Audit Report

OIG-21-027

FINANCIAL MANAGEMENT

Audit of the Gulf Coast Ecosystem Restoration Council’s Compliance with PIIA of 2019 for Fiscal Year 2020

May 14, 2021

Office of Inspector General
Department of the Treasury
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Abbreviations

ARC Bureau of the Fiscal Service, Administrative Resource Center
AFR Agency Financial Report
Council Gulf Coast Ecosystem Restoration Council
EO Executive Order
IPERA Improper Payments Elimination and Recovery Act of 2010
IPERIA Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA Improper Payments Information Act of 2002
OIG Treasury Office of Inspector General
OMB Office of Management and Budget
PIIA Payment Integrity Information Act of 2019
May 14, 2021

Mary Walker
Executive Director
Gulf Coast Ecosystem Restoration Council

This report presents the results of our audit of the Gulf Coast Ecosystem Restoration Council’s (Council) compliance with improper payment reporting requirements for fiscal year 2020.

The objective of our audit was to assess and report on the Council’s overall compliance with requirements contained in the Payment Integrity Information Act of 2019 (PIIA)\(^1\), enacted to help Federal agencies improve efforts to identify and reduce Government wide improper payments, and for other purposes. PIIA repealed the Improper Payment Elimination and Recovery Improvement Act of 2012 (IPERIA)\(^2\), the Improper Payments Elimination and Recovery Act of 2010 (IPERA)\(^3\), and the Improper Payments Information Act of 2002 (IPIA)\(^4\). As part of our audit, we also reviewed the Council’s implementation of the Office of Management and Budget’s (OMB) improper payment related guidance contained in Circular No. A-123, Management’s Responsibility for Enterprise Risk Management and Internal Control, Appendix C, “Requirements for Payment Integrity Improvement,” and Circular No. A-136, Financial Reporting Requirements.

We conducted our fieldwork from February 2021 through May 2021 in Washington, DC. Appendix 1 contains a more detailed description of our objective, scope, and methodology.

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Results in Brief

The Council was in compliance with all applicable PIIA reporting requirements. We determined that the Council complied with the requirement to publish its Agency Financial Report (AFR) and any accompanying material required by the Office of Management and Budget (OMB) on its website for fiscal year 2020. Although the Council’s total program and activity expenditures exceeded $10 million, its total estimate for improper payments was less than 10 percent. In addition, the Council did not have any programs susceptible to significant improper payments or any OMB-designated high priority programs.

We reviewed the Council’s PIIA reporting process, risk assessment process, and payment recapture audit program to determine the accuracy and completeness of the Council’s improper payment reporting and found no matters of concern. We determined that the Council used a systematic method to review all programs and activities to identify those susceptible to significant improper payments. The Council also conducted program specific risk assessments and considered numerous factors in determining its programs’ risk for improper payment. In addition, the Council’s total improper payment rate for fiscal year 2020 was 3.14 percent. All improper payments identified were recaptured at the end of fiscal year 2020 except for $53.45, which was below the debt collection threshold and collection was waived.

We make no recommendations in this report.

As part of our reporting process, we provided a draft of this report to Council management for review and comment. In a written response, management stated that the Council will continue its activities to comply with the requirements of PIIA in fiscal year 2021. Management’s response to our report is provided in appendix 2.
Background

Improper Payments Compliance and Reporting Requirements

Under the IPIA, Federal agencies were required to review and identify programs and activities susceptible to improper payments on an annual basis and report estimates of improper payments to Congress along with actions to reduce estimated improper payments that exceeded $10 million.

In 2009, EO 13520 required Federal agencies to intensify their efforts to eliminate payment error, waste, fraud, and abuse in major Federal programs while continuing to ensure that these programs serve and provide access to their intended beneficiaries. It increased Federal agencies’ accountability and required that Federal agencies provide their agency Inspector General with detailed information on efforts to identify and reduce the number of improper payments in Federal programs with the highest dollar value of improper payments.

Following EO 13520, on July 22, 2010, the President signed IPERA into law. IPERA amended IPIA, strengthening agencies’ program reviews and reporting requirements. IPERA expanded the types of payments to be reviewed and established the requirement for agencies to conduct recovery audits if cost-effective. IPERA also required Inspectors General to report on their respective agencies’ compliance with IPERA each fiscal year.

In 2012, IPERIA further expanded agency improper payment requirements to foster greater agency accountability. IPERIA required the Director of OMB to identify a list of high priority Federal programs for greater levels of oversight and review. For those high priority programs, IPERIA required OMB to coordinate with agencies to establish annual targets and semi-annual or quarterly actions for reducing improper payments. For fiscal year 2020, the Council did not have any OMB-identified high priority programs. Agencies were required to submit an annual report to the Inspector General on actions (1) taken or planned to recover improper payments and (2) intended to prevent future improper
payments. The report was also required to be available to the public on a central website.

