

OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

USAID Complied in Fiscal Year 2021 With the Payment Integrity Information Act of 2019

Final Report 0-000-22-013-C
June 10, 2022





OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: June 10, 2022

TO: USAID, Chief Financial Officer, Reginald W. Mitchell

FROM: Deputy Assistant Inspector General for Audit, Alvin Brown /s/

SUBJECT: USAID Complied in Fiscal Year 2021 With the Payment Integrity Information Act of 2019 (0-000-22-013-C)

Enclosed is the final report on U.S. Agency for International Development's (USAID) compliance with Public Law 116-117, the Payment Integrity Information Act of 2019 (PIIA). The Office of Inspector General (OIG) contracted with the independent certified public accounting firm of GKA P.C. Certified Public Accountants and Management Consultants (GKA) to conduct the review. The contract required the audit firm to perform the review in accordance with the PIIA, Office of Management and Budget (OMB), Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement (M-21-19), March 5, 2021; the Council of the Inspectors General on Integrity and Efficiency (CIGIE), Guidance for Payment Integrity Information Act Compliance Reviews, October 26, 2021; and CIGIE, Quality Standards for Inspection and Evaluation, December 2020.

In carrying out its oversight responsibilities, OIG reviewed the audit firm's report and related documentation and inquired of its representatives. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We found no instances in which GKA did not comply, in all material respects, with applicable standards.

The review objective was to determine whether USAID complied with the requirements of the PIIA. To answer the review objective, GKA reviewed USAID's Agency Financial Report (AFR) and evaluated whether USAID conducted a program-specific risk assessment for all programs covered by OMB requirements.

The audit firm concluded that USAID complied with the requirements of PIIA for fiscal year 2021. However, GKA noted that USAID's PIIA data published on the OMB PaymentAccuracy.gov website did not reconcile with the information on the Agency's fiscal year 2021 AFR and made one recommendation.

To address the finding identified in the report, we recommend that USAID's Chief Financial Officer:

Recommendation. Implement additional controls to ensure the information in USAID's Agency Financial Report is periodically reconciled with the information published on OMB PaymentAccuracy.gov website.

In finalizing the report, the audit firm evaluated USAID's response to the recommendation. After reviewing the evaluation, we consider the recommendation resolved but open pending completion of planned activity. Please provide evidence of final action to the Audit Performance and Compliance Division.

We appreciate the assistance provided to our staff and the audit firm's employees during the engagement.

Office of Inspector General
U.S. Agency for International Development



Independent Accountant's Review Report
USAID Complied with the Payment Integrity information Act
of 2019 in Fiscal Year 2021

May 29, 2022

Submitted by:



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Independent Accountant's Review Report

Chief Financial Officer and Inspector General
U.S. Agency for International Development Washington, D.C.

RE: Review of USAID's compliance with the requirements of the Payment Integrity Information Act of 2019 (PIIA) in Fiscal Year (FY) 2021.

This report presents the results of GKA, P.C. Certified Public Accountants and Management Consultants (GKA) review of the United States Agency for International Development's (USAID) compliance with the Payment Integrity Information Act of 2019 (PIIA). The USAID Office of the Inspector General (OIG) contracted with GKA to conduct the review. The objective was to determine whether USAID complied with the requirements of the PIIA.

We have reviewed the Payment Integrity section (financial data and other information) of the Fiscal Year (FY) 2021 Agency Financial Report (AFR) of the United States Agency for International Development (USAID) for the purpose of obtaining limited assurance as a basis for reporting whether any material modifications should be made to the financial data and other information in order for them to be in accordance with the *Payment Integrity Information Act* of 2019 (PIIA). A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial data and other information as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Data and Other Information

USAID management is responsible for compliance with the requirements of PIIA; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial data and other information that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Quality Standards for Inspection and Evaluation (Blue Book), the CIGIE guidance for PIIA compliance reviews, and the Office of Management and Budget (OMB) Circular A-123, *Requirements for Payment Integrity Improvement*, Memorandum (M-21-19). Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial data and other information for them to be in accordance with the PIIA. We believe that the results of our procedures provide a reasonable basis for our conclusion.

