



OST

Report FS2023029
May 22, 2023

**DOT's Fiscal Year 2022 Payment Integrity Information Act
Compliance Review**



DOT's Fiscal Year 2022 Payment Integrity Information Act Compliance Review

Required by the Payment Integrity Information Act of 2019

Department of Transportation | FS2023029 | May 22, 2023

What We Looked At

The Payment Integrity Information Act of 2019 (PIIA) requires agencies to identify, report, and reduce improper payments in programs susceptible to significant improper payments. The act also requires agencies to publish applicable payment integrity information in the materials accompanying their annual financial statements. Moreover, PIIA requires inspectors general to report annually on their agencies' compliance. Accordingly, our audit objective was to determine whether DOT complied in fiscal year 2022 with PIIA's requirements as prescribed by the Office of Management and Budget (OMB).

What We Found

DOT was in compliance with PIIA requirements for fiscal year 2022. DOT reported improper payment estimates for two programs identified as susceptible to significant improper payments. Generally, the payment integrity information in DOT's 2022 Agency Financial Report and data posted to the Payment Accuracy website were accurate and complete. We found a data entry error at the website. DOT reported \$104,907 under the cause category of Data/Information Does Not Exist instead of the correct cause category of Failure to Access Data/Information Needed. This error did not impact DOT's PIIA compliance. DOT's corrective action plan was adequately designed, focused on root causes, and effectively implemented. DOT also published improper and unknown payment amounts and estimated future improper and unknown payment rates on the Payment Accuracy website in the financial statement materials. The Federal Highway Administration's Highway Planning and Construction Program did not meet its reduction target of 1 percent and reported estimated improper payments of 1.13 percent (\$548.95 million). However, FHWA demonstrated improvement by reducing its overall improper and unknown payments. DOT developed a plan to meet the reduction target and reported an improper and unknown payment estimate of less than 10 percent for all programs reporting improper payments in fiscal year 2022. The Department has also taken steps to recapture improper and unknown payments.

Our Recommendations

We are making no recommendations at this time.

All OIG audit reports are available on our website at www.oig.dot.gov.

For inquiries about this report, please contact our Office of Government and Public Affairs at (202) 366-8751.

Contents

Memorandum	1
Background	2
Results in Brief	4
DOT Was in Compliance With PIIA Requirements for Fiscal Year 2022	5
Conclusion	12
Agency Comments and OIG Response	12
Actions Required	13
Exhibit A. Scope and Methodology	14
Exhibit B. Organizations Visited or Contacted	16
Exhibit C. List of Acronyms	17
Exhibit D. Status of Prior OIG Recommendations	18
Exhibit E. Major Contributors to This Report	19
Appendix. Agency Comments	20



Memorandum

Date: May 22, 2023

Subject: INFORMATION: DOT's Fiscal Year 2022 Payment Integrity Information Act Compliance Review | Report No. FS2023029

From: Dormayne "Dory" Dillard-Christian *M. Dillard-Christian*
Assistant Inspector General for Financial Audits

To: Assistant Secretary for Budget and Programs and Chief Financial Officer

The Payment Integrity Information Act of 2019 (PIIA)¹ requires agencies to identify, report, and reduce improper payments in programs determined to be susceptible to significant improper payments.² The act also requires agencies to publish any applicable payment integrity information required in the materials accompanying their annual financial statements in accordance with applicable guidance. For fiscal year 2022, the Department of Transportation (DOT) performed sampling and testing procedures on two programs with total expenditures of over \$61.6 billion and estimated that about \$756 million of those expenditures were improper payments.

PIIA requires inspectors general to report annually on their agencies' compliance. Accordingly, our audit objective was to determine whether DOT complied with PIIA's requirements as prescribed by the Office of Management and Budget (OMB). We conducted this audit in accordance with generally accepted Government auditing standards. Exhibit A details our scope and methodology. Exhibit B lists the organizations we visited or contacted, and exhibit C lists the acronyms used in this report. Exhibit D presents the status of our PIIA related recommendations to the Department from previous years.

We appreciate the courtesies and cooperation of DOT representatives during this audit. If you have any questions concerning this report, please contact me or Lisa Williams, Program Director.

cc: The Secretary
DOT Audit Liaison, M-1

¹ Pub. L. No. 116-117 (2020).

