



Council of the
INSPECTORS GENERAL
on INTEGRITY and EFFICIENCY

Guidance for Payment Integrity Information Act Compliance Reviews

November 2020

Note: The following guide was developed to assist Offices of Inspector General (OIG) that are required to conduct an annual improper payment review under the *Payment Integrity Information Act of 2019* (Public Law 116-117, 134 STAT. 113). This is only a guide and each OIG should use its professional judgement in determining the level of work it should perform based on its specific agency's programs.

As of November 2020, OMB was still updating OMB Circular A-123 Appendix C. Because final OMB guidance is not expected to be issued until February 2021, OIGs should initiate its FY 2020 annual improper payment compliance review using a combination of the requirements in the (a) June 2018 OMB Circular A-123 Appendix C (M-18-20), (b) August 2020 OMB Circular A-136, (c) OMB Annual Data Call Instructions, (d) OMB Payment Integrity Question and Answer Platform, and (e) CIGIE guidance included in this document.

Steps/Guidance for OIG Payment Integrity Information Act Compliance Reviews

BACKGROUND

The [*Improper Payments Elimination and Recover Act of 2010*](#) (IPERA) (Public Law 111-204) amended the *Improper Payments Information Act of 2002* and required agencies to identify and review all programs and activities they administer that may be susceptible to significant improper payments based on guidance provided by the Office of Management and Budget (OMB). For programs or activities with estimated improper payments, each agency was required to prepare a report on actions it has taken or plans to take to recover improper payments and prevent future improper payments. In addition, section 3 of IPERA required Inspectors General to review each agency's improper payment reporting and issue an annual report.

On March 2, 2020, the [*Payment Integrity Information Act of 2019*](#) (PIIA) (Public Law 116-117) repealed IPERA (and other laws) but set forth similar improper payment reporting requirements, including an annual compliance report by Inspectors General.

PLANNING STEPS

Objectives:

Our objective is to determine whether <INSERT AGENCY NAME> has met all requirements of the *Payment Integrity Information Act of 2019* (PIIA) in the Payment Integrity section of the Fiscal Year (FY) 2020 Agency Financial Report (AFR)/Performance and Accountability Report (PAR) and accompanying materials. In addition, we will evaluate <AGENCY's> efforts to prevent and reduce improper payments.

Scope: We will review the payment integrity section in the FY 20XX AFR/PAR and any accompanying material to determine agency compliance with PIIA.

General Methodology:

Our compliance review for FY 2020 will use a combination of the requirements in OMB Circular A-123, Appendix C (M-18-20, June 2018), OMB Circular A-136 (August 2020), OMB Annual Data Call Instructions, OMB Payment Integrity Question and Answer Platform, and this CIGIE guide. We will evaluate the following compliance requirements for FY 2020.

1. Review the payment integrity section of the agency's FY 20XX AFR/PAR (and any accompanying material) to assess the agency's compliance with PIIA and related OMB guidance.
2. Review information on <https://paymentaccuracy.gov/> through the annual OMB payment integrity data call. The information collected through the data calls and published on paymentaccuracy.gov is considered accompanying materials to the AFR/PAR.
3. Review applicable Federal laws, OMB guidance, and agency policy and procedures.
4. Request source data from the agency used to support applicable payment integrity information in the AFR/PAR and accompanying materials.
5. Analyze the source data to ensure accuracy and completeness of payment integrity information in the AFR/PAR and accompanying materials.
6. Conclude whether the agency met each of the six PIIA compliance requirements.
7. Since programs vary from agency to agency, each OIG needs to determine whether an issue is significant in the context of the agency under review and the OIG's objective for its review. However, generally, if an OIG considers something significant, it should have a substantial impact on the payment integrity information in the agency's AFR/PAR and accompanying materials. OIGs should use

professional judgement to determine whether an issue is significant when assessing compliance with PIIA requirements.

8. OIGs should use professional judgement to determine the extent of testing to meet its objectives. If an agency has [high priority programs](#) (as designated by OMB), then there are additional reporting requirements in Appendix C of OMB Circular A-123 that OIGs should consider.
9. OIGs should leverage any prior or on-going work in deciding the level of work to do for the PIIA compliance review. For example, consider whether any interviews conducted by the OIG as part of the financial statement audit—or any other audit, evaluation, or inspection—can be used to document your current understanding of the procedures, oversight, and internal controls in place for preparing the payment integrity information in the AFR/PAR and accompanying materials.
10. The OIG should evaluate whether an agency has published improper payments information with the annual AFR/PAR and accompanying materials for the most recent fiscal year. In determining compliance, the OIG should evaluate the
 - completeness of the agency’s programs or activities reported as susceptible to significant improper payments in the AFR/PAR (and accompanying materials) and whether those determinations were accurate based upon supporting documentation.
 - accuracy of improper payment estimates and whether the sampling and estimation plans used are appropriate given program characteristics. For example, when determining compliance, the OIG should evaluate whether the program improper payment rate estimates are accurate.
 - corrective actions plans to determine whether they are adequate and focused on the true causes of improper payments, including reducing improper payments, effectively implemented, and prioritized within the agency.
 - agency demonstrated improvement in its improper payment rates.
 - root cause category classification and determine whether the agency has accurately classified the true root causes of improper payments.