In accordance with IPERIA and EO 13520, Offices of Inspector General (OIG) were required to review and report on their respective agencies’ OMB-designated high priority programs, if any. Specifically, OIGs were to review management’s assessment of the level of risk, the quality of the improper payment estimates and methodology, and the oversight and financial controls in place to identify and prevent improper payments. Recommendations, if any, were to be provided for modifying agency plans related to its high priority programs to include improvements for determining and estimating improper payments.

In Memorandum 15-02 dated October 20, 2014, OMB issued revisions to OMB Circular No. A-123, Appendix C, to provide agencies guidance on implementing all improper payment compliance and reporting requirements. In June 2018, OMB issued Memorandum 18-20 to further revise its guidance in an effort to transform the improper payment compliance framework to create a more unified, comprehensive, and less burdensome set of requirements. According to OMB M-18-20, all agencies should institute a systematic method of reviewing all programs once every three years to determine the programs’ improper payment risk. Additionally, agencies are required to take into account the following seven risk factors that are likely to contribute to a susceptibility of significant improper payments:

- whether the program or activity reviewed is new to the agency;
- the complexity of the program or activity reviewed, particularly with respect to determining correct payment amounts;
- the volume of payments made annually;
- whether payment eligibility decisions are made outside of the agency;
- recent major changes in program funding, authorities, practices, or procedures;
- the level, experience, and quality of training for personnel responsible for making program eligibility determination or certifying that payments are accurate; and
• significant deficiencies in the audit reports of the agency or other relevant management findings that might hinder accurate payment certification.

On March 2, 2020, PIIA repealed IPERIA, IPERA, and IPIA, but set forth similar improper payment reporting requirements. PIIA requires agencies to conduct program-specific risk assessments for each program or activity identified by the agency, provide the methodology for identifying and measuring improper payments, and report on actions the agency plans to take to prevent future improper payments.

As a result of PIIA, OMB updated OMB Circular A-123, Appendix C, “Requirements for Payment Integrity Improvement” and issued its revised guidance (OMB M-21-19) on March 5, 2021. However, this guidance is not effective until fiscal year 2021. OMB M-18-20 remained in effect for fiscal year 2020.

Improper Payment Risk Assessment

The Council used a systematic method to review all programs and activities to identify those susceptible to significant improper payments using the criteria listed above. The programs the Council assessed for risk are the Council-Selected Projects and Programs and the Oil Spill Impact Program. The Council performed a qualitative risk assessment for all payment types using its financial service provider, the Bureau of the Fiscal Service, Administrative Resource Center’s (ARC) Risk Assessment questionnaire in determining the level of risk for each payment type, such as payroll, contract payments and invoices, purchase card, travel card, claims and vouchers, entitlements and benefits, and grants.

The Council also performed risk assessments of all grant recipients, which includes review of recipient financial reports and other pertinent information. If a recipient is not assessed as low risk, they would be required to provide invoices and supporting documentation for review every time a payment is made. The Council performed risk assessments on all of its recipients and determined them to be low risk.

The Council considered other risk factors in determining if the programs were likely to be susceptible to significant improper
payments. Among the factors considered were the number of payments the Council had and the total amount of all payments made. For fiscal year 2020, the Council did not have any programs or activities susceptible to significant improper payments.

Payment Recapture Audit

PIIA requires agencies to conduct recovery audits (also referred to as payment recapture audits) to prevent, detect, and recover overpayments, if conducting such audits would be cost-effective, for each program and activity that expends $1 million or more annually. A payment recapture audit is a review and analysis of an agency’s or program’s accounting and financial records, and other pertinent information supporting its payments that is specifically designed to identify overpayments. The Council’s payment recapture audit is performed by ARC and reviewed and certified by the Council. In addition, the Council reviews all grant payments to confirm validity and accuracy of payments made and performs payment recapture of any improper payments identified.

Improper Payment Reporting

The Council published its fiscal year 2020 AFR and posted it to its website. The Payment Integrity Information Act section of the report included the required improper payments information with the following accompanying information:

- programs assessed for risk;
- risk assessment and results;
- payment reporting, including improper payment estimate;
- improper payment root cause categories;
- recapture of improper payments reporting;
- discussion of the Do Not Pay Initiative;
- discussion of the Council’s accountability for establishing and maintaining sufficient internal controls;
- agency information systems and other infrastructure; and
- fraud reduction report.
Audit Results

According to OMB Circular A-123, an agency is required to meet six specific requirements to be compliant with PIIA. The six requirements are (1) publishing an AFR; (2) conducting a risk assessment; (3) publishing an improper payment estimate; (4) publishing corrective action plans; (5) publishing and meeting reduction targets; and (6) reporting a gross improper payment rate of less than 10 percent. We found that the Council complied with PIIA for fiscal year 2020 as outlined in Table 1.

