



OFFICE OF INSPECTOR GENERAL

U.S. International Development Finance Corporation

DFC's Fiscal Year 2023 Compliance with Payment Integrity Information Act of 2019

May 21, 2024
Report DFC-24-004-C

1100 New York Avenue NW
Washington, D.C. 20527
<https://www.dfc.gov/oig>



Report Highlights

Office of Inspector General International Development Finance Corporation

DFC's Fiscal Year 2023 Compliance with Payment Integrity Information Act of 2019

What Was Reviewed

The U.S. International Development Finance Corporation Office of Inspector General (DFC OIG) contracted with RMA Associates, LLC (RMA) to conduct a review of DFC's compliance with *Payment Integrity Information Act of 2019* (PIIA) for fiscal year (FY) ending September 30, 2023. The review was conducted in accordance with 1) the Office of Management and Budget (OMB) Memorandum M-21-19, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement* and 2) OMB Circular A-136, *Financial Reporting Requirements*, May 19, 2023. Our review period was from February through May 2024.

RMA also reviewed DFC's risk assessment process and efforts in preventing and reducing improper payments (IPs) and unknown payments (UPs).

Our objective was to determine if DFC complied with PIIA for fiscal year 2023.

What We Found

In its review of DFC, RMA determined that DFC complied with PIIA for FY 2023. In addition to the compliance criteria, RMA reviewed DFC's risk assessment process and efforts in preventing and reducing improper payments (IPs) and unknown payments (UPs). While DFC complied with all PIIA requirements, RMA identified one finding associated with DFC not responding to the OMB Annual Data Call for FY 2023.

Recommendation

RMA made two recommendations to DFC's Vice President and Chief Financial Officer that will help DFC submit OMB Annual Data Call information.

1. Respond to the OMB Annual Data Call as required; and
2. Revise DFC's PIIA procedures to include more effective steps to respond to the OMB Annual Data Call.



Office of Inspector General

U.S. International Development Finance Corporation

MEMORANDUM:

DATE: May 21, 2024

TO: MS. MILDRED O. CALLEAR
VICE PRESIDENT AND CHIEF FINANCIAL OFFICER (CFO)

FROM: Mr. Anthony "Tony" Zakel
Inspector General

SUBJECT: DFC's Fiscal Year 2023 Compliance with Payment Integrity Information Act of 2019 (Report Number DFC-24-004-C)

The Office of Inspector General (OIG) contracted with the independent certified public accounting firm of RMA Associates, LLC (RMA) to review DFC's Fiscal Year 2023 Compliance with Payment Integrity Information Act of 2019 (PIIA). The contract required RMA to perform the engagement in accordance with the Office of Management and Budget (OMB) Memorandum M-21-19, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement* and OMB Circular A-136, *Financial Reporting Requirements*, May 19, 2023

In its review of DFC, RMA concluded that based on the results of their review of the current information, the results of their testing, DFC complied with all PIIA requirements. Nonetheless, DFC did not respond to the Office of Management and Budget Annual Data Call for fiscal year 2023.

In connection with the contract, we reviewed RMA's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit of DFC's compliance with PIIA was not intended to enable us to express, and we do not express, opinions or conclusions on whether DFC's government PIIA program complied substantially with applicable laws and regulations and addressed prior year recommendations. RMA is responsible for the attached report dated May 21, 2024 and the conclusions expressed therein. However, our review disclosed no instances where RMA did not comply, in all material respects, with U.S. generally accepted auditing standards.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact me at 202-873-6422.