As part of its report, the OIG should include its evaluation of agency efforts to prevent and reduce improper payments. It should include any recommendations for modifying any plans of the agency relating to the program, including improvements for improper payments determination and estimation methodology, as well as actions to improve prevention and reduction.

Finally, for agencies with high-priority programs, OIGs should review (I) the assessment of the level of risk associated with the program and the quality of the improper payment estimates and methodology of the executive agency relating to the program; and (II) the oversight or financial controls to identify and prevent improper payments under the program.

Agencies found noncompliant with PIIA and OMB guidance are required to perform additional reporting to OMB, Congress, and the Comptroller General depending upon the number of years the OIG found them not in compliance. However, per OMB, since the complete guidance for PIIA will not be fully in effect for the agencies and OIGs until FY 2021, OIGs can consider FY 2020 as a stand-alone year for non-compliance reporting requirement purposes. For every program the OIG finds non-compliant for FY 2020, this will be considered the first year of non-compliance.

Nature of the Program: The payment integrity section on pages X to X of the FY 20XX AFR/PAR and any accompanying materials is a compilation of information affecting <INSERT AGENCY NAME> programs and activities. The main component/bureau/division/office responsible for compiling the payment integrity section is the <INSERT COMPONENT/BUREAU/DIVISION/OFFICE NAME>.

The purpose of the payment integrity section of the AFR/PAR, outlined by PIIA, is to improve efforts to identify and reduce Government-wide improper payments, and for other purposes. PIIA repealed Public Law 107-300, *Improper Payments Information Act of 2002* (IPIA); Public Law 111-204, *Improper Payments Elimination and Recovery Act of 2010* (IPERA); and Public Law 112-248, *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA).

In addition, <AGENCY> reports information through a Data Call and Supplemental Data call for accompany materials to the AFR/PAR. The main website for improper payment resources is <https://paymentaccuracy.gov/resources/>.

Internal Controls: Obtain an understanding of the controls in place for compiling, validating, and reporting the payment integrity information in the AFR/PAR and accompanying materials. Refer to the OIG’s prior reviews as appropriate. The OIG may want to obtain information from the agency related to its OMB Circular A-123 internal control testing related to improper payments. Internal controls include (a) performing improper payment risk assessments, (b) developing sampling and estimation plans, (c) executing sampling and estimation plans, (d) identifying root causes of improper payments, and (e) preventing and reducing improper payments.

If information systems controls are determined to be significant to meet the objective of the OIG review, obtain a sufficient understanding of information systems controls necessary to assess audit risk and plan the OIG review within the context of the objectives. If the OIG is not reviewing the systems controls or the OIG deems them not significant, please explain. For example, the OIG may conclude a low risk of the agency misstating the payment integrity information in the AFR/PAR based on prior audit work.

Legal Requirements:

The term “compliance” with PIIA and unofficial OMB guidance (shown in **Attachment A**) means that the agency complied with items 1a through 6 below. If the agency does not meet one or more of these requirements, then it is *not* compliant.

- 1a. published improper payments information with the annual financial statement of the agency for the most recent FY;
- 1b. posted the annual financial statement and accompany materials required under guidance of OMB on the agency website;
- 2a. conducted improper payment risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years;
- 2b. adequately concluded whether the program is likely to make improper payments above or below the statutory threshold;
3. published improper payment estimates for programs susceptible to significant improper payments in the accompanying materials to the annual financial statement;
4. published corrective action plans for each program for which an estimate was above the statutory threshold;
- 5a. published improper payment reduction targets for each program for which an estimate was above the statutory threshold;
- 5b. is meeting the improper payment reduction targets (published in FY 2019) for each program for which an estimate was above the statutory threshold;

5c. developed a plan to meet the improper payment reduction targets; and

6. reported an improper payment estimate of less than 10% for each program for which an estimate was published.

Criteria:

- Public Law 116-117, [*Payment Integrity Information Act of 2019*](#)
- [*OMB Annual Data Call Instructions*](#)
- [*OMB Annual Supplemental Data Call Instructions*](#)
- OMB Payment Integrity Question and Answer Platform - <https://community.max.gov/display/Finance/Payment+Integrity+Information+Act+Required+Submissions+to+OMB>
- 31 U.S.C. 3321, [*Disbursing Authority in the Executive Branch*](#)
- Public Law 114-109, [*Federal Improper Payments Coordination Act of 2015*](#)
- [*Appendix C of OMB Circular A-123, Requirements for Payment Integrity Improvement*](#), M-18-20, June 2018
- [*OMB Circular A-136, Financial Reporting Requirements*](#), August 2020
- GAO's [*Green Book, Standards for Internal Controls in the Federal Government*](#): The GAO Standards for Internal Control in the Federal Government discusses the importance of appropriate documentation for transactions. It states, "Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination." (Page 48 of GAO-14-704G dated September 2014.)