This is further defined in **Appendix A**, “Scope and Methodology” of the report.

Accountant’s Conclusion

Based on our review, USAID complied with the PIIA Act of 2019 in fiscal year 2021. We are not aware of any material modifications that should be made to the accompanying financial data and other information in order for them to be in accordance with the *Payment Integrity Information Act* of 2019.

The report contains one recommendation. The Chief Financial Officer had no objections to the content of the report.

The report presents our conclusion with respect to the compliance review objectives described above. Accordingly, it is not suitable for any other purpose.

We appreciate the assistance we received from the staff of USAID and appreciate the opportunity to be of service to the agency.

/s/

Washington, DC
May 29, 2022

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INTRODUCTION

GKA, P.C. (GKA), certified public accountants and management consultants, was contracted by the Office of the Inspector General (OIG) of the U.S. Agency for International Development (USAID or the Agency) to determine whether, in FY 2021, USAID complied with the requirements of the Payment Integrity Information Act of 2019. To accomplish the objective, GKA, reviewed USAID's FY 2021 Agency Financial Report (AFR) and evaluated whether USAID conducted a program-specific risk assessment for all programs covered by Office of Management and Budget (OMB) requirements.

Reducing improper payments and protecting taxpayer money has been a top priority for several Administrations. PIIA requires the identification of improper payments (IPs) and defines these as a payment that should not have been made or that was made in an incorrect amount. Such payments include an *overpayment or underpayment, under a statutory, contractual, administrative, or other legally applicable requirement; and includes any payments made to an ineligible recipient, payments for an ineligible goods or services, duplicate payments, payments for goods or services not received (except for such payments authorized by law), and payments that do not account for credit for applicable discounts.*

To reduce these improper payments—made “to the wrong entity, in the wrong amount, or for the wrong reason”¹—Congress enacted legislation. In 2002, Congress enacted the Improper Payments Information Act of 2002 (IPIA),² which required federal agencies to annually identify programs and activities³ at high risk of improper payments, estimate the amount of improper payments in those programs, perform recovery auditing if program payments exceeded \$500 million, and report to Congress on steps taken to reduce improper payments.

In July 2010, the *Improper Payments Elimination and Recovery Act of 2010* (IPERA)⁴, which amended IPIA, was signed into law. IPERA strengthened IPIA by increasing requirements for identifying and reporting on improper payments. IPERA clarified the programs to be reviewed and expanded improper payments recapture activities. IPERA also required each office of the Inspector General (OIG) to annually conduct an audit to determine its agency's compliance with improper payments requirements and established additional requirements for agencies that were deemed noncompliant.

In January 2013, the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA)⁵ was enacted. The IPERIA further amended IPIA by redefining “payment” to refer to all payments (including payments that were made to employees) except intragovernmental transactions. It also codified the ongoing efforts of the OMB to develop and enhance the U.S. Government's Do Not Pay Initiative (DNP), which included the creation of a centralized DNP list for Federal departments and agencies to check prior to disbursing payments. It also required OMB to identify high-priority federal programs for greater levels of oversight and review,⁶ provide guidance to agencies for improving estimates of improper payments and establish a working system for prepayments and pre-award reviews.

1 Office of Management and Budget (OMB) Memorandum M-15-02, October 20, 2014.

2 Improper Payments Information Act of 2002, Public Law 107-300, November 26, 2002.

3 The term “program and activity” is referred to in this report as “program.”

4 Improper Payments Elimination and Recovery Act of 2010, Public Law 111-204, §§ 2 and 3, July 22, 2010.

5 Improper Payments Elimination and Recovery Improvement Act of 2012, Public Law 112-248, §§ 1 through 5, January 10, 2013.

6 USAID does not have any high-priority programs, as identified by OMB

In October 2014, OMB issued guidance for agencies to implement improper payments legislation in Appendix C, “Requirements for Effective Estimation and Remediation of Improper Payments,” of OMB Circular A-123, “Management’s Responsibility for Enterprise Risk Management and Internal Control.” On June 26, 2018, OMB released an updated version of Appendix C, “Requirements for Payment Integrity Improvement.” The guidance, among other things, defines the programs and payments that agencies must assess for the risk of improper payments and provides requirements for determining whether the risk of improper payments is significant, developing an estimate of improper payments, performing recapture audit activities, and reporting improper payments activities.

