The DOI agreed with our assessment that the open recommendations originally identified in Report No. 2022–FIN–015 were resolved and provided an update on the actions it intends to take to implement the recommendations. See Appendix 3 for the full text of the DOI's response; Appendix 4 lists the status of each recommendation from the prior report.

We have already referred the recommendations from the prior report to the Office of Policy, Management and Budget for resolution and implementation tracking and to report to us on their status. In addition, we will notify Congress about our findings, and we will report semiannually, as required by law, on actions, if any, taken to implement the recommendation. We will also post a public version of this report on our website.

If you have any questions about this report, please contact me, or your staff may contact Kathleen Sedney, Assistant Inspector General for Audits, Inspections, and Evaluations, at 202–208–5745.

Attachments (4)

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) 2022 to ensure it complied with Payment Integrity Information Act of 2019 reporting requirements. We conducted this inspection from February through March 2023.

To accomplish our objective, we:

- Reviewed the AFR for information reported on improper payments.
- Interviewed Office of Financial Management staff.
- Reviewed DOI payment integrity information reported to max.gov and paymentaccuracy.gov.
- Reviewed documentation supporting payment integrity reporting for 110 in-cycle risk assessments of all DOI programs with over \$10 million in outlays for the assessment period of quarter four of FY 2021 through quarter three of FY 2022.
- Reviewed the DOI'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 and recommendations.

Attachment 2: Fiscal Year 2022 Programs Assessed for Risk of Improper Payments

Programs (and Relevant Offices/Bureaus/Agencies)	Compliant with Applicable PIIA Requirements*			
	1a	1b	2a	2b
Abandoned Mine Reclamation Fund (OSMRE)	Yes	Yes	Yes	Yes
Assistance to Territories (OIA)†	Yes	Yes	Yes	Yes
California Bay-Delta Restoration (BOR)	Yes	Yes	Yes	Yes
Central Utah Project Completion Account – Recovery Act (BOR)	Yes	Yes	Yes	Yes
Child Care Entitlement to States, Administration for Children and Families, Health and Human Services (BIA)	Yes	Yes	Yes	Yes
Colorado River Dam Fund, Boulder Canyon Project (BOR)	Yes	Yes	Yes	Yes
Compact of Free Association (OIA)	Yes	Yes	Yes	Yes
Construction (BIA, BIE)	Yes	Yes	Yes	Yes
Construction (NPS)	Yes	Yes	Yes	Yes
Construction (FWS)	Yes	Yes	Yes	Yes
Contract Support Costs (BIA, BIE)†	Yes	Yes	Yes	Yes
Contribution for Annuity Benefits (NPS)	Yes	Yes	Yes	Yes
Cooperative Endangered Species Conservation Fund, from Land and Water Conservation Fund (FWS)	Yes	Yes	Yes	Yes
Cooperative Endangered Species Conservation Fund (FWS)	Yes	Yes	Yes	Yes
Departmental Operations, Land and Water Conservation Fund (Departmental Offices)	Yes	Yes	Yes	Yes
Departmental Operations (Office of the Secretary)	Yes	Yes	Yes	Yes
Departmental Operations, Office of the Secretary (NPS)†	Yes	Yes	Yes	Yes
Departmental Operations, Office of the Secretary (FWS)†	Yes	Yes	Yes	Yes