Table 1. The Council’s Compliance with PIIA Requirements

<table>
<thead>
<tr>
<th>PIIA Requirements</th>
<th>Council Selected Projects and Programs</th>
<th>Oil Spill Impact Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Publish an AFR</td>
<td>Complied</td>
<td>Complied</td>
</tr>
<tr>
<td>Conduct risk assessment</td>
<td>Complied</td>
<td>Complied</td>
</tr>
<tr>
<td>Publish an improper payment estimate</td>
<td>Not Required*</td>
<td>Not Required*</td>
</tr>
<tr>
<td>Publish corrective action plans</td>
<td>Not Required*</td>
<td>Not Required*</td>
</tr>
<tr>
<td>Publish and meet reduction targets</td>
<td>Not Required*</td>
<td>Not Required*</td>
</tr>
<tr>
<td>Report an improper payment rate of less than 10 percent</td>
<td>Not Required*</td>
<td>Not Required*</td>
</tr>
</tbody>
</table>

Source: OIG’s assessment of Council’s compliance with PIIA requirements.

* Not susceptible to significant improper payments

We reviewed the Council’s AFR and noted that the Council included the required improper payment disclosures and complied with the requirement to publish its AFR on its website. We also noted that the Council included a link to the paymentaccuracy.gov website for additional detailed information on improper payments.

We reviewed the procedures performed by the Council and the supporting documentation related to its improper payment reporting. We also reviewed procedures performed by ARC as part of its responsibilities in assisting the Council in performing its risk assessment and performing the payment recapture audit on behalf of the Council. Specifically, we reviewed the Council’s supporting...
documentation related to its risk assessment and payment recapture audit to determine if they were performed for fiscal year 2020.

We noted that the Council performed a qualitative risk assessment of its programs utilizing ARC’s risk assessment questionnaire that resulted in a low-risk rating for the Council’s overall fund group. The Council also considered other factors in determining if programs were susceptible to improper payments. These factors include the number and amounts of payments made by the Council and the grant recipients’ risk rating.

ARC performed the payment recapture audit on behalf of the Council. The payment recapture audit identified improper payments totaling $618,777.60. The total recaptured amount of $618,536.68 consists of $617,486.51 erroneous payment related to grants and $1,050.17 travel overpayments to Council employees. All recaptured amounts were returned to their original purposes. The difference of $240.92 consists of (1) $187.47 that was self-reported and returned by a Council employee for overpayment of a travel voucher and (2) an unrecovered amount of $53.45 which was below the debt threshold and collection was waived by the Council.

The Council’s total program and activity expenditures for fiscal year 2020 exceeded $10 million but the total improper payment estimate was less than the threshold for significant improper payments and reporting requirements specified in OMB M-18-20. Additionally, the Council did not have any programs or activities susceptible to significant improper payments or OMB-designated high priority programs. Although the Council’s combined total outlays for the Council Selected Projects and Program and Oil Spill Impact Program was $19.7 million in fiscal year 2020, the total improper payments reported of $619 thousand was 3.14 percent, which is significantly below the threshold for significant improper payment. As a result, the Council was not required to publish improper payment estimates or programmatic corrective action.

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5 The threshold is the total amount of overpayments and underpayments in the program exceeding (1) both 1.5 percent of program outlays and $10,000,000 of all program or activity payments made during the fiscal year reported or (2) $100,000,000 (regardless of the improper payment percentage of total program outlays).
plans in the AFR. The Council was also not required to publish and meet annual reduction targets and estimates for improper payments. Although not required to report an improper payment rate, the Council did publish an improper payment rate of less than 10 percent for each program and activity in the AFR.

The Council was in compliance with all applicable PIIA reporting requirements. Accordingly, we make no recommendations in this report.

We provided a draft of this report to Council management for review and comment. In a written response, management stated that the Council will continue its activities to comply with the requirements of PIIA in fiscal year 2021. Management’s response is provided in its entirety in appendix 2.

* * * * * *

We appreciate the courtesies and cooperation extended by your staff during the audit. If you wish to discuss the report, you may contact me at (202) 927-0009 or Shiela Michel, Audit Manager, at (202) 927-5407. Major contributors to this report are listed in appendix 3. A distribution list for this report is provided as appendix 4.

/s/
James Hodge
Audit Director, Financial Audit
Appendix 1: Objectives, Scope, and Methodology

The overall objective of our audit was to determine whether the Gulf Coast Ecosystem Restoration Council (Council) complied with the improper payment reporting requirements for fiscal year 2020. We assessed the Council’s compliance with the reporting requirements set forth in the Payment Integrity Information Act of 2019 (PIIA).