Evidence: Identify potential sources of information to use as evidence. Determine the amount and type of information needed to obtain sufficient, appropriate evidence to address the review's objectives. If the team believes that it is likely that sufficient, appropriate evidence will not be available, evaluate whether the lack of sufficient, appropriate evidence is due to internal control deficiencies or other program weaknesses, and whether the lack of sufficient, appropriate evidence could be the basis for a finding. See evidence sections in *Government Auditing Standards* and/or *Quality Standards for Inspections and Evaluations*.

Risk of Fraud or Abuse: Assess the risk of fraud and abuse occurring that is significant within the context of the objectives or that could affect the findings and conclusions. If an OIG identifies factors that indicate fraud or abuse has occurred or is likely to have occurred, it should design procedures to provide reasonable assurance of detecting such fraud/abuse. For example, if an OIG did not identify fraud or abuse in prior year OIG payment integrity reviews, you may want to assess the risk of fraud occurring as low in the context of the OIG payment integrity review's objective. Also, consider whether the prior audits, evaluations, investigations, or other work by the OIG indicate a higher risk of improper payments or actual improper payments that were not included in the risk assessments of the agency.

Relying on Others: If the team intends to use the work of non-OIG auditors, 1) perform procedures that provide a sufficient basis for using that work; 2) obtain evidence concerning the non-OIG auditors' qualifications and independence, and determine whether the scope, quality, and timing of the work performed by the non-OIG auditors are adequate for reliance in the context of the current objectives; and 3) if applicable, request a copy of the non-OIG audit organization's latest peer review report and any letter of comment.

Prior Work: Identify and review relevant prior work. Evaluate whether the agency took appropriate corrective action to address findings and recommendations from any prior engagements that are significant within the context of the current objectives. Use this information in assessing risk and determining the nature, timing, and extent of current work, including determining the extent to which testing the implementation of the corrective

actions is applicable to the current objectives. Also, consider whether the prior OIG audits, evaluations, investigations, or other prior work indicate a higher risk of improper payments or actual improper payments that were not included in the risk assessments of the agency.

Examples of prior work from GAO that some OIG may want to include, if appropriate to its agency, include the following.

- [PAYMENT INTEGRITY: Selected Agencies Should Improve Efforts to Evaluate Effectiveness of Corrective Actions to Reduce Improper Payments](#) (GAO-20-336), April 2020
- [IMPROPER PAYMENTS – Most Selected Agencies Improved Procedures to Help Ensure Risk Assessments of All Programs and Activities](#) (GAO-18-36), November 2017
- [MEDICARE ADVANTAGE PROGRAM INTEGRITY - CMS’s Efforts to Ensure Proper Payments and Identify and Recover Improper Payments](#) (GAO-17-761T), July 19, 2017
- [IMPROPER PAYMENTS - Improvements Needed in CMS and IRS Controls over Health Insurance Premium Tax Credit](#) (GAO-17-467), July 2017
- [VETERANS AFFAIRS - Improper Payment Estimates and Ongoing Efforts for Reduction](#) (GAO-17-633T), May 24, 2017
- [IMPROPER PAYMENTS - Strategy and Additional Actions Needed to Help Ensure Agencies Use the Do Not Pay Working System as Intended](#) (GAO-17-15), October 2016
- [IMPROPER PAYMENTS - DOE’s Risk Assessments Should Be Strengthened](#) (GAO-15-36), December 2014
- [IMPROPER PAYMENTS - Government-Wide Estimates and Reduction Strategies](#) (GAO-14-73T), July 9, 2014
- [DOD FINANCIAL MANAGEMENT - Significant Improvements Needed in Efforts to Address Improper Payment Requirements](#) (GAO-13-227), May 2013

Staffing: OIG management must assign sufficient staff and specialists with adequate collective professional competence to perform the review. List the staff assigned to the project and their respective roles. If the team plans to use the work of a specialist or contract out the work, document the nature and scope of the work to be performed by the specialist/contractor. See *Government Auditing Standards* and/or *Quality Standards for Inspections and Evaluations*, as needed, for guidance.

Independence: Staff assigned to the project must be independent and must avoid situations that could lead reasonable and informed third parties to conclude that the staff are not independent and thus not capable of exercising objective and impartial judgment on all issues associated with conducting the review and reporting on the work. Documentation of independence considerations provides evidence of the staff’s judgments in forming conclusions regarding compliance with independence requirements. If the engagement is performed as an audit, staff should apply the generally accepted government auditing standards (GAGAS) conceptual framework to identify threats to independence, evaluate the significance of threats identified (both individually and in the aggregate), and apply safeguards as needed to eliminate threats or reduce them to an acceptable level. Document threats to independence that require the application of safeguards, along with the safeguards applied. If the OIG performs the engagement as an evaluation or inspection, staff should apply the guidance on independence in the *Quality Standards for Inspections and Evaluations*.

