



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

GSA Complied with the Payment Integrity Information Act for Fiscal Year 2023

Report Number A240001/B/T/F24003
May 22, 2024



Office of Audits

Office of Inspector General

U.S. General Services Administration

We performed an audit of GSA’s compliance with the Payment Integrity Information Act of 2019 (PIIA) for Fiscal Year (FY) 2023 and have no reportable findings or recommendations resulting from this audit. However, we identified one observation for management’s attention regarding incorrect risk assessment criteria in GSA’s *FY 2023 Risk Assessment Methodology and Summary Results*, as detailed in the *Observation* section of this report.

We performed this audit as required by the PIIA. This law aims to improve efforts to identify and reduce government-wide improper payments. The PIIA requires federal agencies to review their programs and identify those that are susceptible to significant improper payments. For programs identified, agencies are required to estimate, report, and reduce improper payments through corrective action. Within GSA, the Office of the Chief Financial Officer (OCFO) is responsible for financial reporting and ensuring compliance with the PIIA. The PIIA requires each agency’s Office of Inspector General (OIG) to assess agency compliance in six areas (as later described). Our audit objective was to determine if GSA complied with the PIIA for FY 2023.

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

Background

In FY 2023, the federal government reported approximately \$236 billion in estimated improper and unknown payments. Improper payments are a long-standing, widespread, and significant problem in the federal government. The goal of the PIIA is for agencies to improve efforts to identify and reduce improper payments.

Guidance and Regulations

The PIIA defines an improper payment as “any payment that should not have been made or that was made in an incorrect amount, including an overpayment or underpayment, under a statutory, contractual, administrative, or other legally applicable requirement.” According to the PIIA, the term “improper payment” includes the following:

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

In addition to the PIIA, we used the following requirements to complete our FY 2023 audit:

- Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs* (November 2009);
- Office of Management and Budget (OMB) Memorandum M-21-19, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement* (March 2021);
- OMB Memorandum M-18-14, *Implementation of Internal Controls and Grant Expenditures for the Disaster-Related Appropriations* (March 2018);
- Public laws related to disaster relief:
 - Continuing Appropriations Act, 2018 and Supplemental Appropriations for Disaster Relief Requirements Act, 2017, Pub. L. No. 115-56, 131 Stat. 1129 (2017);
 - Additional Supplemental Appropriations for Disaster Relief Requirements Act, 2017, Pub. L. No. 115-72, 131 Stat. 1224 (2017); and
 - Bipartisan Budget Act of 2018, Pub. L. No. 115-123, 132 Stat. 64 (2018);
- OMB Circular A-136, *Financial Reporting Requirements* (May 2023);
- OMB Payment Integrity Annual Data Call Instructions;
- OMB Payment Integrity Question and Answer Platform;
- Council of the Inspectors General on Integrity and Efficiency guidance required under the PIIA; and
- OMB instructions or waivers on the reporting of improper payments for specific programs.¹

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

¹ In August 2019, GSA received a waiver from OMB for reporting an improper payment Sampling and Estimation Methodology Plan for the Rental of Space Program. GSA has incorporated the Rental of Space Program into its improper payment 3-year risk assessment cycle.

The Office of Inspector General's Role

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

- Published payment integrity information with the annual financial statement and its accompanying materials for the most recent fiscal year and posted it on the agency's website;
- Conducted a program-specific risk assessment for required programs and adequately concluded whether these programs are likely to make improper and unknown payments;²
- Published improper payment estimates for all programs and activities identified as susceptible to significant improper and unknown payments;
- Published programmatic corrective action plans for these programs;
- Published and developed a plan to meet annual reduction targets for each program assessed to be at risk and measured for improper and unknown payments; and
- Reported an improper and unknown payment rate of less than 10 percent for estimates published in the accompanying materials.

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

Results

We determined that GSA complied with the PIIA for FY 2023. As shown in *Figure 1* on the next page, GSA met two of the requirements by:

- Publishing payment integrity information with the annual financial statements and posting the annual financial statements and accompanying materials on the GSA website; and
- Conducting improper payment risk assessments for each program with annual expenses greater than \$10 million at least once in the last 3 years and adequately concluding whether these programs are likely to make improper and unknown payments above or below the statutory threshold.

The four remaining requirements did not apply because GSA did not report any significant improper payments at the program level for FY 2023.

For details about the programs assessed, see **Appendix B**.

² An unknown payment is a payment that the agency cannot discern is proper or improper. If an agency is still conducting research or going through the review of a payment at the time that it must finish its sampling and report its results, the payment will be considered an unknown payment for reporting purposes that year.