² OMB defines "significant improper payments" as improper payments that exceed 1.5 percent of a program's outlays and \$10 million or \$100 million.

Background

PIIA requires inspectors general to review their agencies' compliance and submit reports to their agency heads.³ The act requires additional reporting by inspectors general, including evaluations of agency efforts to prevent and reduce improper payments.

PIIA defines a payment as any transfer or commitment for future transfer of Federal funds—including cash, securities, loans, loan guarantees, and insurance subsidies—to a non-Federal person or entity by a Federal agency, Federal contractor, Federal grantee, or governmental or other organization administering a Federal program or activity.

PIIA defines an improper payment as one that should not have been made or that was made in an incorrect amount, including an overpayment or underpayment, based on statutory, contractual, administrative, or other legally applicable requirements. This definition includes any payment made to an ineligible recipient, for an ineligible good or service, for goods or services that were not received, or that does not account for credit for applicable discounts. Duplicate payments are also considered improper. OMB instructs agencies that are unable—due to insufficient or nonexistent documentation—to determine whether a payment is proper to consider that payment improper. Improper payments and estimates of improper payments do not necessarily indicate fraud or monetary loss in programs and activities.

PIIA requires the head of each executive agency to periodically review all programs and activities and identify those that are susceptible to significant improper payments that exceed the statutory threshold.⁴

OMB Circular A-123,⁵ *Requirements for Payment Integrity Improvement*, revised in 2021, provides guidance to agencies on implementing PIIA. The guidance presents a payment integrity framework that transforms the way agencies improve payment integrity. It focuses on reducing and preventing improper payments and balancing payment integrity risks and controls. The circular also requires programs and activities reporting improper payment estimates that exceed the statutory threshold

³ PIIA also requires inspectors general to submit their reports to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Reform, the Comptroller General, OMB, and the appropriate authorizing and appropriations committees of Congress.

⁴ The statutory threshold is (1) both 1.5 percent of program outlays and \$10,000,000 of all program payments made during the fiscal year reported, or (2) \$100,000,000.

⁵ OMB M-21-19, transmittal of appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement* (March 2021).

to have corrective action plans to prevent and reduce improper payments. It also requires high-priority programs⁶ to publish information on improper payments quarterly on the Payment Integrity Scorecard at paymentaccuracy.gov.

OMB Circular A-136,⁷ *Financial Reporting Requirements*, as revised, includes the Agency Financial Report (AFR) financial reporting requirements that Federal agencies must follow. The AFR's Payment Integrity section should include elements such as actions taken to address auditor recovery recommendations.

For fiscal year 2022, DOT reported the following programs susceptible to significant improper payments and subject to PIIA reporting requirements:

- **Federal Highway Administration's (FHWA) Highway Planning and Construction (HPC) Program.** This program supports State and local governments in the design, construction, and maintenance of the Nation's highway system. Additionally, the program includes emergency and pandemic relief supplemental funds for the repair or reconstruction of highways and roads.
- **Federal Transit Administration's (FTA) Transit Infrastructure Grants (TIG) COVID Relief Funds Program.** This program includes funding provided to FTA by the Coronavirus Aid, Relief, and Economic Security Act of 2020, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) of 2021, and the American Rescue Plan of 2021 in support of the Nation's public transportation systems as they respond to the COVID-19 pandemic.

DOT contracted with consulting firms to develop an improper payment testing approach and generate a sample of payments for review. During testing, each Operating Administration's (OA) management made decisions to determine whether payments were improper. With guidance from the Department and the OAs, the contractors projected improper payment estimates for FHWA HPC and FTA TIG COVID Relief Funds.

⁶ A high-priority program is a program with improper payments resulting in monetary loss that exceeds \$100,000,000 annually. OMB may determine that a program is high-priority for reasons other than exceeding the dollar threshold.

⁷ OMB Circular A-136, *Financial Reporting Requirements*, 2022.

Results in Brief

DOT was in compliance with PIIA requirements for fiscal year 2022.