OIG Start Notice: Inform the agency of the planned review.

Entrance Conference: If necessary, schedule and hold an entrance conference with the agency.

Data Reliability: Obtain data needed to meet objective and test its reliability as appropriate for the objective.

Compliance: Determine whether the OIG will perform its review in compliance with [Government Auditing Standards](#) or the [Quality Standards for Inspection and Evaluations](#).

FIELD WORK STEPS – Suggested steps.

1. Search the agency’s website to determine whether the AFR/PAR with the payment integrity information is on the agency’s website. Document the location of the report on the website and whether the report and any accompanying materials includes the required information, such as estimates for all programs identified as susceptible to significant improper payment, corrective action plans, etc.
2. Interview agency staff and/or officials to gain an understanding of the procedures, oversight, and internal controls in place for preparing (if applicable) the (a) required risk assessment, (b) payment integrity section of the AFR/PAR, Data Call, Supplemental Data Call, and any accompanying materials (c) estimation methodologies, (d) corrective action plans, and (e) reduction target rates. Identify any significant changes since the OIG’s last review.
3. Review source data/documents from the agency to support the accuracy and completeness of payment integrity information in the AFR/PAR, Data Call, Supplemental Data Call, and any accompanying materials, as well as to gain an understanding of the relevant internal controls. Determine whether the source data supports that the improper payment information in the AFR/PAR, Data Call, and Supplemental Data Call is accurate and complete. Based on the prior year’s work and applying auditor’s professional judgment, determine (a) the type of source documents to review, such as high-level documents or more detailed documents; (b) whether you should review payments that were proper or improper and test using the procedures performed by the agency to determine whether the OIG comes to the same conclusion about the payment; and (c) whether sampling is necessary. For example, to test the accuracy of the data, OIGs may want to consider verifying the accuracy of the current outlays and comparing the sampling result to what is published in the AFR. In addition, OIGs should consider whether detailed testing of transactions is needed or whether it is sufficient to do a walkthrough of the agency’s current process and make a determination as to whether the process is reasonable and consistently applied.
4. Assess the agency’s risk assessment(s) if applicable.
 - a) Gain an understanding of the agency’s process for conducting the risk assessment. Identify any significant changes to the risk assessment process since the OIG’s last review.
 - b) Determine whether all programs that were scheduled for a risk assessment had one completed (that is, no less than every 3 years).
 - c) Select and review risk assessment(s) to ascertain (i) the risk factors used, (ii) whether the agency has adequate documentation of its analysis and conclusions, and (iii) whether the risk score is reasonable based on prior work, your knowledge and understanding of the program, and your professional judgement. Based on your prior work and professional judgment, determine whether a detailed review of all risk assessments is warranted or whether a more limited review or sampling is appropriate.
 - d) For the risk assessments reviewed, determine—based on your prior work, any testing conducted for the current review, and your professional judgement—whether (a) there are any flaws/concerns with the level of risk associated with the program that would be significant to the payment integrity information reported by the agency (b) the risk assessment for the required programs and activities comply with OMB guidance and (c) the results of the risk assessment provide reasonable support that the program or activity are or are not susceptible to significant improper payments.
 - e) If the agency conducted a risk assessment for each applicable program/activity as required (that is, not less than every 3 years) and you conclude there are no significant issues with the agency’s risk assessment process or with any of the risk assessments reviewed by the OIG, then the agency met this PIIA criterion.

If the OIG has concerns with the risk assessment process or with any of the risk assessments it reviewed, but they are not significant to the payment integrity information reported in the agency's AFR/PAR, then the OIG should conclude that the agency met this PIIA criterion, but the OIG should consider disclosing its concerns in its report and explain why they are not significant to the information included in the agency's AFR/PAR. Conversely, if the OIG concerns are significant then the OIG should conclude that the agency did not meet this PIIA criterion and provide the details in the report.

The PIIA criteria is whether the agency conducted a program-specific risk assessment for each applicable program or activity as required. If the agency did not include *all required* programs/activities in the risk assessment every 3 years, then it did not meet this PIIA criterion.

If the risk assessment excludes or misrepresents risks that the OIG deems to be significant—that is, these issues *significantly* alter the information reported by the agency in its AFR/PAR—then the OIG should conclude that the agency did not meet this PIIA criterion.

If the agency did not conduct a risk assessment this year because it was not required (since risk assessments for programs should be done no less than every 3 years), then this step is not applicable.

