Office of Inspector General

OFFICE OF TECHNOLOGY, FINANCIAL, AND ANALYTICS

AUDIT REPORT

THE DEPARTMENT OF ENERGY'S PAYMENT INTEGRITY REPORTING IN THE FISCAL YEAR 2021 AGENCY FINANCIAL REPORT

DOE-OIG-22-37
JUNE 2022

Department of Energy
Washington, DC 20585

June 24, 2022

Memorandum for The Secretary

From: Teri L. Donaldson
Inspector General

Subject: Audit Report on The Department of Energy's Payment Integrity Reporting in the Fiscal Year 2021 Agency Financial Report

Highlights

What We Reviewed and Why

The *Improper Payments Elimination and Recovery Act of 2010* 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 In March 2020, the *Payment Integrity Information Act of 2019* (PIIA) repealed the prior laws but set forth similar improper payment reporting requirements, including an annual compliance report by the Office of Inspector General. In addition, OMB requires that the Office of Inspector General perform an annual review of the Department of Energy's improper payment reporting in its Agency Financial Report and accompanying materials to determine whether it was compliant with the PIIA.

In accordance with PIIA and OMB requirements, we reviewed the improper payments identified in the Department's fiscal year (FY) 2021 *Agency Financial Report* (DOE/CF-0180, November 2021). The current Administration has identified payment integrity as a top priority, focusing on reducing improper payments and protecting taxpayer money. The priority includes balancing payment integrity risks and controls to ensure funding is serving its intended purpose.

We conducted this audit to determine whether the Department met OMB criteria for compliance with the PIIA.

What We Found

The Department's FY 2021 improper payment reporting was aligned with OMB criteria. Specifically, the Department published its FY 2021 *Agency Financial Report* and posted that report, and accompanying materials, on its website. In addition, the Department consolidated each of the payment reporting sites' risk assessments that were completed during FY 2021 into an enterprise-level risk assessment and concluded that it was not susceptible to significant improper payments.

Although we determined that the Department met OMB's compliance criteria, we found that enhancements to the payment integrity process related to technically improper payments could result in more consistent and transparent reporting. OMB Memorandum 21-19, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, defines a technically improper payment as a payment made to an otherwise qualified recipient for the right amount, but the payment failed to meet all regulatory and/or statutory requirements. We determined that one of the four sites we reviewed reported late payments as technically improper payments. While two other payment reporting sites provided examples of late payments upon inquiry, the payments were not included in the sites' technically improper payment reporting.

We also determined that the payment reporting sites we reviewed were reporting improper payments to the Department in groups by the identified root cause. For example, one site grouped improper payments into root causes such as duplicate payment, incorrect amount, and goods or services not received. However, this practice was not required or consistently executed by the payment reporting sites. An inconsistent approach such as this could impact the Department's transparency and its capacity to identify potential issues. For instance, batch reporting by root cause could impact the ability to categorize improper payments by vendor or payee to identify potential trends. To their credit, Department officials revised the *Payment Integrity Reporting FY 2022 Guidance* to transition to a more transaction-based reporting structure.

The concerns noted above occurred, in part, because the Department and its payment reporting sites were unsure of how improper payments should be reported, particularly as they related to the new OMB requirement for reporting technically improper payments. For instance, payment reporting sites did not always understand what constituted a technically improper payment. Specifically, one payment reporting site indicated that it interpreted technically improper payments as only those payments where a supplier failed to follow the terms of a contract, which would make the payment improper but may not result in the need to recover funds. Further, two payment reporting sites noted that identifying late payments as technically improper and quantifying the total amount would be a time-intensive, manual process.

Without improvements to its payment integrity reporting process, the Department may not report improper payments in a consistent manner between payment reporting sites. Further, even though technically improper payments are classified as non-monetary loss improper payments, the Department is required to report them in its Agency Financial Report. We noted that the Department may be unable to identify trends related to improper payments and take appropriate corrective actions if not all improper payments are reported.

What We Recommend

Although we determined that the Department's payment integrity reporting process was aligned with OMB criteria, we made one recommendation and one suggestion in our report designed to improve the management of the payment integrity process. Our recommendation and suggestion focused on improving reporting transparency and consistency by: (1) improving awareness of reporting requirements through continued improvements in training and guidance, and (2) continuing the transition to a transaction-based reporting structure.