Office of Inspector General

U.S. International Development Finance Corporation

Anthony "Tony" Zakel
Inspector General
U.S. International Development Finance Corporation

CC: Scott Nathan (CEO)
Nisha Biswal (Deputy CEO)
Jane Rhee (Chief of Staff)
Jody Myers (Chief Risk Officer)
Alan Villabroza
William Ellett
Ryan Zalaskus
Dev Jagadesan
Eric Styles
RMA Associates

United States International Development Finance
Corporation

Fiscal Year 2023 Compliance with Payment Integrity
Information Act of 2019

Compliance Report

May 21, 2024

May 21, 2024

Mr. Anthony Zakel
Inspector General
Office of Inspector General
U.S. International Development Finance Corporation

Dear Mr. Zakel,

RMA Associates, LLC is pleased to submit our compliance report on U.S. International Development Finance Corporation's (DFC) compliance with the Payment Integrity Information Act of 2019 (PIIA) for the fiscal year ending September 30, 2023.

Our objective was to determine whether DFC complied with PIIA for fiscal year 2023.

As a result of our review, we found that while DFC complied with all PIIA requirements, DFC did not respond to the Office of Management and Budget Annual Data Call for fiscal year 2023. As such, we issued recommendations to address this finding. Additional information on our results is included in the accompanying report.

We very much appreciate the opportunity to serve you and will be pleased to discuss any questions you may have.

Sincerely,



Reza Mahbod, CPA, CISA, CGFM, CICA, CGMA, CDFM, CFE, CDPSE
President
RMA Associates, LLC

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Executive Summary

RMA Associates, LLC (RMA), under the oversight of the United States International Development Finance Corporation's (DFC) Office of Inspector General (OIG), conducted a review of DFC's compliance with the Payment Integrity Information Act of 2019 (PIIA) ([Public Law 116-117](#)) for the fiscal year (FY) ending September 30, 2023 in accordance with 1) the Office of Management and Budget (OMB) Memorandum M-21-19, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement* and 2) OMB Circular A-136, *Financial Reporting Requirements*, May 19, 2023. Our review period was from February 2024 through May 2024.

What We Concluded

RMA concluded that DFC complied with PIIA for FY 2023 (**Table 1**). In addition to the compliance criteria, we reviewed DFC's risk assessment process and efforts in preventing and reducing improper payments (IPs) and unknown payments (UPs). While DFC complied with all PIIA requirements, RMA identified one finding associated with DFC not responding to the OMB Annual Data Call for FY 2023.

Table 1: PIIA Compliance Reporting Table¹

Program Name	Published payment integrity information with the annual management report (AMR)	Posted the AMR and accompanying materials required under the guidance of OMB on the agency website	Conducted improper payment risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years	Adequately concluded whether the program is likely to make IPs and UPs above or below the statutory threshold	Published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the AMR	Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AMR	Published an IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AMR	Demonstrated improvements to payment integrity or reached a tolerable IP and UP rate	Developed a plan to meet the IP and UP reduction target	Reported an IP and UP estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the AMR
Direct Loans	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Investment Guaranties	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Insurance	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Technical Assistance	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Equity	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Defense Production Act (DPA)	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A

¹ Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, [M-21-19](#), March 5, 2021, page 52.

Background

PIIA ([Public Law 116-117](#)) aims to improve efforts to identify and reduce government-wide improper payments. Agencies are required to identify and review all programs and activities they administer that may be susceptible to significant improper payments based on guidance provided by the OMB.

Payment integrity information is published with DFC's Annual Management Report (AMR) in accordance with payment integrity guidance in [OMB Circular A-136](#). DFC must also publish payment integrity information required in the accompanying materials to the AMR in accordance with applicable guidance. The most common accompanying materials to the AMR are the payment integrity information published on [PaymentAccuracy.gov](#). Agency Inspector Generals are to review payment integrity reporting for compliance and issue an annual report.

Guidance addressing PIIA requirements is found in Appendix C to OMB Circular A-123 issued March 5, 2021 ([M-21-19](#)). This Appendix is effective for FY 2023. Each program with annual outlays over \$10 million must conduct an improper payment risk assessment at least once every three years to determine whether the program is likely to have improper payments above the statutory threshold.²

The term improper payment means 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. This includes: 1) any payment to an ineligible recipient; 2) any payment for an ineligible good or service; 3) any duplicate payment; 4) payment for a good or service not received, except for those payments where authorized by law; and 5) any payment that does not account for credit for applicable discounts.