On March 2, 2020, the President signed the Payment Integrity Information Act of 2019 (PIIA) into law. PIIA repealed IPERA (and other laws) but set forth similar improper payment reporting requirements, including an annual compliance report by Inspectors General (IGs). OMB updated its Circular A-123, Appendix C M-21-19, *Requirements for Payment Integrity Improvement*, PIIA guidance on March 5, 2021. The guidance is fully effective starting FY 2021.

PIIA amended improper payment reporting requirements. IGs are required to review agency assessments of high-risk improper payment programs and submit to Congress any recommendation to improve improper payment determinations or estimation methodologies. Section 3353 of Title 31 requires IGs to determine whether agencies are complying with improper payment assessment and reporting requirements each fiscal year. The IG must report the agency’s compliance status to the head of the agency, the Senate Committee on Homeland Security and Governmental Affairs (HSGAC), the House Committee on Oversight and Reform (COR), and the Comptroller General. There are provisions allowing IGs to keep and use some funds recovered through agency recovery audits. The Act also requires CIGIE to publish compliance determinations on a public central website.

PIIA requires each agency to assess the risk of, estimate, report, reduce, and recover improper payments. It also requires each IG to conduct an annual review to determine whether its agency has complied with the requirements.

EXECUTIVE SUMMARY

Based on the results of the FY 2021 PIIA compliance review of USAID:

- USAID is compliant with the requirements of PIIA in FY 2021.
- The agency complied with PIIA requirements 1a, 1b, 2a and 2b. Requirements 3, 4, 5a, 5b, 5c and 6 are not applicable to the agency because it did not report any estimated improper payments and unknown payments that exceeded the statutory threshold; 1.5 percent of program outlays and \$10 million in total or \$100 million regardless of the associated percentage of the program’s total annual outlays that the estimated IP and UP amount represents. Table of Assessment of USAID’s Compliance with PIIA showing PIIA compliance requirement number, requirement description and agency compliant status is shown on **Page 10** of the report.
- Table showing criteria assessed, name of each agency program assessed and whether the program was compliant or non-compliant is shown on **Appendix B Page 15**.

We conducted our compliance review from February through May 2022. The review was conducted in accordance with CIGIE Quality Standards for Inspection and Evaluation (Blue Book) and the CIGIE guidance for PIIA compliance reviews, which requires that a review be planned and performed, based

on the objectives, to determine whether USAID complied with the Payment Integrity Act of 2019 in FY 2021 and to provide a reasonable basis for the findings and conclusions, as applicable. GKA believes that, based on the review objectives, the evidence obtained provides a reasonable basis for our findings and conclusions. The purpose of this report is to communicate the results of the review and its related findings and conclusions, as applicable.

More information on the scope and methodology can be found in **Appendix A**.

SUMMARY

We concluded that USAID complied with the requirements of PIIA for FY 2021. We are reporting one finding and recommendation in this report. The Chief Financial Officer had no objections to the content of the report.

Finding

During our review of USAID's FY 2021 compliance with Payment Integrity Information Act (PIIA) of 2019, GKA noted that USAID's PIIA data published on the OMB [paymentaccuracy.gov](https://www.paymentaccuracy.gov) website did not reconcile with the information on the agency's FY 2021 AFR. We noted;

- USAID's overpayment amount identified for recapture, recovered and recovery rate on the agency's AFR did not reconcile with the information published on the OMB [paymentaccuracy.gov](https://www.paymentaccuracy.gov) website.
- The list of USAID programs on the OMB [paymentaccuracy.gov](https://www.paymentaccuracy.gov) website was not complete compared to the list provided to support the agency's risk assessment. The website is missing several programs.

Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement*, M-21-19, Part VII A.1, states that at a minimum all agencies with programs in Phase 1 as well as those with programs in Phase 2 will provide a link in their AFR or PAR to [paymentaccuracy.gov](https://www.paymentaccuracy.gov) website.