For fiscal year 2022, DOT reported improper payment estimates for two programs that it had identified in fiscal year 2021 as susceptible to significant improper payments. Generally, the payment integrity information in DOT's 2022 AFR and data posted to the Payment Accuracy website were accurate and complete. We found an error in the data entry to the website related to a cause category for two improper payments. DOT reported \$104,907 under the cause category of Data/Information Does Not Exist instead of the correct cause category of Failure to Access Data/Information Needed. This error did not impact DOT's compliance with PIIA. DOT conducted five risk assessments for programs likely to make improper payments and unknown payments⁸ and determined that these programs were below the statutory threshold. We found that DOT's corrective action plan was adequately designed, focused on root causes, and was effectively implemented with an emphasis on reducing improper payments. DOT also published improper and unknown payment amounts and estimated future improper and unknown payment rates on the Payment Accuracy website in the accompanying materials to the financial statement. FHWA HPC did not meet its reduction target of 1 percent and reported estimated improper payments of 1.13 percent or about \$548.95 million. However, the Agency demonstrated improvement by reducing its overall improper and unknown payments. The FTA TIG COVID Relief Funds program is in its first year of reporting an improper payment and unknown payment estimate and therefore was not required to demonstrate improvement. DOT developed a plan to meet the reduction target and reported an improper and unknown payment estimate of less than 10 percent for all programs reporting improper payments in fiscal year 2022. The Department has also taken steps to recapture improper and unknown payments.

We are making no recommendations at this time. See exhibit D for the status of prior year recommendations.

⁸ An unknown payment is one that could be either proper or improper but the agency is unable to discern whether it was proper or improper due to insufficient or no documentation.

DOT Was in Compliance With PIIA Requirements for Fiscal Year 2022

DOT complied with PIIA requirements. With the exception of a minor error related to identifying the correct root cause category for two improper payments,⁹ the Department published accurate and complete payment integrity information in its AFR and to the Payment Accuracy website. The Department also conducted improper payment risk assessments with a qualitative or quantitative¹⁰ approach; published improper payment and unknown payment estimates and corrective actions for programs or activities susceptible to significant improper payments and unknown payments; demonstrated improvement in FHWA HPC; and reported an improper payment and unknown payment estimate of less than 10 percent for the programs or activities reviewed during fiscal year 2022.

DOT Complied With PIIA's Program-Specific Requirements

DOT complied with all of PIIA's requirements for the two programs identified as susceptible to significant improper payments—FHWA HPC and FTA TIG COVID Relief Funds. PIIA includes the following reporting requirements that agencies must meet to be compliant (see table 1 for a summary).

1. Publish payment integrity information with the annual financial statement and in accompanying materials to the annual financial statement of the agency for the most recent fiscal year in accordance with OMB guidance.
2. Post the annual financial statement and accompanying materials required under guidance of OMB on the agency website.
3. Conduct improper payment risk assessments for each program with annual outlays greater than \$10 million at least once in the last 3 years.

⁹ DOT-OIG identified a similar error with DOT's FY 2021 PIIA reporting. We recommended that DOT's Assistant Secretary for Budget and Programs and Chief Financial Officer design and implement controls to confirm that its annual PIIA reporting to the Payment Accuracy website is accurate. This recommendation is open pending completion of planned actions with a past-due target action date of March 31, 2023.

¹⁰ A qualitative improper payment risk assessment is a technique used to quantify risk associated with improper and unknown payments. It prioritizes identified improper and unknown payment-related risks using a pre-defined rating scale. A quantitative improper risk assessment focuses on the measurable and often pre-defined data such as improper and unknown payment amounts. It also provides numerical improper payment amounts and assesses the probability of occurrence.

4. Adequately conclude whether the program is likely to make improper payments and unknown payments above or below the statutory threshold.
5. Publish improper and unknown payment estimates for programs susceptible to significant improper and unknown payments in the accompanying materials to the annual financial statement.
6. Publish corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.
7. Publish an improper 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;
8. Demonstrate improvements to payment integrity or reached a tolerable improper and unknown payment rate;
9. Develop a plan to meet the improper an unknown payment reduction target; and
10. Report an improper 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.