5. Evaluate the agency's improper payment rate estimate and sampling/estimation plan (if applicable).
 - a) Obtain documentation that supports the agency's improper payment estimates including its self-certified sampling and estimation plans submitted to OMB.
 - b) Select samples and perform testing on the agency's documentation to determine whether the information included is suitable for developing a statistical estimate.
 - c) Conduct any additional procedures as necessary.
6. Review the agency's corrective action plans (if applicable).
 - a) Obtain evidence to support whether the agency implemented effective corrective actions. Effective corrective actions include those focused on root causes, actually implemented, and are reducing improper payments.
 - i. Determine whether there are actions the agency can take to improve its improper payment corrective actions, related controls, and its performance in reducing improper payments.
 - ii. Determine whether the agency reviewed annually its existing corrective actions to determine whether (a) any existing action can be intensified or expanded to reduce improper payments and (b) the original intent of the corrective action is still achieving its intended purpose and result.
 - iii. For long-term, multi-year corrective actions that will be implemented and refined on a continuous basis, determine whether the agency identified annual benchmarks that can be used to demonstrate the progress of the implementation and/or the initial impact on improper payment prevention and reduction.
 - iv. Conduct additional procedures as necessary.
 - b) If the agency published a corrective action plan for those programs and activities assessed to be at risk for significant improper payments and the OIG concludes—based on its prior work, current work, and professional judgement—that there are no significant issues with the corrective action plans, then the agency met the PIIA criteria. If the OIG has concerns with the corrective action plan, but they are not significant to the improper payment information reported in the agency's AFR/PAR and accompanying materials, then the OIG should conclude that the agency met this PIIA criterion. The OIG should

determine whether to disclose its concerns in its report and explain why they are not significant to the information included in the agency's AFR/PAR.

- c) If the corrective action plan does not include *all* programs/activities at risk for significant improper payments as required or there are issues that the OIG considers significant, then the agency did not meet the PIIA criteria and the issues should be described in the OIG's report.
 - d) If the agency does not have a corrective action plan or does not have a corrective action for a particular root cause, ask the agency and/or obtain documentation as to why.
 - e) Evaluate the root cause category classification and determine whether the agency has accurately classified the true root causes of improper payments (if applicable).
 - f) Review the agency's reporting to OMB, Congress, and Comptroller General for noncompliance for the same program or activity with a prior corrective action plan. Determine whether the additional requirements were met timely and completely.
 - i. Annual report: Each agency will submit to Congress and the Comptroller General 1) a list of each program or activity determined to be noncompliant; and 2) actions that are planned to bring the program or activity into compliance.
7. Determine agency compliance with reduction targets (if applicable).
- a) Gain an understanding of how the agency established its reduction targets. (Note: For programs still working to establish a baseline estimate, OMB does not expect the program to publish a reduction target until a full baseline has been established.
 - b) Determine whether the agency set reduction targets for future improper payment levels in its AFR/PAR and accompanying materials for all programs and activities at risk for significant improper payments as required. If all required programs/activities were not included in the reduction targets, then the agency did not meet this PIIA criteria.
 - c) Determine whether the agency demonstrated improvements to meet improper payment reduction targets. If an agency did not demonstrate improvements, then the agency did not meet this PIIA criterion. OIGs should use professional judgement in determining whether the agency demonstrated improvements. Note: The agency reduction targets for the current year may be reported in the prior year's AFR/PAR. Therefore, OIGs may need to obtain last year's AFR/PAR reduction targets for the applicable programs and activities at risk for significant improper payments. OIGs determine compliance with reduction targets by determining the robustness and validity of the agency's sampling methodology and examining point estimates (actual improper payment error rate), precision rates, and confidence intervals. For Statistically Valid and Rigorous Plans, count reduction targets as being met if the 95% confidence interval includes the reduction target. For Statistically Valid Plans and Non-Statistically Valid Plans, count reduction targets as being met only if their estimated improper payment rate is lower than or equal to the reduction target.
 - d.) Determine whether the Agency developed a plan to meet the reduction targets. If all required programs/activities were not included in the plan, then the agency did not meet this PIIA criterion.
8. Determine whether the agency's improper payment rate is less than 10 percent for each program/activity for which the improper payment estimate was published (if applicable). If the rate is not less than 10 percent for any required program/activity, then the agency did not meet this PIIA criterion.
9. For agencies with high-priority programs, PIIA requires the agency to submit an annual report to its OIG and OMB that includes plans it has taken or plans to take to recover improper payments and intends to take to prevent future improper payments. For the applicable OIGs, review this report and use professional judgement to determine whether you should perform any testing to evaluate its accuracy and completeness.

Although reviewing the accuracy and completeness of this report is not required under PIIA, it may be useful in meeting the OIG's objective for its PIIA compliance review.

10. Review the oversight or financial controls to identify and prevent improper payments for agencies with high priority programs (if applicable).
11. Once Appendix C of OMB Circular A-123 is updated, CIGIE may provide a checklist to use as a guide when conducting the work.
12. Discuss with the agency the status of prior years' recommendations.
13. Discuss any concerns/questions with the agency.

CHECKLIST

To assist with the work, see the attached Excel worksheet, which has checklist of items to review.



PIIA Checklist 2020
Updated November 2

REPORTING

When reporting on whether an agency complied with the PIIA criteria, OIGs should use a compliant/non-compliant approach that takes into account whether its current work, prior work, and professional judgement lead the OIG to conclude that it has concerns regarding completeness or inaccuracies that would *significantly* alter the payment integrity information reported by the agency in its AFR/PAR and accompanying materials. If an agency fails to meet one or more of requirements 1a through 6, then it is not compliant under PIIA.