This occurred due to inadequate controls to ensure the information on the agency's AFR is reconciled with the information published on the OMB [paymentaccuracy.gov](https://www.paymentaccuracy.gov) website.

Recommendation

We recommend that USAID Office of the Chief Financial Officer implement additional controls to ensure the information in the agency's AFR is periodically reconciled with the information published on OMB [paymentaccuracy.gov](https://www.paymentaccuracy.gov) website.

This communication did not affect the agency's compliance with PIIA.

BACKGROUND

The *Payment Integrity Information Act of 2019* (PIIA) rescinded the *Improper Payments Information Act of 2002* (IPIA), the *Improper Payments Elimination and Recovery Act of 2010* (IPERA), and *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA). However, many of the requirements for reporting Payment Integrity information remain in place.

PIIA defines significant improper payments for programs as those totaling \$10 million during a single FY and 1.5 percent of total program outlays, or those totaling \$100 million regardless of the percentage. Besides reporting on estimated improper payments that reach these thresholds, the legal requirements for compliance with the act means the agency complied with items 1a through 6 below as described in the updated CIGIE guidance required under PIIA dated October 2021:

- 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 FY in accordance with OMB guidance;
- 1b) posted the annual financial statement and accompanying materials required under guidance of OMB on the agency website;
- 2a) conducted improper payment risk assessments for each program with annual outlays greater than \$10 million at least once in the last three years;
- 2b) adequately concluded whether the program is likely to make improper payments (IPs) and unknown payments (UPs) above or below the statutory threshold⁷;
- 3) published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the annual financial statement;
- 4) published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement;
- 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 annual financial statement;
- 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 annual financial statement.

Additionally, PIIA requires agencies to:

- Perform payment recovery or recapture audits for each program and activity that expends

⁷ Programs are considered to be above the statutory threshold if they are reporting an annual IP and UP estimate that is either above \$10 million and 1.5% 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 estimated IP and UP amount represents.

\$1 million or more annually if conducting such audits would be cost-effective.

- Conduct a financial management improvement program and continue to review their programs and activities annually to identify those susceptible to significant improper payments.
- Review prepayment and pre-award procedures and conduct a thorough review of available databases, including the Do Not Pay Portal, before releasing Federal funds.

Prior to FY 2017, USAID programs were designated as A01 through A27 (27 program areas). Beginning in FY 2017, USAID aligned its program structure with the U.S. Department of State and USAID Standardized Program Structure and Definitions (SPSD) that consists of 48 programs. In FY 2021 and FY 2020, USAID assessed the risk of improper payments in all program areas (for a total of 75 programs), as payments in those programs will continue into the future.

USAID has been in full reporting cycle for risk assessment since the beginning of FY 2021. The agency is in the first year of a new three-year risk-assessment cycle. USAID did not identify a significant change in legislation or a significant increase in funding levels during the FY 2021 reporting period. Therefore, the Agency was not required to estimate program risks or provide further reporting in FY 2021. Notwithstanding, the Agency performed program risk assessments in all programs areas in FY 2021 and 2020. The next scheduled risk assessment is planned for FY 2022.

REVIEW RESULTS: USAID COMPLIED WITH PIIA

In FY 2021, USAID met the criteria for compliance with PIIA. OMB M-21-19, Transmittal of Appendix C to OMB Circular A-123, Part VI. A⁸, lists six requirements (shown in the following table) for review to determine compliance. These requirements are consistent with PIIA compliance requirements. A full listing of USAID’s PIIA compliance by requirement and program can be found in Appendix B.

Assessment of USAID’s Compliance with PIIA

	Requirement	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 FY in accordance with OMB guidance;	Yes
1b	posted the annual financial statement and accompanying material required under guidance of OMB on the agency website;	Yes
2a	conducted improper payment risk assessments for each program with annual outlays greater than \$10 million at least once in the last three years;	Yes
2b	adequately concluded whether the program is likely to make improper payments (IPs) and unknown payments (UPs) above or below the statutory threshold;	Yes
3	published IP and UP estimates for programs susceptible to significant IPs and UPs 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 annual financial statement;	Not Applicable
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 annual financial statement;	Not Applicable
5b	demonstrated improvements to payment integrity or reached a tolerable IP and UP rate;	Not Applicable
5c	developed a plan to meet the IP and UP reduction target; and	Not Applicable
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 annual financial statement.	Not Applicable

⁸ OMB M-21-19 Transmittal of Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement*.