Programs (and Relevant Offices/Bureaus/Agencies)	Compliant with Applicable PIIA Requirements*			
	1a	1b	2a	2b
Departmental Operations, Office of the Secretary (USGS)†	Yes	Yes	Yes	Yes
Donations (NPS)	Yes	Yes	Yes	Yes
Education Construction (BIA, BIE)	Yes	Yes	Yes	Yes
Federal Aid to Wildlife Restoration (FWS)	Yes	Yes	Yes	Yes
Federal Aid-Highways (Liquidation of Contract Authorization), DOT (FWS)	Yes	Yes	Yes	Yes
Federal Aid-Highways (Liquidation of Contract Authorization) (BIA)	Yes	Yes	Yes	Yes
Federal Aid-Highways (Liquidation of Contract Authorization) (NPS)	Yes	Yes	Yes	Yes
Federal Trust Programs (BTFA)	Yes	Yes	Yes	Yes
Funds Reserved, Oregon and California Grants Lands (BLM)	Yes	Yes	Yes	Yes
Guaranteed Loan Financing Account (BIA)	Yes	Yes	Yes	Yes
Helium Fund (BLM)	Yes	Yes	Yes	Yes
Highway Infrastructure Programs, Federal Highway Administration, DOT+ ‡	Yes	Yes	Yes	Yes
Historic Preservation Fund (NPS)	Yes	Yes	Yes	Yes
Indian Guaranteed Loan Program Account (BIA, BIE)	Yes	Yes	Yes	Yes
Indian Land and Water Claim Settlements and Miscellaneous Payments to Indians (BIA, BIE)	Yes	Yes	Yes	Yes
Interior Franchise Fund (DOI)	Yes	Yes	Yes	Yes
Land Acquisition and State Assistance (NPS)	Yes	Yes	Yes	Yes
Land Acquisition (BLM)	Yes	Yes	Yes	Yes
Land Acquisition (FWS)	Yes	Yes	Yes	Yes
Land and Resources Management Trust Fund (BLM)	Yes	Yes	Yes	Yes
Lower Colorado River Basin Development Fund (BOR)	Yes	Yes	Yes	Yes

Programs (and Relevant Offices/Bureaus/Agencies)	Compliant with Applicable PIIA Requirements*			
	1a	1b	2a	2b
Management of Lands and Resources (BLM)	Yes	Yes	Yes	Yes
Migratory Bird Conservation Account (FWS)	Yes	Yes	Yes	Yes
National Indian Gaming Commission, Gaming Activity Fees‡	Yes	Yes	Yes	Yes
National Parks and Public Land Legacy Restoration Fund, Departmentwide Programs (BLM)	Yes	Yes	Yes	Yes
National Parks and Public Land Legacy Restoration Fund, Departmentwide Programs (NPS)	Yes	Yes	Yes	Yes
National Parks and Public Land Legacy Restoration Fund, Departmentwide Programs (FWS)	Yes	Yes	Yes	Yes
National Recreation and Preservation (NPS)	Yes	Yes	Yes	Yes
National Wildlife Refuge Fund (FWS)	Yes	Yes	Yes	Yes
National Resource Damage Assessment and Restoration Fund (Office of the Secretary)	Yes	Yes	Yes	Yes
National Resource Damage Assessment and Restoration Fund (FWS)	Yes	Yes	Yes	Yes
North American Wetlands Conservation Fund (FWS)	Yes	Yes	Yes	Yes
Ocean Energy Management (BOEM)	Yes	Yes	Yes	Yes
Office of Natural Resources Revenue, Departmentwide Programs (DOI)	Yes	Yes	Yes	Yes
Offshore Safety and Environmental Enforcement (BSEE)	Yes	Yes	Yes	Yes
Oil Spill Research (BSEE)	Yes	Yes	Yes	Yes
Operation and Maintenance of Quarters (NPS)	Yes	Yes	Yes	Yes
Operation and Maintenance, Indian Irrigation Systems (BIA)	Yes	Yes	Yes	Yes
Operation of Indian Education Programs (BIE)†	Yes	Yes	Yes	Yes

Programs (and Relevant Offices/Bureaus/Agencies)	Compliant with Applicable PIIA Requirements*			
	1a	1b	2a	2b
Operation of Indian Programs (BIA, BIE)†	Yes	Yes	Yes	Yes
Operation of the National Park System (NPS)	Yes	Yes	Yes	Yes
Oregon and California Grant Lands (BLM)	Yes	Yes	Yes	Yes
Outer Continental Shelf Revenues, Land and Water Conservation Fund, Share from Certain Leases (NPS)	Yes	Yes	Yes	Yes
Park Concession Franchise Fees (NPS)	Yes	Yes	Yes	Yes
Payment to States for Child Care and Development Block Grant, Administration for Children and Families, HHS (BIA)	Yes	Yes	Yes	Yes
Payment to the United States Territories, Fiscal Assistance (OIA)	Yes	Yes	Yes	Yes
Payments for Tribal Leases (BIA)	Yes	Yes	Yes	Yes
Payments in Lieu of Taxes, Departmental Management (DOI)	Yes	Yes	Yes	Yes
Payments to States in Lieu of Coal Fee Receipts (OSMRE)	Yes	Yes	Yes	Yes
Permit Processing Fund (BLM)	Yes	Yes	Yes	Yes
Policy and Administration (BOR)	Yes	Yes	Yes	Yes
Power Systems, Indian Irrigation Projects (BIA)	Yes	Yes	Yes	Yes
Reclamation Water Settlements Fund (BOR)	Yes	Yes	Yes	Yes
Recreation Enhancement Fee Program (BLM)	Yes	Yes	Yes	Yes
Recreation Enhancement Fee Program (NPS)	Yes	Yes	Yes	Yes
Regulation and Technology (OSMRE)	Yes	Yes	Yes	Yes
Resource Management (FWS)	Yes	Yes	Yes	Yes
Salaries and Expenses (Office of Inspector General)	Yes	Yes	Yes	Yes
Salaries and Expenses (Office of the Solicitor)	Yes	Yes	Yes	Yes