The report should contain a high-level summary in the beginning of the report that (a) clearly states the agency's compliance status (i.e., compliant or non-compliant) and (b) indicates which of the 1a through 6 requirements the agency complied with and which requirements the agency did not comply with. A table should also be included in the beginning of the report that includes the (a) criteria assessed, (b) name of each program assessed, and (c) whether the program(s) were compliant or non-compliant for each of the criteria assessed.

If an agency has many programs, consider summarizing them—instead of listing each program—in the table. For example, if there are many programs/activities, the OIG could list just the programs out of compliance in a table with a sentence stating that there is an appendix with a table listing all the programs at the end of the report. If there are **no** non-compliant programs, the OIG could make that statement in the beginning of the report indicating that all the Agency's programs were found in compliance and that there is an appendix with a table listing all the programs at the end of the report.

We suggest OIGs use the following paragraph (or something similar) in its report to describe the criteria used for performing this year's review.

The Improper Payments Elimination and Recover Act of 2010 (IPERA) (Public Law 111-204) amended the Improper Payments Information Act of 2002 and required agencies to identify and review all programs and activities they administer that may be susceptible to significant improper payments based on guidance provided by the Office of Management and Budget (OMB). In addition, section 3 of IPERA required Inspectors General to review each agency's improper payment reporting and issue an annual report. On March 2, 2020, the Payment Integrity Information Act of 2019 (PIIA) (Public Law 116-117) repealed IPERA (and other laws) but set forth similar improper payment reporting requirements, including an annual compliance report by Inspectors General. Because final OMB guidance related to PIIA was not expected to be issued until February 2021, we initiated our 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), OMB Annual Data Call Instructions, OMB Payment Integrity Question and Answer Platform, and the Counsel of the Inspectors General on Integrity and Efficiency guidance required under PIIA.

OIGs should submit its report to

- a) the head of its executive agency,
- b) the Committee on Homeland Security and Governmental Affairs of the Senate,
- c) the Committee on Oversight and Reform of the House of Representatives,
- d) the Comptroller General of the United States (i.e., GAO), and
- e) OMB. (Per OMB's July 30, 2020 guidance, OIGs should upload report to OMB's Max page at [Payment Integrity Information Act Required Submissions to OMB](#).)

Attachment A

Informal OMB Guidance for FY 2020

From: Pajak, Heather C. EOP/OMB <Heather_C_Pajak@omb.eop.gov>
Sent: Tuesday, November 17, 2020 5:06 PM
To: Oliveira, Judith Office of the Inspector General <Judith.Oliveira@ssa.gov>; Kvetko, Lance D. EOP/OMB <Lance.D.Kvetko@omb.eop.gov>
Subject: RE: Question on Applicable OMB Guidance for FY 2020 OIG Improper Payment Audit

Hi Judy,
Please see my responses below in red text.
Thanks!
Heather

From: Oliveira, Judith Office of the Inspector General <Judith.Oliveira@ssa.gov>
Sent: Monday, November 16, 2020 2:37 PM
To: Pajak, Heather C. EOP/OMB <Heather_C_Pajak@omb.eop.gov>; Kvetko, Lance D. EOP/OMB <Lance.D.Kvetko@omb.eop.gov>
Subject: RE: Question on Applicable OMB Guidance for FY 2020 OIG Improper Payment Audit

Heather – Thank you for the information you sent on October 29th regarding the annual OIG improper payment review for FY 2020. I have a couple of follow-up questions and points to clarify.

1. For clarification: An OIG should conclude that an agency is not compliant with the Payment Integrity Information Act of 2019 if the agency does not comply with any one of the items numbered 1a through 6 in your email below?

OMB Response: Yes, if an OIG determines that a program is non-compliant with any one of the criteria listed in the response to the question “I am unsure whether I should be following PIIA or IPERA for my FY2020 compliance review. Can you tell me what, as an OIG, I should be taking into account when I am determining compliance in FY2020?” then the entire agency is considered non-compliant. OMB relies on the judgement of the OIG to determine whether the evidence in the review constitutes a noncompliance determination with a recommendation for compliance or, alternatively, constitutes a compliance determination with a recommendation for improvement.

2. In your email, you state that “Because the complete guidance for PIIA will not be fully in effect for the agencies and OIGs until FY2021, the OIG review of the FY2020 material will not be considered year 1 of the PIIA compliance review for purposes of determining consecutive years of non-compliance”. Since FY 2020 is not considered year 1 for PIIA, should the OIG consider FY 2020 as a continuation from the prior years under IPERA/IPERIA? If OIGs should not consider FY 2020 as a continuation of the prior years, is FY 2020 just a stand-alone year?