Management Comments

Management concurred with the report's recommendation and indicated that corrective actions were planned to address the issues identified in the report. Management's comments and our response are summarized in the body of the report. Management's formal comments are included in Appendix 4.

cc: Deputy Secretary
Chief of Staff
Deputy Chief Financial Officer

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Background and Objective

Background

The *Improper Payments Elimination and Recovery Act of 2010* (IPERA) 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, IPERA requires the Office of Inspector General to review the Department of Energy's improper payment reporting and issue a report annually. In March 2020, the *Payment Integrity Information Act of 2019* (PIIA) repealed IPERA and other laws but established similar reporting requirements, including an annual compliance report by the Office of Inspector General. Finally, OMB Memorandum 21-19, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, requires agencies to report technically improper payments, which are defined as a payment to the right recipient for the right amount where the payment process failed to follow all applicable statutes and regulations.

In June 2021, the Department's Office of Finance and Accounting, a component of the Office of the Chief Financial Officer (OCFO), communicated instructions to its 47 payment reporting sites for meeting improper payment and payment recovery audit requirements prescribed by OMB. In accordance with OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement*, the Department implemented a 3-year risk assessment review cycle and completed an improper payment risk assessment in fiscal year (FY) 2021. To accomplish this, all payment reporting sites were required to complete a risk assessment that was later consolidated at the Department level. Based on the individual and consolidated risk assessments, the OCFO determined that the Department was not susceptible to significant improper payments.

Report Objective

We conducted this audit to determine whether the Department met OMB criteria for compliance with the PIIA.

Results of Review

The Department's FY 2021 improper payment reporting was aligned with OMB criteria. Specifically, the Department published its FY 2021 *Agency Financial Report* and posted that report, as well as accompanying materials, on its website. The Department also conducted improper payment risk assessments for all applicable programs, as required. In addition, we determined that the Department had taken actions to address suggestions we made in our prior-year reports. Specifically, the Department included unknown payments[1] in its FY 2021 *Agency Financial Report* and updated site reporting templates to allow data to be captured at a transactional level and to allow for more efficient methods to enter and analyze outlays, improper payments, recapture data, root causes, and other data relevant to the payment integrity reporting process. Finally, the Department continued to make progress implementing the Do Not Pay Initiative at its sites.

Although the Department met the criteria for compliance with OMB requirements, we determined that improvements to the payment integrity process could potentially result in more accurate and transparent reporting. According to OMB Memorandum 21-19, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, a technically improper payment is a payment to the right recipient for the right amount; therefore, it does not result in the need for the program to recover funds due to overpayment. However, while the Department disclosed technically improper payments in its FY 2021 *Agency Financial Report*, not all payment reporting sites reviewed included them in their FY 2021 submission to the OCFO. Specifically, we found that only one of the four payment reporting sites we reviewed reported technically improper payments. While we acknowledge that these are non-monetary improper payments, inaccurate reporting could result in the Department understating the total amount of its improper payments. In addition, some sites grouped improper payments by the determined root cause while others reported at the transactional level. Without a consistent reporting approach, the Department's ability to identify improper payment trends may be adversely affected and lessen the likelihood that potential internal control weaknesses are identified. To their credit, Department officials revised the *Payment Integrity Reporting FY 2022 Guidance* to transition to a more transaction-based reporting structure.

Reported Improper Payments

The Department, with OMB approval, has historically elected to report actual improper payments from the prior FY in the current year Agency Financial Report. In FY 2021, the Department reported that FY 2020 improper payments plus unknown payments were $46.16 million out of $46.57 billion in total payment outlays, resulting in an improper payment rate of 0.10 percent. This amount was well below OMB's $100 million threshold for reporting on all aspects of improper payments. The Department indicated its improper payment rate has remained below 1 percent since its program began in FY 2002. For FY 2020, the Department also reported that its improper payment amounts included underpayments of $470,000; lost discounts of $310,000; and technically improper payments of $18 million—none of which can be recaptured.

[1] A payment that could be either proper or improper, but the agency is unable to discern whether the payment was proper or improper due to insufficient, or a lack of, documentation.

Compliance with OMB Criteria

The Department's Office of Finance and Accounting issued guidance in June 2021 that required all payment reporting sites to complete improper payment risk assessments, which were completed during FY 2021. The OCFO consolidated the risk assessments and determined that the Department was not susceptible to significant improper payments. In addition, all sites were required to submit actual improper payment, unknown payment, and payment recapture information.