Table 1. DOT’s Fiscal Year 2022 Compliance With PIIA Requirements by Program

	Program	Overall Assessment	Published in AFR	Posted on Agency Website	Conducted IP Risk Assessment ^a	Concluded program likely to make IPs and UPs	Published IP and UP Estimates	Published CAPs	Published Reduction Target	Demonstrated Improvement ^b	Develop a Plan	Reported IP and UP Below 10%
Fiscal Year 2022 DOT Overall Results	-	Compliant	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fiscal Year 2022 Results by Program	FHWA HPC	Yes	Yes	Yes	N/A	N/A	Yes	Yes	Yes	Yes	Yes	Yes
	FTA TIG COVID Relief Funds	Yes	Yes	Yes	N/A	N/A	Yes	Yes	Yes	N/A	Yes	Yes

^a In fiscal year 2022, DOT conducted five risk assessments. FHWA HPC and FTA TIG COVID Relief Funds programs are shown as “N/A” for this requirement since the Department is already reporting an improper payment estimate.

^b FTA TIG COVID Relief Funds did not have to demonstrate improvement since this was their first year of reporting. This program will be evaluated during fiscal year 2023.

Source: OIG analysis

Payment Integrity Information in DOT’s AFR and Data Posted to the Payment Accuracy Website Were Accurate and Complete With One Data Entry Error

DOT met the reporting requirements in OMB’s Circular A-123 by publishing payment integrity information with its annual financial statement and posting required information on the Payment Accuracy website.¹¹ Overall, except for a minor error, the payment integrity information the Department reported was accurate and complete.

¹¹ <https://paymentaccuracy.gov>

We found that DOT met reporting requirements to include payment integrity information in the accompanying materials to its fiscal year 2022 annual financial statement, including estimated improper payment amounts and percentages properly and improperly paid for FHWA HPC and FTA TIG COVID Relief Funds. The Department also included the payment accuracy website link with the annual financial statement, as required by OMB. The payment integrity information posted on the Payment Accuracy website included DOT's improper payment risk assessments conducted, future reduction targets, corrective action plan, root causes of improper payments, and recapturing of overpayments.

However, we found that data reported to the Payment Accuracy website did not identify the correct cause category for two improper payments totaling \$104,907. Specifically, the website reported the amount under the cause category of Data/Information Does Not Exist while the correct cause category was Failure to Access Data/Information Needed. Program officials confirmed the fiscal year 2022 error.

During our fiscal year 2021 PIIA testing,¹² we found a similar clerical error that did not impact DOT's overall compliance. Payment recapture data was reported under the incorrect heading on the Payment Accuracy website. As a result, we recommended that the Department design and implement controls to confirm that its annual PIIA reporting to the Payment Accuracy website is accurate. DOT officials have informed us that the Department does plan to address this recommendation with a corrective action. While DOT concurred with this recommendation, its target action date expired March 31, 2023.¹³ We will evaluate the action's implementation to determine whether the action is sufficient to reduce the risk of similar errors occurring in the future. See table 2 for the fiscal year 2022 corrected data on the root causes of improper payments.

¹² DOT's Fiscal Year 2021 Payment Integrity Information Act Compliance Review (OIG Report No. FS2020030), June 27, 2022.

¹³ DOT has since updated its target action date for completion to March 31, 2024.

Table 2. Corrected Data on the Root Causes of Improper Payments

Program	Payment Type	Data/Information Needed Does Not Exist	Failure to Access Data/Information Needed	Failure to Follow Statute or Regulation
FHWA HPC	Overpayments	-	\$32,749,940	-
FHWA HPC	Technically Improper	-	-	\$516,097,704
FHWA HPC	Underpayments	-	\$104,907	-
FTA TIG COVID Relief Funds	Overpayments	-	\$206,600,913	-

Source: OIG analysis

DOT’s Risk Assessment Process Complied With OMB and PIIA Requirements

OMB requires agencies to conduct an improper payment risk assessment of all programs with annual outlays greater than \$10 million at least once every 3 years. OMB also states that when conducting a risk assessment, each agency should verify that the assessment supports whether the program is or is not susceptible to significant improper payments. Agencies can use either a quantitative or qualitative approach to assess program risk.