Programs (and Relevant Offices/Bureaus/Agencies)	Compliant with Applicable PIIA Requirements*			
	1a	1b	2a	2b
Selis-Qlispe Ksanka Settlement Trust Fund‡	Yes	Yes	Yes	Yes
Service Charges, Deposits and Forfeitures (BLM)	Yes	Yes	Yes	Yes
Southern Nevada Public Land Management (BLM)	Yes	Yes	Yes	Yes
Sport Fish Restoration Account (FWS)	Yes	Yes	Yes	Yes
State and Tribal Wildlife Grants (FWS)	Yes	Yes	Yes	Yes
Supplemental Payments to United Mine Workers of America Health Plans (OSMRE)	Yes	Yes	Yes	Yes
Surveys, Investigation, and Research (USGS)	Yes	Yes	Yes	Yes
Temporary Assistance for Needy Families (BIA)	Yes	Yes	Yes	Yes
Training and Employment Services, Employment and Training Administration (BIA)	Yes	Yes	Yes	Yes
Transportation Systems Fund (NPS)	Yes	Yes	Yes	Yes
Trust Land Consolidation Fund (BTFA)	Yes	Yes	Yes	Yes
Upper Colorado River Basin Fund (BOR)	Yes	Yes	Yes	Yes
Utah Navajo Settlement Trust Fund – Infrastructure Investment and Jobs Act (BIA)	Yes	Yes	Yes	Yes
Utah Reclamation Mitigation and Conservation Account (BOR)	Yes	Yes	Yes	Yes
Water and Related Resources (BOR)	Yes	Yes	Yes	Yes
White Mountain Apache Fund Settlement Fund (BIA)	Yes	Yes	Yes	Yes
Wildfire Management (BLM)	Yes	Yes	Yes	Yes
Wildfire Management (NPS)	Yes	Yes	Yes	Yes
Wildland Fire Management, Departmentwide Programs (DOI)	Yes	Yes	Yes	Yes
Wildland Fire Management (FWS)	Yes	Yes	Yes	Yes

Programs (and Relevant Offices/Bureaus/Agencies)	Compliant with Applicable PIIA Requirements*			
	1a	1b	2a	2b
Wildland Fire (BIA)	Yes	Yes	Yes	Yes
Working Capital Fund (BLM)	Yes	Yes	Yes	Yes
Working Capital Fund (BOR)	Yes	Yes	Yes	Yes
Working Capital Fund, Departmental Management (DOI)	Yes	Yes	Yes	Yes
Working Capital Fund (USGS)	Yes	Yes	Yes	Yes

* PIIA reporting 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.

† Includes an additional program funded through pandemic relief legislation. We confirmed the additional programs were individually assessed for risk of improper payment.

‡ The DOI Fiscal Year 2022 Agency Financial Report did not specify which agency, bureau, or office related to these programs.

Abbreviations:

- BIA = Bureau of Indian Affairs
- BIE = Bureau of Indian Education
- BLM = Bureau of Land Management
- BOEM = Bureau of Ocean Energy Management
- BOR = Bureau of Reclamation
- BSEE = Bureau of Safety and Environmental Enforcement
- BTFA = Bureau of Trust Funds Administration
- DOI = U.S. Department of the Interior
- DOT = U.S. Department of Transportation
- FWS = U.S. Fish and Wildlife Service
- NPS = National Park Service
- OIA = Office of Insular Affairs
- OSMRE = Office of Surface Mining Reclamation and Enforcement
- PIIA = Payment Integrity Information Act of 2019
- USGS = U.S. Geological Survey

Source: DOI Fiscal Year 2022 Agency Financial Report.