The Designated Financial Officer or Contractor Chief Financial Officer at payment reporting sites was also required to certify the accuracy of improper payments and risk ratings provided through the improper payment risk assessments. In the payment reporting sites' FY 2021 risk assessments, site officials certified that the risk assessments: included consideration of OMB-required risk factors as they related to payment activities; accurately reflected self-assessment of susceptibility to significant improper payments; and were supported by documentation used to make the determination. In addition, payment reporting site officials were required to acknowledge:

- Responsibility for the identification of and compliance with all aspects of laws, regulations, contracts, or grant agreements that could have a significant effect on the achievement of the objectives of FY 2021 payment integrity reporting and disclose information related to any noncompliance.

- Responsibility for the design and implementation of programs and controls to prevent, deter, and detect fraud while understanding that misrepresentations arising from fraudulent improper payment reporting activity are intentional misstatements or omissions of information to obtain something of value.

- No knowledge of any fraud or suspected fraud affecting FY 2021 payment integrity reporting involving management, employees who have significant roles in internal control over FY 2021 improper payment reporting, or others where the fraud could have a significant effect on FY 2021 improper payment reporting.

- No knowledge of any allegations of fraud or suspected fraud affecting FY 2021 payment integrity reporting received in communications from employees, former employees, regulators, or others.

- No deficiencies in internal control that could have a significant effect on FY 2021 payment integrity reporting or significant transactions or events that have not been properly recorded in records underlying the measurement of FY 2021 payment integrity reporting occurred.

The OCFO collected and reviewed site-level risk assessments, improper payment results, and certifications from the payment reporting sites. This information was summarized and reported by the Department in the Other Information section of its FY 2021 *Agency Financial Report*. Based on these results and the Department's historically low improper payment totals, the Department concluded its programs were not susceptible to significant improper payment risk and, as a result, not subject to additional reporting requirements such as corrective action plans and annual improper payment reduction targets.

According to OMB, an agency is required to meet 10 specific requirements to comply with the PIIA. Based on our review of the FY 2021 *Agency Financial Report*, we found that the Department complied with PIIA reporting requirements, as indicated below for improper payments and annual unknown payments. Compliance under PIIA means that the agency has done the following:

OMB Criteria for Compliance	Was Criteria Met?
1) Published payment integrity information with the annual financial statement.	Yes
2) Posted the annual financial statement and accompanying materials on the agency website.	Yes
3) Conducted improper payment risk assessments for each program with annual outlays greater than $10 million at least once in the last 3 years.	Yes
4) Adequately concluded whether the program is likely to make improper payments and unknown payments above or below the statutory threshold.	Yes
5) 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[2]
6) 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.	Not Applicable[2]
7) 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 annual financial statement.	Not Applicable[2]
8) Demonstrated improvements to payment integrity or reached a tolerable improper payment and unknown payment rate.	Not Applicable[2]
9) Developed a plan to meet the improper payment and unknown payment reduction target.	Not Applicable[2]
10) 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 annual financial statement.	Not Applicable[2]

Notably, the Department continued to make progress supporting the Do Not Pay Initiative—a requirement of the PIIA. The Do Not Pay Initiative includes multiple resources across the Federal Government designed to protect the integrity of the Federal Government's payment

[2] The Department concluded its programs were not susceptible to significant improper payments, as defined by OMB guidance. Therefore, reporting of statistical estimates of improper payments, corrective actions, and reduction targets in the Agency Financial Report were not required.

processes by assisting agencies in mitigating and eliminating improper payments in a cost-effective manner while safeguarding individuals' privacy. Each agency has access to and should use the Do Not Pay Initiative to verify payment eligibility for the purposes of identifying and preventing improper payments. During our review, we noted that the Department continued to expand its usage of the Do Not Pay Initiative with its integrated contractors.

Payment Integrity Reporting Process Observations

We determined that enhancements to the payment integrity process could potentially result in more accurate and/or transparent reporting by the Department. While the Department disclosed technically improper payments in its FY 2021 *Agency Financial Report*, not all payment reporting sites reviewed included technically improper payments in their FY 2021 submissions. In addition, we found that some payment reporting sites grouped improper payments by the determined root cause while other sites reported on a transactional basis.