The Department conducted improper payment risk assessments for five programs—the Federal Aviation Administration’s (FAA) CRRSAA Airport Coronavirus Response Grant Program (ACRGP), the Federal Railroad Administration’s Amtrak Grants, FTA’s Formula Grants Program, FTA’s Washington Metropolitan Area Transit Authority Grants Program, and Office of the Secretary’s Aviation Manufacturers Jobs Protection Program. DOT used risk factors that included but were not limited to:

- Similarities (a combination of outlays, mission, payment process, etc.) to other programs that have reported improper payment estimates or been deemed susceptible to significant improper payments;
- Volume of payments made through the program reviewed;
- Whether payments or payment eligibility decisions are made outside of the agency, such as by a State or local government;
- Recent major changes in program funding, authorities, practices, or procedures;

- Significant deficiencies in the audit report or other relevant management findings of the agency that might hinder accurate payment certification; and
- Risk of fraud as assessed by the agency under the Government Accountability Office's Standards for Internal Control in the Federal Government.¹⁴

For DOT's fiscal year 2022 qualitative assessments, the contractors worked with OA program staff throughout the process and requested answers to survey questions developed for risk factors. Four DOT programs received a risk rating of medium risk based on the risk scores determined from the assessment. One program, FAA CRRSAA ACRGP, had a quantitative risk assessment that included testing for improper payments using statistical sampling to estimate the error rate. Based on the results of the five risk assessments, the Department adequately concluded that the programs are not likely to make improper payments above the statutory threshold.

DOT Published a Corrective Action Plan

For fiscal year 2022, DOT published a corrective action plan for both FHWA HPC and FTA TIG COVID Relief Funds, because both programs' improper payment estimates were above the statutory threshold. The plan states that FHWA and FTA will work with grant recipients to improve project documentation and/or payment processes, or address training deficiencies as applicable for each improper payment. If applicable, they will recover overpayments from the grant recipient. The Department's corrective action plan is designed to address improper payments caused by a failure to access data/information, or statutory requirements of the program were not met. We found that overall, DOT's corrective action plan is adequately designed, focused on true causes of improper payments and effectively implemented.

In developing the corrective actions, FHWA and FTA considered the observations and remediation recommendations from fiscal year 2022 testing and drafted agency-wide actions to address the root causes for the improper payments. For example, FHWA developed and released an enhanced improper payment catalog to Agency staff, and conducts annual training as a mitigation strategy. FTA will conduct annual training with regional offices at the onset of fiscal year 2023 sampling and testing as a mitigation strategy.

¹⁴ GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G, 2014.

FHWA HPC Exceeded its Improper Payment Reduction Target but Demonstrated Improvement

FHWA HPC showed improvement from fiscal year 2021 but did not meet its improper payment reduction target of one percent for fiscal year 2022. This does not impact compliance with PIIA. According to OMB, if a program reports an improper payment and unknown payment estimate above the statutory threshold for 2 years in row and has not yet achieved its tolerable rates, the program is responsible for demonstrating improvement.

FHWA reported an improper payment rate of 1.13 percent in fiscal year 2022, an improvement of .28 percent over fiscal year 2021. FHWA HPC demonstrated improvement by reducing its overall improper and unknown payment estimates from \$696.67 million for fiscal year 2021 to \$548.95 million for fiscal year 2022.

According to FHWA officials, the Agency intends to evaluate and consider establishing a tolerable rate for fiscal years 2023 and 2024 and believes that a reasonable tolerable rate will be between 1 and 1.5 percent. FHWA management continues to work with each grant recipient to address weaknesses in controls that are outside the Agency's direct authority in an effort to improve improper payment results over the long term.

FTA TIG COVID Relief Funds was in its first year of reporting improper and unknown payment estimates, and therefore was not required to demonstrate improvement. The program has not yet determined the tolerable rate.

The Department has developed a plan that includes a performance indicator to achieve a 99 percent payment accuracy rate, demonstrating robust internal controls at both the Federal and grant recipient levels.

DOT Has Taken Steps To Recapture Improper and Unknown Payments

The Department reported payment recaptures of \$7.8 million for fiscal year 2022. According to OMB, each agency will determine the most cost-effective combination of recovery activities and recovery audits as part of their Recovery Audits and Activities Program. Also, agencies must provide the identification and recovery of overpayments with their annual data call to OMB.