Figure 1 – Summary of GSA’s FY 2023 Compliance with the PIIA

| | |
|--|----------------|
| FY 2023 Overall Evaluation | Compliant |
| 1a. Published payment integrity information with the annual financial statement and in the accompanying materials to the annual financial statement of the agency for the most recent fiscal year in accordance with OMB guidance; | Compliant |
| 1b. Posted the annual financial statement and accompanying materials required under guidance of OMB on the agency website; | Compliant |
| 2a. Conducted improper payment risk assessments for each program with annual expenses greater than \$10 million at least once in the last 3 years; | Compliant |
| 2b. Adequately concluded whether the program is likely to make improper payments and unknown payments above or below the statutory threshold; | Compliant |
| 3. Published improper payment and unknown payment estimates for programs susceptible to significant improper payments and unknown payments in the accompanying materials to the annual financial statement; | Not Applicable |
| 4. Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the financial statement; | Not Applicable |
| 5a. Published an improper payment and unknown payment reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the financial statement; | Not Applicable |
| 5b. Demonstrated improvements to payment integrity or reached a tolerable improper payment and unknown payment rate; | Not Applicable |
| 5c. Developed a plan to meet the improper payment and unknown payment reduction target; and | Not Applicable |
| 6. Reported an improper payment and unknown payment estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the financial statement. | Not Applicable |

While there are no reportable findings or recommendations resulting from this audit, we identified one observation for management’s attention.

Observation – GSA’s risk assessment criteria did not contain the correct methodology.

We found that the risk assessment criteria documented in GSA’s *FY 2023 Risk Assessment Methodology and Summary Results* was incorrect. The risk assessment criteria is used to determine if a program is “high risk,” meaning it is susceptible to significant improper payments.

The risk assessment criteria in the *FY 2023 Risk Assessment Methodology and Summary Results* states that “if a program shows an overall summary risk score of over 3 and a qualitative risk score of above 2.5, then a program is assessed as high risk.” However, upon reviewing GSA’s FY 2023 risk assessment worksheets, we found that the risk assessment criteria stated that “if a program shows an overall summary risk score greater than or equal to 3 and a qualitative risk score greater than or equal to 2.5, then a program is assessed as high risk.”

We requested clarification from GSA officials, who confirmed that the risk assessment criteria documented in the *FY 2023 Risk Assessment Methodology and Summary Results* was inaccurate. They said that the risk assessment criteria should mirror the risk assessment worksheet and instead state that “if a program shows an overall summary risk score greater than or equal to 3 and a qualitative risk score greater than or equal to 2.5, then a program is assessed as high risk.”

According to GSA officials, this error was identified in their risk assessment worksheets in August 2021. At that time, they corrected the criteria in the risk assessment worksheets but did not update the risk assessment criteria in the *Risk Assessment Methodology and Summary Results* for FY 2022 and FY 2023. We determined that for FY 2022 and FY 2023, this error would not have caused any GSA program classified as low risk to be classified as high risk.

It is important for GSA’s risk assessment criteria to be accurate. If someone were to follow the incorrect risk assessment criteria, a program may be assessed as low risk when it is, in fact, a high-risk program.

GSA officials were made aware of our observation and stated they would correct their risk assessment criteria in the *FY 2024 Risk Assessment Methodology and Summary Results*.

Conclusion

We determined that GSA complied with the PIIA for FY 2023 and have no reportable findings or recommendations resulting from this audit. However, we identified one observation for management’s attention regarding incorrect risk assessment criteria in GSA’s *FY 2023 Risk Assessment Methodology and Summary Results*.

GSA Comments

The OCFO concurred with our audit report and indicated it has already completed action to correct our report observation. The OCFO’s written comments are included in their entirety as **Appendix C**.

Audit Team

This audit was managed out of the Information Technology and Finance Audit Office and conducted by the individuals listed below:

| | |
|--------------------|---|
| Sonya Panzo | Associate Deputy Assistant Inspector General for Auditing |
| Cairo Carr | Audit Manager |
| Bruce McLean | Auditor-In-Charge |
| Jennifer Rutili | Auditor |
| Michele Goldhirsch | Auditor |

Appendix A – Objective, Scope, and Methodology

Objective

We performed this audit as a requirement under the PIIA. Our audit objective was to determine if GSA complied with the PIIA for FY 2023.

Scope and Methodology

Within GSA, the OCFO is responsible for financial reporting and ensuring compliance with the PIIA. We examined the OCFO's processes related to compliance with the PIIA for FY 2023.