Requirement 1: Agency Financial Report was Published and Required Disclosures were Included

Related to the first requirement, we determined that USAID's FY 2021 payment integrity report⁹ is substantially complete, accurate, reliable, and relevant and in compliance with PIIA. We determined that USAID:

- Ia) 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 FY in accordance with OMB guidance;
- Ib) posted the annual financial statement and accompanying materials required under guidance of OMB on the agency website;

Required Improper Payments Disclosures were Made

The AFR included the required improper payments disclosures. For example, the AFR included:

- (I) a description of the Agency's improper payments risk assessment process. (Assessing Risk).
- (II) required information on improper payments identified and recovered outside the payment recapture process. (Framework for Payment Integrity).
- (III) actions the Agency has taken or plans to take to recover improper payments; a description of the Agency's payment recapture audit program, including the results of recapture activities, (Recapture of Overpayments).
- (IV) a description of the Agency's improvement of payment accuracy that is attributable to the Do Not Pay (DNP) Initiative (Reduction of Improper Payments with the DNP Initiative).

Requirement 2: Required Program Risk Assessments were Performed

Related to requirement 2, per OMB Memorandum M-21-19, for programs that are deemed to be at low risk of significant improper payments, agencies must conduct risk assessments at least once every three years. However, agencies are required annually to consider whether significant changes to either legislation or funding would affect each program's risk susceptibility. We determined whether the Agency:

- 2a) conducted improper payment risk assessments for each program with annual outlays greater than \$10 million 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.

USAID assessed the risk of improper payments in all program areas in FY 2021 and 2020. The Agency is in full reporting cycle for risk assessment since the beginning of FY 2021, the first of a new three year risk assessment cycle. Specifically, USAID evaluated whether each program subject to PIIA had a significant legislative or funding change to identify programs requiring improper payments risk assessments and performed risk assessments using required criteria

⁹ The payment integrity report is included within USAID's FY 2021 AFR.

(that is, risk factors) defined by OMB Circular A-123 for all programs requiring evaluation. On March 6, 2020, the President signed the Coronavirus Preparedness and Response Supplemental Appropriation Act 2020. The Act provided additional funding for USAID's Global Health and Disaster Relief programs. Therefore, the Agency incorporated an additional metric to assess program risks and identification of improper payments for COVID-19 reporting starting in FY 2020. USAID did not identify other significant changes in legislation or significant increase in funding levels during the FY 2021 reporting period. The next scheduled risk assessment is planned for FY 2022.

Requirements 3, 4, 5, and 6 do not apply to USAID, which did not report any estimated IPs and UPs that exceeded the statutory threshold; 1.5 percent of program outlays and \$10 million in total, or \$100 million in total, which would have constituted a significant improper payment.¹⁰

CONCLUSION

While USAID complied with the requirements for PIIA in FY 2021, the reduction of improper payments continues to be a major focus area for the Federal Government — particularly as agencies may see flat or reduced funding levels in the future. Accordingly, ensuring the proper use of funds entrusted to USAID is critical. We are reporting one recommendation.

Finding and Recommendation

During our review of USAID's FY 2021 compliance with Payment Integrity Information Act (PIIA) of 2019, GKA noted that USAID's PIIA data published on the OMB [paymentaccuracy.gov](https://www.paymentaccuracy.gov) website did not reconcile with the information on the agency's AFR. We recommend that USAID Office of the Chief Financial Officer implement additional controls to ensure the information in the agency's AFR is periodically reconciled with the information published on OMB [paymentaccuracy.gov](https://www.paymentaccuracy.gov) website.

GKA's Evaluation of the Management Response

GKA acknowledges USAID Management concurrence with the recommendation and the proposed corrective action.

Details of the Finding and Recommendation is shown under Summary on Page 7 of this report.