The threshold is determined by statute. Programs are considered to be above the statutory threshold if reporting an annual improper payment and unknown payment estimate above \$10 million and 1.5 percent of the program's total annual outlays or above \$100 million regardless of the associated percentage of the program's total annual outlays that the improper payment and unknown payment estimate represents.³

DFC management is required to perform a risk assessment of its programs at least once every three years under Section II.A. Phase 1, Appendix C. DFC conducted its latest risk assessment in FY 2023. DFC identified six programs requiring a risk assessment in compliance with Appendix C: 1) Direct Loans; 2) Investment Guaranties; 3) Insurance; 4) Technical Assistance; 5) Equity; and 6) DPA. DFC performed a qualitative risk assessment to evaluate risks for these programs and determine the occurrence of IPs.

DFC management assessed eleven risks for the six programs requiring a risk assessment and rated

² Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, [M-21-19](#), March 5, 2021, page 6-7.

³ Ibid, page 19.

each as low, moderate, or high. After determining individual risk factor ratings, they quantified each rating and determined an overall risk rating for each program. DFC had low-risk ratings for each program.

Objectives

The objective was to determine DFC compliance with PIIA for FY 2023.

Legal Requirements/Compliance with PIIA

The term “compliance” with PIIA and OMB guidance means that the agency complied with the 10 items listed in 1a through 6 below. If the agency does not meet one or more of these requirements, then it is not compliant.

- **1a:** Published payment integrity information with the annual financial statement [AMR for DFC] and in the accompanying materials to the AMR of the agency for the most recent FY in accordance with OMB guidance;
- **1b:** Posted the AMR and accompanying materials required under the guidance of OMB on the agency website;
- **2a:** Conducted improper payment risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years;
- **2b:** Adequately concluded whether the program is likely to make IPs and UPs above or below the statutory threshold;
- **3:** Published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the AMR;
- **4:** Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AMR;
- **5a:** Published an IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AMR;
- **5b:** Demonstrated improvements to payment integrity or reached a tolerable IP and UP rate;
- **5c:** Developed a plan to meet the IP and UP reduction target; and
- **6:** Reported an IP and UP estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the AMR.

Criteria

RMA conducted the review in accordance with the Council of the Inspectors General on Integrity and Efficiency (CIGIE) [PIIA Guide](#) and other authoritative guidance such as:

- [Payment Integrity Information Act of 2019](#);
- [Improper Payments Elimination and Recovery Act of 2010](#), (IPERA);
- [Federal Improper Payments Coordination Act of 2015](#), (Public Law 114-109);
- [31 U.S.C § 3321](#), Disbursing Authority in the Executive Branch;

- [OMB Circular A-123](#), *OMB Circular No. A-123, Management’s Responsibility for Enterprise Risk Management and Internal Control*, July 15, 2016;
- [OMB Memorandum M-21-19](#), *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, March 5, 2021; and
- [OMB Circular A-136](#), *Financial Reporting Requirements*, May 19, 2023.

Results of Review

We found that DFC complied with PIIA for FY 2023. According to OMB guidance, compliance with PIIA means that the agency met the following requirements, as appropriate (**Table 2**).

Table 2: DFC's Compliance with PIIA Requirements

PIIA Requirement		DFC Compliance
1a	Published payment integrity information with the AMR and in the accompanying materials to the AMR of the agency for the most recent FY in accordance with OMB guidance	✓
1b	Posted the AMR and accompanying materials required under the guidance of OMB on the agency website	✓
2a	Conducted improper payment risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years	✓
2b	Adequately concluded whether the program is likely to make IPs and UPs above or below the statutory threshold	✓
3	Published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the AMR	N/A
4	Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AMR	N/A
5a	Published an IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AMR	N/A
5b	Demonstrated improvements to payment integrity or reached a tolerable IP and UP rate	N/A
5c	Developed a plan to meet the IP and UP reduction target	N/A
6	Reported an IP and UP estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the AMR	N/A

Specifically, DFC was compliant with requirements 1 and 2. Requirements 3 through 6 were not applicable to the agency for FY 2023 due to DFC identifying no programs as susceptible to significant improper payments or as high priority programs.