To accomplish our objective, we performed the following:

- Examined relevant criteria, including public laws, executive orders, auditing and internal control standards, OMB memorandums and circulars, and GSA directives;
- Evaluated the OCFO's processes to identify and reduce improper payments;
- Examined supporting documentation for the OCFO's reporting on improper payments in *GSA's FY 2023 Agency Financial Report*;
- Held discussions with OCFO officials regarding improper payment identification, risk assessment, reporting, and improper payments estimation;
- Reviewed previous GSA OIG improper payment reports;
- Reviewed the OCFO's *Payment Integrity Standard Operating Procedures* document describing the controls related to PIIA compliance;
- Reviewed PIIA compliance testing instructions for disaster relief funding;
- Reviewed and implemented the Council of the Inspectors General on Integrity and Efficiency guidance required under the PIIA;
- Evaluated the OCFO's adherence to the U.S. Government Accountability Office's (GAO's) *Standards for Internal Control in the Federal Government* (GAO-14-704G); and
- Assessed the design, implementation, and operating effectiveness of relevant internal controls.

Data Reliability

The Public Buildings Service's Financial Operations Division provided us with spreadsheets from the Financial Information and Operations Division and the Financial Services Division. The two spreadsheets contained information about improper payments for GSA's Public Buildings Service and Federal Acquisition Service that was taken from Pegasys, GSA's core financial system. We also obtained the improper payment risk assessment from GSA that summarized the program outlays and overpayments.

We assessed the reliability of the data by: (1) interviewing GSA officials knowledgeable about the data and (2) reconciling GSA’s risk assessment summary to source documentation. We determined that the data was sufficiently reliable for purposes of this audit.

Internal Controls

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

Compliance Statement

We conducted the audit between October 2023 and March 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B – Programs Assessed

OMB Memorandum M-21-19 requires agencies to conduct improper payment risk assessments for each program with annual outlays greater than \$10 million at least once every 3 years. GSA identified 46 programs; of those programs, only 20 programs exceeded outlays of \$10 million. Due to this 3-year cycle, only two programs—Purchase Card and Employee Payments—were due for a risk assessment in FY 2023.

To determine whether the two programs are susceptible to significant improper payments, GSA’s risk assessment calculated and added up quantitative and qualitative scores. If a program shows an overall summary risk score of greater than or equal to 3 and a qualitative risk score of greater than or equal to 2.5, then a program would have been assessed as high risk. The Purchase Card program was assessed an overall summary risk score of 1.5 and a qualitative risk score of 1.7, and the Employee Payments program was assessed an overall summary risk score of 3.0 and a qualitative risk score of 2.0. As a result, neither program was identified as high risk.

Appendix C – GSA Comments

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Office of the Chief Financial Officer

MEMORANDUM FOR SONYA PANZO
ASSOCIATE DEPUTY ASSISTANT INSPECTOR GENERAL
FOR AUDITING
INFORMATION TECHNOLOGY AND FINANCE AUDIT
OFFICE (JA-T)

FROM: KATHY HAMMER DocuSigned by:
Kathy Hammer
DC4D73C529344A7 5/2/2024
DIRECTOR, OFFICE OF FINANCIAL MANAGEMENT (BG)
OFFICE OF THE CHIEF FINANCIAL OFFICER (B)

SUBJECT: Response to the Office of the Inspector General Draft Report
"GSA Complied with the Payment Integrity Information Act in
Fiscal Year 2023" Assignment Number A240001

The Office of the Chief Financial Officer (OCFO) appreciates the opportunity to comment on the Office of the Inspector General draft report "GSA Complied with the Payment Integrity Information Act in Fiscal Year 2023" (A240001).

The OCFO concurs with the report. As acknowledged in the report, the General Services Administration (GSA) fully complied with the requirements of the Payment Integrity Information Act in Fiscal Year 2023. In addition, the OCFO has completed action to correct the observation noted in the report. The draft report found that GSA's risk assessment criteria documented in GSA's FY 2023 *Risk Assessment Methodology and Summary Results* did not match the formula used in the risk assessment calculation. This issue did not affect the risk assessments, and the criteria found in the results document has been properly updated.

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

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

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Appendix D – Report Distribution

GSA Administrator (A)

GSA Deputy Administrator (AD)

Chief Financial Officer (B)

Chief of Staff (B)

Director of Financial Management (BG)

Office of Audit Management and Accountability (BA)

Assistant Inspector General for Auditing (JA)

Deputy Assistant Inspector General for Acquisition Audits (JA)

Deputy Assistant Inspector General for Real Property Audits (JA)

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