Technically Improper Payments

While the Department disclosed technically improper payments in its FY 2021 *Agency Financial Report*, we found that not all payment reporting sites included technically improper payments in their FY 2021 submissions. According to OMB Memorandum 21-19, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, a technically improper payment is a non-monetary loss improper payment made to an otherwise qualified recipient for the right amount, but the payment failed to meet all regulatory and/or statutory requirements. Because the payment itself was correct, it does not result in the need for the program to recover funds due to overpayment. Although these payments result in a non-monetary loss, they could be indicative of an internal control failure or highlight barriers or other statutory objectives that should be reviewed and reported, as appropriate, in the Department's annual financial report. In addition, the Department's FY 2021 guidance to its payment reporting sites defined technically improper payments and explicitly states in its frequently asked questions that late payments are considered technically improper payments. To their credit, Department officials revised the *Payment Integrity Reporting FY 2022 Guidance* to state, "It would be a technically improper payment if it violates legislation or any statutory regulations. Payments made by Federal sites are subject to the Prompt Payment Act so any late payments by Federal sites would be reported as technically improper."

Contrary to the FY 2021 guidance, only one of the four payment reporting sites we reviewed reported technically improper payments. Notably, the site categorized nearly $18 million in late payments as technically improper payments. Of the three payment sites that did not report technically improper payments, one site indicated that it interpreted technically improper payments as a payment where a supplier failed to follow the terms of a contract, which would make the payment improper but may not result in the need to recover funds. Although that site did not report any technically improper payments, officials were able to provide an example of a late payment that was made. While we agree that a contractual issue, if in violation of legislation or any statutory regulations, is an example of a payment that could be considered technically improper, they are not the only means by which improper payments could occur. Further, of the remaining two payment reporting sites, one provided an example of a late payment, and the other stated that it did not track technically improper payments and was unable to provide an example. Two of the three sites with no technically improper payments indicated that identifying late payments and quantifying the total amount would be a time-intensive, manual process. As such, we were unable to determine the extent of unreported technically improper payments.

Batch Reporting of Improper Payments.

There were also inconsistencies in how the Department's payment reporting sites reported improper payments. Specifically, several sites batched improper payments by root cause while others reported them on a transactional basis. For example, one site we reviewed reported an improper payment with the root cause of duplicate payment. Upon further inquiry, we determined that what appeared to be 1 improper payment consisted of 21 separate transactions totaling $413,768. Although not required for FY 2021 reporting, transparency could be enhanced by reporting improper payments on a transactional basis. To its credit, the OCFO made changes to the *Payment Integrity Reporting FY 2022 Guidance* to explicitly state that sites should identify individual payments at the transactional level and only allow sites to group similar payments by payment type with the same root cause under very limited circumstances. However, while the update matches current OMB language, it did not provide additional clarity regarding identification and reporting of technically improper payments. The OCFO has indicated that additional guidance would be provided through various means, including working groups, webinars, and continued advice from OMB.

Annual Payment Integrity Reporting Guidance

The concerns noted above occurred, in part, because payment reporting sites indicated they did not understand how improper payments should be reported, particularly as related to the OMB requirement for reporting technically improper payments. As previously noted, payment reporting sites did not always understand what constituted a technically improper payment or maintained that identifying late payments and quantifying the total amount would be a time-intensive, manual process. Additionally, Department officials stated that the OMB requirement was new in FY 2021, and guidance from OMB was vague regarding classification of technically improper payments, which resulted in the OCFO's FY 2021 guidance being equally generic.

Impact to the Department of Energy

Without improvements to its payment integrity reporting process, the Department may not report improper payments in a consistent manner between payment reporting sites. Specifically, even though technically improper payments are non-monetary loss improper payments, they are required to be reported in the Department's Agency Financial Report in an effort by OMB to encourage agencies to identify and remove burdensome requirements related to payments. By not reporting all technically improper payments, the Department may underreport its overall improper payments. Additionally, allowing sites to group payments by root cause may deprive the Department of the visibility needed to identify trends related to improper payments and take appropriate corrective actions against them.

Recommendation and Suggested Action

Although we determined that the Department's payment integrity reporting process was aligned with OMB criteria, we recommend that the Deputy Chief Financial Officer direct personnel to:

1. Update reporting guidance to fully define the expectations and parameters for technically improper payments to ensure that payment reporting sites appropriately include these on their risk assessments and payment reporting templates that are submitted to the OCFO.

In addition, to increase transparency and visibility into transactional improper payment data, we suggest that the Director, Office of Finance and Accounting:

- Continue transitioning payment reporting sites from a batch reporting to a transaction-based reporting structure for improper payments.

Management Comments

Management concurred with our findings and recommendation. Management indicated that the OCFO would continue to work with payment reporting sites throughout the FY 2022 payment integrity reporting cycle to ensure reporting of technically improper payments. Management also indicated that it had completed actions to address our suggestion by making changes to the *Payment Integrity Reporting FY 2022 Guidance*.