Grant payments continue to represent the greatest proportion of overpayments identified during payment recapture audits. To perform payment recapture audits,

the Department uses data extraction and analysis software, completes analyses of credit memos, conducts additional payment reviews, and pursues collection actions, when applicable. We reviewed the three highest improper payments identified—totaling \$4.5 million—and verified that the Department recovered these funds.

DOT reported total improper payment estimates of approximately \$756 million. Specifically, FHWA HPC estimated \$548.95 million in improper payments, of which \$32.75 million entailed monetary loss¹⁵ improper payments. FTA TIG estimated \$206.6 million, all of which were monetary loss improper payments. FTA TIG is therefore a high-priority program according to OMB's guidelines and must provide information for the Payment Integrity Scorecard posted on the Payment Accuracy website on a quarterly basis for fiscal year 2023 or until the program reports an annual monetary loss improper payment estimate less than \$100 million.

DOT considers all overpayments identified through the fiscal year 2022 audit to be recoverable to the programs' original purpose.

Conclusion

The Department complied with PIIA for fiscal year 2022 based on our review of payment integrity information published in the AFR and data posted to the Payment Accuracy website. Moreover, DOT performed the required risk assessments and published a corrective action plan designed to address identified improper payments. DOT complied with the remaining six PIIA compliance requirements as prescribed by OMB.

We are making no recommendations at this time. See exhibit D for the status of prior year recommendations.

Agency Comments and OIG Response

We provided the Department with our draft report on May 1, 2023, and received its response on May 16, 2023. The Department's response is included as an appendix to this report.

In our draft report, we stated that the three recommendations we made in the report on our 2021 PIIA review had expired target action dates. In its response, the Department states that it is implementing actions on these recommendations. It plans to complete the actions on two of the recommendations by August 31, 2023,

¹⁵ A monetary loss improper payment is an overpayment that may be recoverable.

and the action on the third recommendation by March 31, 2024. We have updated our system of record for tracking recommendations with the new target action dates.

Actions Required

No actions are required.

Exhibit A. Scope and Methodology

This performance audit was conducted between November 2022 and April 2023. We conducted this 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.

Our audit objective was to determine whether DOT complied with PIIA's requirements as prescribed by OMB.

We reviewed applicable laws and regulations and interviewed DOT personnel responsible for payment integrity implementation. To assess the Department's compliance with OMB requirements, we:

1. Analyzed the source data to ensure accuracy and completeness of payment integrity information in the AFR and accompanying materials posted to <https://paymentaccuracy.gov>, and DOT's efforts in reducing and recapturing improper payments;
2. Reviewed statistical sampling plans and improper and unknown payment rate estimates to determine whether the sampling and estimation plan used is appropriate given program characteristics;
3. Evaluated corrective action plans to determine whether the corrective actions are focused on root causes; and
4. Reviewed internal controls to prevent and reduce improper payments. We evaluated whether DOT complied with OMB Circular A-136's requirements and reviewed documentation that supports the amounts from the largest three overpayment recoveries. In addition, we evaluated the Department's efforts to prevent and reduce improper payments.

We reviewed an assessment of DOT's financial system, Delphi. In addition, we traced payment integrity information to source data and performed analytical procedures and found no issue with the reliability of data.

We reviewed information regarding any ongoing legal issues and active investigations for payment integrity. We reviewed information on the Payment Integrity Scorecard at paymentaccuracy.gov for one high-priority program, FTA TIG COVID Relief Funds, to determine compliance. Additionally, our fieldwork included an assessment of the programs' or activities' oversight and financial

controls, whether an agency demonstrated improvements or reached a tolerable improper payment and unknown payment rate, and whether corrective actions were effectively implemented. We reviewed five programs' risk assessments to determine whether DOT included the risk factors prescribed by OMB. We verified that the assessments included risk factors in accordance with PIIA and OMB guidance, provided adequate documentation for its analysis, and evaluated the risk scores or improper payment error rate for each program.