This communication did not affect the agency's compliance with PIIA.

¹⁰ A-123 App. C Part II.A.I

APPENDIX A. SCOPE AND METHODOLOGY

We conducted the review in Washington, DC, from February 2022 through May 2022. The review was conducted in accordance with CIGIE Quality Standards for Inspection and Evaluation (Blue Book), PIIA, OMB M-21-19 and the CIGIE guidance for PIIA compliance reviews which requires that a review be planned and performed, based on the objectives, to determine whether USAID complied with the Payment Integrity Act of 2019 in FY 2021 and to provide a reasonable basis for the findings and conclusions, as applicable. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

Our review objective was to determine whether USAID complied with the requirements of the Payment Integrity Information Act of 2019.

Accordingly, GKA focused the scope of the review to:

- (1) Determine whether USAID's FY 2021 AFR complied with improper payments reporting requirements,
- (2) Evaluate whether USAID conducted a program-specific risk assessment for all programs covered by OMB requirements, and
- (3) Reach a conclusion as to whether USAID was compliant with PIIA according to OMB guidance.

GKA designed the review to obtain insight into USAID's current processes, procedures, and organizational structure regarding compliance with PIIA requirements. To expedite the review process, and to confirm our understanding of the nature and profile of USAID operations, regulatory requirements, and supporting information systems and controls, we leveraged the results of our FY 2021 audit of USAID's financial statements, which included audits of overseas Missions, and prior audits of USAID's FYs 2011–2020 compliance with improper payment requirements.

To fulfill our responsibilities, and to frame our review work to determine compliance with PIIA in accordance with OMB's procedures related to improper payment reporting and CIGIE Guidance,¹¹ we:

- Obtained an understanding of the laws, regulations, and other guidance applicable to improper payments.
- Obtained background information, by researching and reviewing Federal laws and regulations as well as prior OIG and Government Accountability Office audit reports. We also reviewed the United States Code and OMB Circulars.
- Conducted process walkthroughs and interviewed officials in the Agency's Office of the Chief Financial Officer to obtain an understanding of USAID's procedures and key processes to comply with the requirements of PIIA. This included USAID's process of identifying significant improper payments, and the process of reporting improper payments information.

¹¹ Council of the Inspectors General on Integrity and Efficiency, *Guidance for Payment Integrity Information Act Compliance Reviews*, October 26, 2021

Based on our review of the laws, regulations, and other guidance related to improper payments, we determined that only requirements 1 and 2 (1a, 1b, 2a and 2b) of PIIA were applicable to USAID in FY 2021.

To determine whether USAID complied with requirement 1 of PIIA, we reviewed the Agency's payment integrity report to confirm whether it was substantially complete, accurate, reliable, and relevant. Specifically, we:

- Reviewed the supporting documentation for the report and recomputed total amounts of overpayment recaptures to determine the accuracy.¹² We also reviewed the Phoenix payment data identified by the Agency to produce the report.
- Reviewed and relied on the audit work related to improper payments that we separately performed during the audit of USAID's FY 2021 financial statements.¹³ This audit work concluded that key internal controls over improper payments were designed and operating effectively. Specifically, the audit tested whether 1) the Agency's key personnel approved invoices; 2) the Agency's payments were made within 30 days in accordance with the prompt pay act; and 3) these payments had invoices, supporting documents, and completed administrative approval forms that demonstrated the right vendor, amount, and program areas, and that goods and services were received.
- Reviewed USAID reported information on www.paymentaccuracy.gov.

To determine whether USAID complied with requirement 2 of PIIA, we reviewed the Agency's risk assessment process to identify programs susceptible to significant improper payments. Specifically, we interviewed key Agency officials involved with the risk assessment process and:

- reviewed the Agency's supporting documentation, policies, and procedures related to the process;
- evaluated how the Agency identified payment data, qualitative factors, and risk categories; and
- reviewed the Phoenix payment data used by the Agency to perform the risk assessment.