Management's comments are included in Appendix 4.

Office of Inspector General Response

Management's comments and planned corrective actions were responsive to our recommendation.

Appendix 1

Commonly Used Terms

Department of Energy	Department
Fiscal Year	FY
Improper Payments Elimination and Recovery Act of 2010	IPERA
Office of Management and Budget	OMB
Office of the Chief Financial Officer	OCFO
Payment Integrity Information Act of 2019	PIIA

Appendix 2

Objective, Scope, and Methodology

Objective

We conducted this audit to determine whether the Department of Energy met the Office of Management and Budget (OMB) criteria for compliance with the *Payment Integrity Information Act of 2019* (PIIA).

Scope

The audit was conducted remotely from January 2022 through May 2022 at Department Headquarters in Washington, DC, and Germantown, Maryland. Consistent with guidance established in OMB Memorandum 21-19, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, the scope of the audit was the Payment Integrity Reporting section of the Department's fiscal year 2021 *Agency Financial Report*. This audit was conducted under Office of Inspector General project number A22FN004.

We obtained the risk assessments and improper payment submittals for the 47 payment reporting sites that were consolidated by the Office of the Chief Financial Officer to report PIIA results. The improper payment submittals included the site-level Chief Financial Officer certifications, risk assessments, and payment results. To gain an understanding of the reporting methodologies, we judgmentally selected four payment reporting sites for further review: Idaho National Laboratory in Idaho Falls, Idaho; Kansas City National Security Campus in Kansas City, Missouri; National Renewable Energy Laboratory in Golden, Colorado; and Sandia National Laboratories in Albuquerque, New Mexico.

Methodology

To accomplish our audit objective, we analyzed the Payment Integrity Reporting information in the Other Information section of the Department's fiscal year 2021 *Agency Financial Report*. We completed the following procedures to assess compliance with OMB requirements:

- Gained an understanding of the Department's PIIA reporting process and controls;
- Confirmed whether the Department's policies and procedures were in accordance with the PIIA;
- Determined whether the Department published an Agency Financial Report for the most recent fiscal year and posted the report and accompanying materials on its website;
- Assessed whether the Department published improper payment estimates for all programs and activities identified as susceptible to significant improper payments;
- Verified whether the Department reported a gross improper payment rate of less than 10 percent;

- Determined whether the Department published corrective action plans in the Agency Financial Report for those programs with significant improper payments;

- Evaluated whether the Department published and met annual reduction targets for each program assessed to be at risk for, and identified to have, significant improper payments;

- Confirmed if management considered all agency disbursements/programs in its agency-wide risk assessment;

- Assessed whether the Department verified that there were no significant changes in legislation, increases in its funding level, or changes to the sites' payment process;

- Evaluated whether the Department verified that the payment reporting sites conducted a risk assessment;

- Verified whether the Department reported a statistically valid estimate of the improper payments for each program deemed susceptible to improper payments;

- Determined if management executed the assessment methodology as designed for each program deemed susceptible to improper payments; and

- Assessed whether the Department met OMB monitoring/tracking requirements, if applicable.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards required 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Accordingly, we assessed significant internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. In particular, we assessed the following internal control components and underlying principles significant to the audit objective: control environment and the related principles to exercise oversight responsibility and to demonstrate commitment to integrity and ethical values; control activities and the related principle to design control activities; risk assessment and the related principle to identify, analyze, and respond to risk; and monitoring and the related principle to perform monitoring activities. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audit. Finally, we did not rely on computer-processed data to satisfy our audit objective.

We held an exit conference with management officials on June 16, 2022.

Appendix 3

Prior Reports

- Audit Report on *The Department of Energy's Payment Integrity Reporting in the Fiscal Year 2020 Agency Financial Report* (DOE-OIG-21-27, May 2021). The Office of Inspector General found that the Department of Energy's fiscal year (FY) 2020 improper payment reporting was in accordance with Office of Management and Budget (OMB) criteria. Specifically, the Department published an Agency Financial Report for FY 2020 and posted that report, as well as accompanying materials, on its website. Although we determined that the Department met the criteria for compliance with OMB, we found that enhancements to the payment integrity process could result in more accurate and transparent reporting. For example, the Agency Financial Report did not disclose that the Department was tracking nearly $200 million in unresolved questioned costs pending allowability determinations by contracting officers. We also found that these questioned costs were not being resolved in a timely manner, as required by Federal regulations. Furthermore, we determined that certain locations did not appear to be reporting all improper payment information, which could have understated the amount of improper payments reported in the Department's Agency Financial Report.