We also reviewed DFC’s risk assessment process and efforts in preventing and reducing IPs and UPs. We noted that DFC performed risk assessments in FY 2023 using required criteria defined

by OMB Circular A-123 and conformed to OMB guidance for preventing and reducing IPs and UPs.

While DFC complied with PIIA, DFC did not respond to the OMB Annual Data Call to provide OMB with data related to the status of their IP risk assessments for FY 2023. OMB Circular A-136, *Financial Reporting Requirements*, May 19, 2023, Section II.4.5. Payment Integrity Information Act Reporting, page 114, requires, “Each Executive Branch agency must complete the Annual Data Call issued by OMB...The Data Call helps to fulfill reporting requirements under the Payment Integrity Information Act of 2019 (Pub. L. No. 116-117) (PIIA) and provides the public with comprehensive improper payment data and information on PaymentAccuracy.gov.”

OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement* (M-21-19), Section VI. Compliance, page 43 furthers the requirement by stating, “In addition, the agency must publish any applicable payment integrity information required in the accompanying materials to the annual financial statement in accordance with applicable guidance. The most common accompanying materials to the annual financial statement are the payment integrity information published on PaymentAccuracy.gov. This information is provided by the agency to OMB through the Annual Data Call and is then subsequently published on PaymentAccuracy.gov.”

In addition, M-21-19, Section VII. Reporting Requirements, page 56 requires, “Agencies should consult the Annual Data Call guidance annually to determine which of the reporting requirements apply to their agency. At a minimum, all agencies will provide OMB with data related to the status of their IP risk assessments, their identification and recovery of overpayments, and other agency-wide reporting requirements applicable to agencies with programs in both Phase 1 as well as those with programs in Phase 2.”

RMA found that DFC’s existing procedure did not effectively address the OMB Annual Data Call submission requirement. DFC emailed OMB with two points of contact in August 2023, then followed up with OMB in November 2023 requesting confirmation regarding DFC’s data reporting requirements after the FY 2023 Annual Data Call reporting window closed in October 2023. DFC waited on a response from OMB confirming which requirements were applicable versus proactively completing the Annual Data Call as required by both OMB Circulars A-136 and A-123.

The OMB Annual Data Call is required to ensure OMB and other stakeholders are provided the required payment integrity information. DFC included a link to PaymentAccuracy.gov in their FY 2023 AMR but did not report the associated data to PaymentAccuracy.gov through the OMB Annual Data Call. Therefore, DFC AMR readers and PaymentAccuracy.gov users are not directed to and provided with the data related to the status of DFC’s IP risk assessments for FY 2023.

RMA recommends DFC:

1. Respond to the OMB Annual Data Call as required; and
2. Revise DFC’s PIIA procedures to include more effective steps to respond to the OMB Annual Data Call.

Conclusion

RMA concluded that DFC complied with PIIA for FY 2023. In addition to the compliance criteria, we reviewed DFC's risk assessment process and efforts in preventing and reducing IPs and UPs. We noted that DFC performed risk assessments using required criteria defined by OMB Circular A-123 and conformed to OMB guidance for preventing and reducing IPs and UPs. While DFC complied with PIIA requirements, RMA identified that DFC did not respond to the OMB Annual Data Call for FY 2023.

Summary of Management Comments

DFC concurred with RMA's recommendations. See Appendix I for management's comments in their entirety. To address the recommendations, DFC will amend its PIIA risk assessment procedures to ensure they respond to OMB's payment integrity data call guidance.

Responsible Party: Office of Financial and Portfolio Management

Target Resolution Date: June 30, 2024

Evaluation of Management Comments

RMA finds management's comments to be responsive to the recommendations and the decision to amend its PIIA risk assessment procedures will correct the issues identified in the report. Management provided the responsible party and target resolution date for these recommendations through email correspondence at a later date. We will evaluate the implementation of the new procedures as part of our FY 2024 PIIA compliance review and determine whether the recommendations can be closed.