In assessing the reliability of USAID data for the PIIA compliance review, GKA will rely on the testing, results and conclusions from our GMRA audit, which includes test of USAID's financial management information systems. The tests were performed using the guidance provided by GAO/CIGIE's Financial Audit Manual (FAM), dated September 2021. As a result, GKA determined there is no need for a data reliability assessment in conducting this compliance review.

¹² USAID's FY 2021 AFR, payment integrity section, table I, Improper Payments Recaptured With Internal Controls and Without Audit Programs.

¹³ USAID OIG, "Audit of USAID's Financial Statements for FY 2021 and 2020" (0-000-22-005-C).

APPENDIX B. USAID'S PIIA COMPLIANCE BY REQUIREMENT AND PROGRAM AREA

No.	Program Name ¹⁴	Published payment integrity information with the annual financial statement	Posted the annual financial statement and accompanying materials on the agency website	Conducted IP 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 in the accompanying materials to the annual financial statement	Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement	Published IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement	Has demonstrated improvements to payment integrity or reached a tolerable IP and UP rate	Has developed a plan to meet the IP and UP reduction target	Reported an IP and UP estimate of less than 10% for each program for which an estimate was published in the accompanying materials to the annual financial statement
	USAID PROGRAM STRUCTURE - PRE-FY 2017										
1	A01 Counterterrorism	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
2	A02 Combating Weapons of Mass Destruction (WMD)	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
3	A03 Stabilization Operations	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
4	A04 Counternarcotics	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
5	A05 Transnational Crime	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
6	A06 Conflict Mitigation and Reconciliation	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
7	A07 Rule of Law and Human Rights	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
8	A08 Good Governance	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
9	A09 Political Competition and Consensus-Building	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
10	A10 Civil Society	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
11	A11 Health	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
12	A12 Education	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
13	A13 Social and Economic Services and Protection for Vulnerable Populations	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
14	A14 Macroeconomic Foundation for Growth	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
15	A15 Trade and Investment	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
16	A16 Financial Sector	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
17	A17 Infrastructure	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A

¹⁴ Note: Prior to FY 2017, USAID programs were designated as A01 through A27. Beginning in FY 2017, USAID aligned its program structure with the U.S. Department of State and USAID SPSD that consists of 48 programs. In FY 2020, USAID assessed the risk of improper payments in the SPSD programs and continued to assess the risk of improper payments in programs A01 through A27, as payments in those programs will continue into the future.

No.	Program Name	Published payment integrity information with the annual financial statement	Posted the annual financial statement and accompanying materials on the agency website	Conducted IP 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 in the accompanying materials to the annual financial statement	Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement	Published IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement	Has demonstrated improvements to payment integrity or reached a tolerable IP and UP	Has developed a plan to meet the IP and UP reduction target	Reported an IP and UP estimate of less than 10% for each program for which an estimate was published in the accompanying materials to the annual financial statement
18	A18 Agriculture	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
19	A19 Private Sector Competitiveness	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
20	A20 Economic Opportunity	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
21	A21 Environment	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
22	A22 Protection, Assistance and Solutions	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
23	A23 Disaster Readiness	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
24	A24 Migration Management	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
25	A25 Crosscutting Management and Staffing	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
26	A26 Program Design and Learning	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
27	A27 Administration and Oversight	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
	STANDARDIZED PROGRAM STRUCTURE AND DEFINITION (SPSD) STARTING IN FY 2017										
28	DR.1 Rule of Law (ROL)	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
29	DR.2 Good Governance	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
30	DR.3 Political Competition and Consensus-Building	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
31	DR.4 Civil Society	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
32	DR.5 Independent Media and Free Flow of Information	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
33	DR.6 Human Rights	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
34	EG.1 Macroeconomic Foundation for Growth	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
35	EG.2 Trade and Investment	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
36	EG.3 Agriculture	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
37	EG.4 Financial Sector	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
38	EG.5 Private Sector Productivity	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
39	EG.6 Workforce Development	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
40	EG.7 Modern Energy Services	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
41	EG.8 Information and Communications Technology Services	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
42	EG.9 Transport Services	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A