OIG statisticians evaluated the quality of the improper payment estimates and methodology and concurred with DOT's sampling methodology and extrapolation results. Our statisticians selected a simple random attribute sample of 62 (10.9 percent) of 571 for FHWA and FTA invoice line items, totaling \$3.97 million out of \$104 million, that the Department and its contractors had tested and found to be proper. To test this sample, we evaluated supporting documentation including summary schedules, grant agreements, invoices, checks, and payment vouchers, among other documents, to retest the propriety of the DOT contractor's conclusions. We found no additional improper payments upon testing the sampled line items. Had our sample testing yielded improper payments, the sample design would have allowed the statisticians to estimate the number of invoice line items that should have been classified as improper with 90 percent confidence and a precision no greater than +/- 10 percent.

Exhibit B. Organizations Visited or Contacted

Department of Transportation Facilities

Office of the Secretary of Transportation

Federal Highway Administration

Federal Transit Administration

Exhibit C. List of Acronyms

ACRGP	Airport Coronavirus Response Grant Program
AFR	Agency Financial Report
CRRSAA	Coronavirus Response and Relief Supplemental Appropriations Act
DOT	Department of Transportation
FAA	Federal Aviation Administration
FHWA	Federal Highway Administration
FTA	Federal Transit Administration
HPC	Highway Planning and Construction
IP	improper payment
OA	Operating Administration
OIG	Office of Inspector General
OMB	Office of Management and Budget
PIIA	Payment Integrity Information Act of 2019
TIG	Transit Infrastructure Grants
UP	unknown payment

Exhibit D. Status of Prior OIG Recommendations

OIG Report Number	Fiscal Year of Review	Recommendation	Target Action Date
FS2022030	2021	Design and implement controls to confirm that its annual PIIA reporting to the Payment Accuracy website is accurate.	March 31, 2024
FS2022030	2021	Develop and implement a process to verify that population identification procedures used to create the universe for the statistical sampling of improper payments include adequate information, with detailed instructions to reproduce the same results.	August 31, 2023
FS2022030	2021	Implement a quality assurance process to verify that population identification procedures are followed.	August 31, 2023

Exhibit E. Major Contributors to This Report

LISA WILLIAMS

BRIAN FRIST

ZACHARY SCOTT, JR

CELESTE VERCHOTA

GEORGE ZIPF

MAKESI ORMOND

SUSAN NEILL

PROGRAM DIRECTOR

PROJECT MANAGER

SENIOR AUDITOR

ATTORNEY ADVISOR

SUPERVISORY MATHEMATICAL
STATISTICIAN

STATISTICIAN

WRITER-EDITOR

Appendix. Agency Comments



U.S. Department of
Transportation
Office of the Secretary
of Transportation

Memorandum

May 15, 2023

Subject: Management Response to the Fiscal Year (FY) 2022 Payment Integrity Information Act (PIIA) Compliance Review

From: Jennifer Funk
Deputy Chief Financial Officer

JENNIFER
SANCHEZ FUNK

Digitally signed by
JENNIFER SANCHEZ FUNK
Date: 2023.05.15 14:29:21
-04'00'

To: Dory Dillard-Christian
Assistant Inspector General for Financial Audits

The Department of Transportation (DOT) recognizes the importance of maintaining effective internal controls to ensure proper payments as evidenced in the OIG's draft report which found that the Department complied with PIIA requirements. DOT prioritizes efforts to identify and reduce improper payments through robust internal control programs by establishing aggressive goals in addition to proactively assessing risks.

We are currently implementing actions related to three OIG recommendations from FY 2021. We plan to complete actions associated with two of the OIG recommendations by August 31, 2023, and the remaining OIG recommendation by March 31, 2024.

We take pride in attaining compliance with PIIA requirements and remain committed to strengthening our payment processing controls. We appreciate the opportunity to review the FY 2022 OIG draft report. You may direct questions to Dan King, Director, Office of Financial Management, at (202) 366-5381.

U.S. Department of Transportation
Office of Inspector General

Fraud & Safety Hotline

<https://www.oig.dot.gov/hotline>
hotline@oig.dot.gov
(800) 424-9071

OUR MISSION

OIG enhances DOT's programs and operations by conducting objective investigations and audits on behalf of the American public.



1200 New Jersey Ave SE
Washington, DC 20590
www.oig.dot.gov