Appendix I: Management's Comments



MEMORANDUM

May 8, 2024

TO: Anthony Zakel
Inspector General
DFC – Office of the Inspector General

FROM: Mildred Callear MILDRED CALLEAR | Digital | 330-519-9111 | 1
OIG/IG/S
Date: 2-24-24 4:49:23-10m
Vice President and Chief Financial Officer

SUBJECT: DFC's Management Comments to "DFC's Fiscal Year 2023 Compliance with Payment Integrity Information Act of 2019" (Report Number DFC-24-004-C)

DFC wishes to thank the Office of the Inspector General (OIG) for the deep level of collaboration and cooperation that was realized throughout this audit. As stewards of federal funds, DFC takes very seriously its responsibility to uphold high standards of internal control over payment integrity. We greatly appreciate the recognition from the OIG that DFC complied with PIIA for FY 2023 and that the agency's performance in identifying, reducing, and recapturing improper payments was found to be accurate and complete.

To address the recommendations in the report, DFC will further amend its PIIA risk assessment procedures to ensure we respond to OMB's payment integrity data call guidance. In addition, the agency has been in communication with OMB management and believes that the past issues with DFC not being included on OMB's PIIA email distributions for the data call have been resolved. DFC will continue to carefully monitor its internal controls over payment integrity to validate the agency's continued compliance with PIIA and other relevant standards of internal control for federal agencies.

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Appendix II: Scope and Methodology of the Review

The scope of this review focused on the payment integrity section in DFC's FY 2023 AMR and risk assessment to determine compliance with PIIA. The review was conducted from February 2024 through May 2024. To achieve the objective, RMA:

1. Reviewed the payment integrity section of the DFC's FY 2023 AMR and any accompanying material to assess the agency's compliance with PIIA and related OMB guidance.
2. Reviewed information on PaymentAccuracy.gov through the OMB Annual Data Call. The information collected through the Annual Data Call and published on PaymentAccuracy.gov is considered accompanying materials to the AMR.
3. Reviewed applicable Federal laws, OMB guidance, and agency policy and procedures.
4. Requested source data from the agency used to support applicable payment integrity information in the AMR and accompanying materials.
5. Analyzed the source data to ensure accuracy and completeness of payment integrity information in the AMR and accompanying materials.
6. Concluded whether the agency met each of the ten PIIA compliance requirements for each of the reported programs.
7. Leveraged any prior or ongoing audits or work in deciding the level of work to do for PIIA compliance review.
8. Identified and reviewed relevant prior work and evaluated whether DFC took appropriate corrective action to address findings and recommendations from any prior engagements that are significant within the context of the objectives.
9. Evaluated the accuracy, completeness, and timeliness of improper payment risk assessments and whether appropriate conclusions were reached in determining if a program was likely to make IPs and/or UPs above or below statutory thresholds.
10. Reviewed DFC's plan to meet IP and UP reduction targets and focus on the actions the program would take during the following year to meet the IP and UP reduction targets they had established for the following FY.
11. Obtained an understanding of DFC's internal controls in place for compiling, validating, and reporting the payment integrity information in the AMR and accompanying materials.
12. Assessed the risk of fraud occurring that was significant within the context of the objectives or that could affect the findings and conclusions.

Appendix III: Glossary of Acronyms and Abbreviations

Table 3 contains definitions of all acronyms and abbreviations used in this report.

Table 3: Acronyms

Acronym	Definition
AMR	Annual Management Report
CIGIE	Council of the Inspectors General on Integrity and Efficiency
DFC	United States International Development Finance Corporation
DPA	Defense Production Act
FY	Fiscal Year
IP	Improper Payment
IPERA	Improper Payments Elimination and Recovery Act of 2010
OIG	Office of Inspector General
OMB	Office of Management and Budget
PIIA	Payment Integrity Information Act of 2019
RMA	RMA Associates, LLC
UP	Unknown Payment