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43	EG.10 Environment	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
44	EG.11 Climate Change - Adaptation	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
45	EG.12 Climate Change - Clean Energy	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
46	EG.13 Climate Change - Sustainable Landscapes	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
47	ES.1 Basic Education	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
48	ES.2 Higher Education	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
49	ES.3 Social Policies, Regulations, and Systems	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
50	ES.4 Social Services	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
51	ES.5 Social Assistance	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
52	HA.1 Protection, Assistance and Solutions	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
53	HA.2 Disaster Readiness	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
54	HA.3 Migration Management	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
55	HL.1 HIV/AIDS	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
56	HL.2 Tuberculosis	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
57	HL.3 Malaria	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
58	HL.4 Pandemic Influenza and Other Emerging Threats (PIOET)	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
59	HL.5 Other Public Health Threats	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
60	HL.6 Maternal and Child Health	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
61	HL.7 Family Planning and Reproductive Health	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
62	HL.8 Water Supply and Sanitation	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
63	HL.9 Nutrition	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
64	PO.1 Program Design and Learning	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
65	PO.2 Administration and Oversight	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
66	PO.3 Evaluation	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
67	PS.1 Counterterrorism	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
68	PS.2 Combating Weapons of Mass Destruction (WMD)	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
69	PS.3 Counternarcotics	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A

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70	PS.4 Transnational Threats and Crime	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
71	PS.5 Trafficking in Persons	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
72	PS.6 Conflict Mitigation and Stabilization	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
73	PS.7 Conventional Weapons Security and Explosive Remnants of war (ERW)	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
74	PS.8 Strengthening Military Partnerships and Capabilities	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
75	PS.9 Citizen security and Law Enforcement	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A

APPENDIX C. MANAGEMENT RESPONSE TO REPORT



Chief Financial Officer

May 24, 2022

MEMORANDUM FOR OFFICE OF THE INSPECTOR GENERAL

TO: Alvin Brown, Deputy Assistant Inspector General for Audits

FROM: Reginald W. Mitchell - *for* Walt Hammond /s/

SUBJECT: Management Comment(s) to Respond to the Draft Report Produced by the Office of Inspector General (OIG) titled, USAID Compiled in Fiscal Year 2021 With the Payment Integrity Information Act of 2019, Draft Report 0-000-22-013-C, (Task No. 00150822)

The U.S. Agency for International Development (USAID) would like to thank the Office of Inspector General (OIG) for the opportunity to provide comments on the subject draft report.

This memorandum constitutes the management comments to the subject draft report and contains details regarding actions taken to resolve the reports recommendation.

USAID management agrees with the conclusion of the draft report to ensure compliance with the Payment Integrity Information Act of 2019.

**COMMENTS BY THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
(USAID) ON THE REPORT RELEASED BY THE USAID OFFICE OF THE
INSPECTOR GENERAL (OIG) TITLED, USAID COMPLIED IN FISCAL YEAR 2021
WITH THE PAYMENT INTEGRITY INFORMATION ACT OF 2019,
DRAFT REPORT 0-000-22-013-C (TASK NO. 00150822)**

Please find below the Management Comments from U.S. Agency for International Development (USAID) on the draft report produced by the Office of the USAID Inspector General (OIG), which contains one recommendation for USAID:

Recommendation 1: Implement additional controls to ensure the information in the agency's AFR is periodically reconciled with the information published on OMB PaymentAccuracy.gov website.

- **Management Comments:** USAID management agrees with the recommendation and includes the following corrective action plan for implementing the recommendation. The M/OCFO/ICFO will perform quarterly reconciliations of payment information reported in the AFR with the OMB PaymentAccuracy.gov website starting January 2023.
- **Target Completion Date:** January 30, 2023.

APPENDIX D. ABBREVIATIONS

AFR	Agency Financial Report
CIGIE	Council of Inspectors General on Integrity and Efficiency
FAM	GAO/ CIGIE's Financial Audit Manual
GAO	U.S. Government Accountability Office
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
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	U.S. Office of Management and Budget
PAR	Performance and Accountability Report
PIIA	Payment Integrity Information Act of 2019 (Public Law 116-117, 134 STAT. 113).
USAID	U.S. Agency for International Development
IP	Improper Payment
UP	Unknown Payment