The scope of our audit covered the time period October 1, 2019 through September 30, 2020.

To accomplish our objective, we performed the following activities during audit fieldwork conducted from February 2021 through May 2021:

- We reviewed applicable laws, regulations, and guidance issued by the Office of Management and Budget (OMB), and the Council’s supporting documentation for its improper payment reporting.
- We conducted interviews of the Council’s personnel responsible for the improper payment reporting.
- We reviewed the fiscal year 2020 Annual Financial Report (AFR) and any accompanying information to assess whether the Council had:
  - published an AFR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the Council's website;
  - conducted a program specific risk assessment for each program or activity, if required;
  - published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment, if required;
  - published programmatic corrective action plans in the AFR, if required;
  - published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments, if required and applicable; and
Appendix 1: Objectives, Scope, and Methodology

- reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR.

- To assess the Council’s risk assessment process, we reviewed supporting documentation to determine the completeness and accuracy of the information reported and compliance with applicable guidance. We interviewed Council officials involved in the risk assessment and review process to evaluate their risk assessment methodologies.

- To assess the Council’s payment recapture audit program, we reviewed the results of the Council’s payment recapture audit along with the supporting documentation to determine the completeness and accuracy of the information reported and compliance with applicable guidance. In addition, we randomly selected a sample of 5 of 39 grants and 20 of 170 travel payments. For the sample design, a simple random number method was used to generate a representative sample. We did not project the sample results to the population. We also reviewed the audit results along with the Council’s supporting documentation to determine if the Council (1) had internal controls in place to prevent, detect, and recover overpayments; (2) performed payment recapture audits of all non-federal and federal employee payments administered; (3) recaptured all overpayments made; and (4) disposed of recovered funds in accordance with OMB guidance. In order to make this determination, we also obtained evidence through our interviews with Council personnel.

We assessed the reliability of the improper payment data by (1) performing electronic testing, (2) reviewing existing information about the data and the system that produced them, and (3) interviewing Council officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report.

Management is responsible for the design, implementation, and operating effectiveness of the agency’s internal controls. We assessed the Council’s internal controls and compliance with policies and procedures necessary to satisfy the audit objective. In particular, we determined that the principles of designing and implementing control activities within the control activities
component of internal controls, and the principle of performing monitoring activities within the monitoring component of internal controls, were significant to the Council’s improper payment reporting. Specifically, the Council’s risk assessment process of its programs and activities, use of a financial services provider to perform payment recapture audits, and its monitoring and certification activities were significant to the Council’s improper payment reporting.

We assessed whether internal controls are properly designed and implemented through walkthroughs. In addition, we tested the operating effectiveness of the internal controls by reviewing and inspecting relevant documents and data and testing payments made by the Council. However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.
Appendix 2: Management Response

Gulf Coast Ecosystem Restoration Council
New Orleans, Louisiana
May 10, 2021

Mr. James Hodge
Audit Director, Department of the Treasury
Office of Inspector General
Washington, DC 20220

Re: Audit of the Gulf Coast Ecosystem Restoration Council’s Compliance with PIIA for Fiscal Year 2020

Dear Mr. Hodge:

Thank you for the opportunity to review the Office of Inspector General’s (OIG) Audit of the Gulf Coast Ecosystem Restoration Council’s Compliance with PIIA for Fiscal Year 2020. The Council appreciates the professionalism and courtesy extended by the Office of Inspector General throughout this audit.

In fiscal year 2021 the Council will continue its activities to comply with the requirements of PIIA, including the finalization of a Council PIIA Plan, performance of payment recapture audits, conducting risk assessments of its programs, and publication of an AFR. These activities are designed to achieve the goals and objectives of the RESTORE Act for restoration in the Gulf Coast Region as well as achieve the requirements of PIIA.

Sincerely,

MARY WALKER
Executive Director

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Appendix 3: Major Contributors to This Report

Shiela Michel, Audit Manager
Rufus Etienne, Auditor
Steven Bitz, Auditor
Gerald Kelly, Referencer
Appendix 4: Report Distribution

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  Chairperson
  Executive Director
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Department of the Treasury
  Deputy Secretary
  Under Secretary for Domestic Finance
  Fiscal Assistant Secretary
  Deputy Assistant Secretary, Fiscal Operations and Policy

Office of Management and Budget
  Controller, Office of Federal Financial Manager
  OIG Budget Examiner

U.S. Senate
  Chairman and Ranking Member
  Committee on Homeland Security and Governmental Affairs

U.S. House of Representatives
  Chairman and Ranking Member
  Committee on Oversight and Reform

U.S. Government Accountability Office
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