For example, if an OIG concluded that an agency was non-compliant in FY 2018 and FY 2019 and also finds that the agency is non-compliant in FY 2020, would FY 2020 be considered year 3 for non-compliance and would the agency be required to take the additional steps outlined for year 3 under IPERA/IPERIA even though these laws were repealed under PIIA?

OMB Response: The complete guidance for PIIA will not be fully in effect for the agencies and OIGs until FY2021. This means Agencies and OIGs can consider FY2020 as a stand-alone year for non-compliance reporting requirement purposes. Which means that for every program that is found non-compliant for FY2020, the agency would treat the non-compliance reporting requirement as the first year of non-compliance. In FY2021, agencies and OIGs will determine compliance based on updated and published OMB guidance which will implement all compliance requirements for

PIIA. Programs found non-compliant in based of their FY2021 reporting will treat that as the first year of non-compliance under the fully revised OMB guidance.

3. Are you ok with CIGIE suggesting that OIG include the following paragraph (or something similar) in this year's report?

The *Improper Payments Elimination and Recover Act of 2010* (IPERA) (Public Law 111-204) amended the *Improper Payments Information Act of 2002* and required agencies to identify and review all programs and activities they administer that may be susceptible to significant improper payments based on guidance provided by the Office of Management and Budget (OMB). In addition, section 3 of IPERA required Inspectors General to review each agency's improper payment reporting and issue an annual report. On March 2, 2020, the *Payment Integrity Information Act of 2019* (PIIA) (Public Law 116-117) repealed IPERA (and other laws) but set forth similar improper payment reporting requirements, including an annual compliance report by Inspectors General. Because final OMB guidance related to PIIA was not expected to be issued until February 2021, we initiated our 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), OMB Annual Data Call Instructions, OMB Payment Integrity Question and Answer Platform, and the Counsel of the Inspectors General on Integrity and Efficiency guidance required under PIIA.

OMB Response: Yes, this looks fine.

From: Pajak, Heather C. EOP/OMB <Heather_C_Pajak@omb.eop.gov>

Sent: Thursday, **October 29, 2020** 1:51 PM

To: Oliveira, Judith Office of the Inspector General <Judith.Oliveira@ssa.gov>; Kvetko, Lance D. EOP/OMB <Lance.D.Kvetko@omb.eop.gov>

Subject: [EXTERNAL] RE: Question on Applicable OMB Guidance for FY 2020 OIG Improper Payment Audit

Hi Judy,

Great question. We are using a combination of what is currently in M-18-20 and also the responses we have been putting on our [Payment Integrity Q&A Collection](#) Max Page. Please encourage your OIGs to review the page frequently as we are receiving and answering questions on a very regular basis. They can 'watch' the page in the upper RH corner as well so that they are notified each time we post an answer to a question we have received.

In particular, there is one question we received on the platform that you may want to flag for your OIG community:

Question: "I am unsure whether I should be following PIIA or IPERA for my FY2020 compliance review. Can you tell me what, as and OIG, I should be taking into account when I am determining compliance in FY2020?"

The Answer OMB provided is below:

OMB is in the process of updating its Circular A-123, Appendix C agency and OIG guidance for the implementation of PIIA. However, this guidance will not be fully effective until FY2021, therefore, for the compliance review that the OIG will be conducting based on the agency's FY2020 reporting, the OIG will be using a combination of the requirements in the current version of OMB Circular A-123, Appendix C (M-18-20), OMB Circular A-136, OMB Annual Data Call Instructions, OMB Payment Integrity Question and Answer Platform, and the CIGIE guidance required under PIIA. Because the complete guidance for PIIA will not be fully in effect for the agencies and OIGs until FY2021, the OIG review of the FY2020 material will not be considered year 1 of the PIIA compliance review for purposes of determining consecutive years of 'non-compliance'.

The OIG is responsible for evaluating the programs within an agency to determine whether the agency is in compliance. The following compliance requirements from should be evaluated by the OIG when determining

compliance in FY2020. Note that in FY2021, some compliance criteria (for example 5 & 6) will be slightly modified to align with the revision OMB Circular A-123, Appendix C and PIIA.

1a. The agency published improper payments information with the annual financial statement of the agency for the most recent fiscal year;

Beginning with FY 2020 AFR/PAR reporting, information previously contained in the AFR/PAR that is not explicitly required in the Payment Integrity section through OMB Circular A-136 will be reported on <https://paymentaccuracy.gov/> through the annual OMB payment integrity data call. If an agency provides information to OMB for paymentaccuracy.gov, then the agency must include the website link in their AFR or PAR. The information collected through the data calls and published on paymentaccuracy.gov will be considered accompanying materials to the Annual Financial Statement. The OIG should evaluate whether the agency has followed applicable requirements related to the formulation and inclusion of the payment integrity information in the annual financial statement and in the accompanying materials to the annual financial statement. The OIG can review the instructions for the two FY2020 data calls on the [Payment Integrity Information Act Required Submissions to OMB](#) Max Page (note this is also the page the OIG will use to submit their final compliance report to OMB).