- Audit Report on *The Department of Energy's Improper Payment Reporting in the Fiscal Year 2019 Agency Financial Report* (DOE-OIG-20-40, May 2020). The Office of Inspector General found that the Department's FY 2019 improper payment reporting was in accordance with OMB criteria. Specifically, the Department published an Agency Financial Report for FY 2019 and posted that report, as well as accompanying materials, on its website. While we determined that the Department met the criteria for compliance with OMB, we found that enhancements to the Office of the Chief Financial Officer's review process could improve reliability of the improper payments reported. Specifically, although in previous years the Office of the Chief Financial Officer had conducted site visits that evaluated the sites' improper payment processes, the reviews were limited and were not scheduled for FY 2020 due to travel restrictions as the result of COVID-19. We also noted that the onsite review process was not documented in a formalized standard operating procedure and concluded that improved oversight could ensure more accurate reporting of improper payments.

- Audit Report on *The Department of Energy's Improper Payment Reporting in the Fiscal Year 2018 Agency Financial Report* (DOE-OIG-19-33, May 2019). The Office of Inspector General found that the Department's FY 2018 improper payment reporting was in accordance with OMB criteria. Specifically, the Department published an Agency Financial Report for FY 2018 and posted that report, as well as accompanying materials, on its website. While we determined that the Department met the criteria for compliance with OMB, we found that one process improvement related to our prior year's report was still ongoing. At the time, the Office of the Chief Financial Officer also agreed that an opportunity existed at the time for the Department to enhance transparency relative to the payment reporting sites' financial outlays.

Department of Energy
Washington, DC 20585

June 10, 2022

MEMORANDUM FOR TERI L. DONALDSON
INSPECTOR GENERAL

FROM: CHRISTOPHER S. JOHNS
DEPUTY CHIEF FINANCIAL OFFICER

Christopher S Johns

SUBJECT: Response to IG Draft Report entitled: "The Department of Energy's Payment Integrity Reporting in the Fiscal Year 2021 Agency Financial Report (A22FN004)"

Thank you for the opportunity to review and comment on the subject draft report. The Office of the Chief Financial Officer appreciates your team's effort and herewith, we provide the comments and actions planned or already taken by the Department in the attachment.

If you have any questions regarding this response, please contact Mindy Bledsoe, Division Director, Payment Integrity & Services Division, Office of Finance and Accounting at 301-903-2553 or Mindy.Bledsoe@hq.doe.gov.

Enclosure

cc:

Karin Dasuki – Director, Office of Finance & Accounting
Rachel Denchfield – Deputy Director, Office of Financial Reporting & Business Analysis/OFA
Gladys Ramirez – Supervisory Accountant, Payment Integrity & Services Division
Tim Buchholz – Program Analyst, Payment Integrity & Services Division
Shane Murray – Accountant, Payment Integrity & Services Division

Enclosure

Management Response
OIG Draft Report: The Department of Energy's Payment Integrity Reporting in the Fiscal Year 2021 Agency Financial Report (A22FN004)

Recommendation 1: Update reporting guidance to fully define the expectations and parameters for technically improper payments to ensure that payment reporting sites appropriately include these on their risk assessments and payment reporting templates that are submitted to the OCFO.

DOE Response: Concur

The OCFO's FY 2022 Payment Integrity Guidance on reporting Technically Improper Payments was clarified and the Department will continue ongoing collaboration with the Office of Management and Budget (OMB) to seek additional clarification, as necessary. If OMB provides additional guidance on Technically Improper Payments relevant to the questions noted in the OIG draft report, CFO will update its FY 2023 Payment Integrity guidance accordingly.

The OCFO will continue to work with payment reporting sites throughout the FY 2022 payment integrity reporting cycle to ensure reporting of Technically Improper Payments.

Also note that there is no definable difference between a Technically Improper Payment and an Improper Payment during a risk assessment. Mitigation of improper payment risks does not distinguish between the two based on current policy guidance from OMB.

Estimated Completion Date: June 2023

OIG Suggestion: Continue transitioning payment reporting sites from a batch reporting to a transaction-based reporting structure for improper payments.

DOE Response: As noted by the OIG in the draft report, the OCFO has addressed this suggestion by making appropriate changes to the Payment Integrity Reporting FY 2022 Guidance.

Estimated Completion Date: Complete

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