Attachment 3: Response to Draft Report

The U.S. Department of the Interior's response to our draft report follows on page 14.



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

Memorandum

To: Morgan Aronson
Director, Financial Audits
Office of the Inspector General

From: Tonya R. Johnson
Deputy Chief Financial Officer (Deputy CFO) and
Director, Office of Financial Management

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Nelson Alvarado
Chief, Internal Control and Evaluation Division

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Subject: DOI Response to the Office of Inspector General Draft Inspection Report 2023-FIN-010 (Issued on April 7, 2023) on the *U.S. Department of the Interior's Compliance with the Payment Integrity Information Act (PIIA) of 2019 in its Fiscal Year 2022 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 2023-FIN-010, regarding the *U.S. Department of the Interior's compliance with the Payment Integrity Information Act of 2019 in its Fiscal Year 2022 Agency Financial Report (AFR)*. The DOI concurs with the two open recommendations originally identified during OIG's FY 2021 compliance inspection (*Report No. 2022-FIN-015, U.S. Department of the Interior's Compliance with the Payment Integrity Information Act of 2019 in Its Fiscal Year 2021 Agency Financial Report, issued June 21, 2022*).

As noted in the Draft FY 2022 OIG report, PFM has made progress toward updating its payment integrity risk assessment methodology to address the two recommendations, however, the recommendations are not yet implemented. As a result, PFM did not apply the new methodology to the FY 2022 in-cycle risk assessments of 110 applicable programs reported by the DOI in its FY 2022 AFR. The Department's payment integrity methodology will be phased in during FY 2023. Below is the detailed progress PFM has made regarding the two open recommendations.

Recommendation 1: Reassess the Office of Financial Management's 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.

The DOI concurs with this recommendation. The Department collaborated with the Department of Health and Human Services (HHS), National Science Foundation (NSF), Department of Homeland Security (DHS), National Aeronautics and Space Administration (NASA), and United States Department of Agriculture (USDA) to gain insight regarding the qualitative and/or

quantitative methodologies used for the annual payment integrity risk assessments in compliance with Office of Management and Budget (OMB) Circular A-123, Appendix C. By cultivating this knowledge-sharing environment within the government, PFM was able to successfully reassess the Department's use of an equally weighted qualitative factor approach in its payment integrity risk assessment methodology, re-evaluate the risk factors identified in Appendix C of the Office of Management and Budget's (OMB) Circular A-123, and revise its risk assessment methodology to sufficiently support its risk assessment methodology. As a result of its internal evaluation, PFM is planning to implement several enhancements to its annual payment integrity risk assessment. PFM will implement these enhancements over the course of Fiscal Years (FY) 2023 and 2024. These changes will be fully operational by FY 2025 when DOI is scheduled to perform its in-cycle risk assessment of all programs with outlays over \$10 million as part of its three-year rotation.

Recommendation 2: Revise the Office of Financial Management's payment integrity risk assessment methodology to include sufficient justification for the approach selected and used.

The DOI concurs with this recommendation. In FY 2023, PFM plans to conduct the following:

- Develop category-specific weights for DOI's 13 risk factors to ensure it provides reasonable assurance that the approach will identify programs at high risk of improper payment.
- Adjust PFM's risk assessment data collection tool in SharePoint and prevent potential bias during the assessment process.
- Update *Chapter 28 – Payment Integrity Reporting Policy* in the Financial Management Handbook to include details on the assessment approach, rationale, and instruction for Bureaus/Offices on how to complete the assessment for FY 2023.

If you have any questions concerning this correspondence, please contact Nelson Alvarado, Chief of the Internal Control and Evaluation Division, via e-mail at



Attachment 4: Status of Recommendations From Prior Inspection

Below are the recommendations from Report No. 2022–FIN–015, *U.S. Department of the Interior’s Compliance With the Payment Integrity Information Act of 2019 in Its Fiscal Year 2021 Agency Financial Report*, which we issued June 21, 2022.

Recommendation	Status	Action Required
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.	Resolved	We have already referred the recommendations to the Office of Policy, Management and Budget for resolution when we issued the prior report.
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.		



REPORT FRAUD, WASTE, ABUSE, AND MISMANAGEMENT

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