1b. The agency posted the annual financial statement and accompanying materials required under guidance of the Office of Management and Budget on the agency website;

To achieve compliance with posting the accompanying materials to the annual financial statement on the agency website the agency must include a link to paymentaccuracy.gov within their annual financial statement to any accompanying materials to the financial statement required under guidance from OMB and then publish their annual financial statement on their agency website. Please note that there are a handful of questions and tables between the two data calls that will likely apply to all agencies regardless of whether they have any programs reporting improper payment estimates so it is reasonable to assume that all agencies will provide a link to paymentaccuracy.gov in their AFR or PAR.

2a. The agency conducted improper payment risk assessments for each program with annual outlays over greater than \$10,000,000 at least once in the last three years;

The OIG should evaluate whether the agency has conducted improper payment risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years.

2b. The agency adequately concluded whether the program is likely to make improper payments above or below the statutory threshold;

The OIG should evaluate and take into account the adequacy of the program improper payment risk assessment when determining program compliance. The OIG should review the improper payment risk assessment methodology of the agency, including whether the audits, examinations, and legal actions of the OIG indicate a higher risk of improper payments or actual improper payments that were not included in the risk assessments. After evaluating the program's assessment of the level of improper payment risk the OIG should determine whether the risk assessment adequately concludes whether the program is likely to make improper payments above or below the statutory threshold.

3. The agency published improper payment estimates for programs susceptible to significant improper payments in the accompanying materials to the annual financial statement;

The OIG should evaluate and take into account the adequacy of the improper payment sampling and estimation methodology plans when determining program compliance. The OIG should review the accuracy of the improper payment estimates and whether the sampling and estimation methodology plan used is appropriate given program characteristics.

4. The agency published 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;

When determining compliance, the OIG should first evaluate the root cause classification and determine whether the program has correctly identified the causes of improper payments. The OIG should also review the oversight and/or financial controls used by the program to identify and prevent improper payments. When reviewing the corrective action plans for compliance, the OIG should evaluate and take into account whether the corrective action plans: are focused on the true causes of IPs; are adequately addressing those causes; are effective; are effectively implemented; are prioritized within the agency; and are reducing improper payments.

5a. The agency published improper payment reduction targets for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement;

When determining compliance the OIG should take into account whether the program was required to establish a reduction target based on their reported improper payment estimate. If the program was required to do so, the OIG should determine whether the program published a reduction target that was appropriately aggressive and realistic given the program characteristics.

5b. The agency is meeting the improper payment reduction targets (published in FY2019) for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement;

When determining compliance the OIG should take into account the type of sampling and estimation methodology plan the program used to produce their improper payment estimate.

- For Statistically Valid and Rigorous Plans - count reduction targets as being met if the 95% confidence interval includes the reduction target
- For Statistically Valid Plans and Non-Statistically Valid Plans - count reduction targets as being met only if their estimated improper payment rate is lower than or equal to the reduction target

5c. The agency developed a plan to meet the improper payment reduction targets;

When evaluating whether a program has demonstrated improvement, the OIG should consider whether the program has a plan to meet the IP reduction target they have established for the following fiscal year.

6. The agency reported an improper payment estimate of less than 10% for each program for which an estimate was published in the accompanying materials to the annual financial statement

When evaluating whether a program has reported an improper payment estimate of less than 10% for each program, the OIG should take into consideration the point estimate for the program.

Agency Efforts to Prevent and Reduce Improper Payments: In accordance with PIIA 3353 (a)(3)(E) and OMB Circular A-123 Appendix C, the final compliance report must include an evaluation of agency efforts to prevent and reduce improper payments. This overall evaluation of agency efforts to prevent and reduce improper payments is a requirement for all OIG reports regardless of whether the agency being evaluated has programs reporting estimates above the statutory threshold.

OIG Recommendations: OMB relies on the judgement of the OIG to determine whether the evidence in the review constitutes a noncompliance determination with a recommendation for compliance or, alternatively, constitutes a compliance determination with a recommendation for improvement. A concrete recommendation to the program regarding specific actions and steps the program must take to achieve compliance is required each time an OIG determines a program fails to comply with a particular criterion. For example, if an OIG determines that a program has not developed a corrective action plan for a program reporting an improper

payment estimate above the statutory threshold, the OIG is required to include at least one recommendation for a corresponding action that, if taken by the program, would result in achieving compliance with the Published Corrective Action Plans criterion. A recommendation for improvement should be considered any time an OIG identifies an action that if taken would improve the program as it relates to a specific evaluation criterion, however, overall the OIG determines that the program itself is compliant with the criterion. For example, an OIG may identify a way for one of the mitigation strategies within the corrective action plan of a program to be implemented more effectively. This factor, in isolation, likely does not constitute a noncompliance determination for the Published Corrective Action Plans criterion, but the OIG should still include this recommended action in their final report so the program can improve the effectiveness of corrective action plan implementation.

Hope this helps. Please let me know if you have any questions.

Thank you,

Heather