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From: Kathy A. Buller, Inspector General

Date: May 11, 2021

Subject: Special Report: Review of the Peace Corps' Compliance with the Payment Integrity Information Act for FY 2020 (IG-21-01-SR)

The purpose of this report is to bring to your attention the results of OIG's review of the Peace Corps' compliance with the Payment Integrity Information Act of 2019 (PIIA). This Act requires the Office of Inspector General (OIG) to annually review the agency's improper payment reporting made in the annual Performance and Accountability Report (PAR) or Agency Financial Report (AFR) to determine if they are compliant.[1]

The Improper Payments Elimination and Recover Act of 2010 (IPERA) (Public Law 111-204) amended the Improper Payments Information Act of 2002 and required agencies to identify and review all programs and activities they administer that may be susceptible to significant improper payments based on guidance provided by the Office of Management and Budget (OMB). On March 2, 2020, the Payment Integrity Information Act of 2019 (PIIA) (Public Law 116-117) repealed IPERA (and other laws) but set forth similar improper payment reporting requirements, including an annual compliance report by Inspectors General.

OIG performed a review to assess whether the Peace Corps complied with the PIIA reporting requirements and provided adequate disclosure within the annual AFR and accompanying materials. In addition, we also evaluated the accuracy and completeness of the agency's reporting.

Our review determined that the Peace Corps was compliant with PIIA for Fiscal Year (FY) 2020. The agency published improper payment information in the AFR for FY 2020; posted that report on the agency website; and performed a risk assessment to assess improper payment risk to their program.

We concluded that it is unlikely that the Peace Corps reached the significant improper payment threshold[2] in FY 2020. The dollar values of the individual payments are very low in comparison to the significant improper payment threshold amounts. Furthermore, we did not identify any significant improper payments that met or exceeded the IPERA-established threshold during our

[1] *Payment Integrity Information Act of 2019* (Public Law 116-117, 134 STAT. 113)

[2] Significant improper payments are defined as gross annual improper payments (i.e., the total amount of overpayments and underpayments) in the program exceeding (1) both 1.5 percent of program outlays and $10,000,000 of all program or activity payments made during the fiscal year reported or (2) $100,000,000 (regardless of the improper payment percentage of total program outlays).

FY 2020 audits, the independent public accountant's audit of the agency's FY 2020 financial statements, or other sources of audit or review during the fiscal year.

The Payment Integrity Information Act of 2019 (PIIA) requires the agency to perform the following steps (where applicable):

PIIA Compliance Requirements	Did the Agency Comply?
Published an AFR or PAR	Yes
Conducted a risk assessment	Yes
Published improper payment estimates	Not Applicable
Published programmatic corrective actions plans	Not Applicable
Published, and is meeting, annual reduction targets	Not Applicable
Reported a gross improper payment rate of less than 10 percent	Not Applicable

During our fieldwork we reviewed the agency's website to determine whether the AFR/PAR with the payment integrity information is on the agency's website. We discussed enhanced risk assessment with the appropriate agency officials and reviewed the supporting documents to gain an understanding of the procedures, oversight, and internal controls in place for preparing the required risk assessment. We relied on work done by independent auditors for the payment integrity section of the AFR/PAR and any accompanying materials to gain an understanding of the significant changes since OIG's last review.

Based on the results of our fieldwork, we concluded as follows:

Published an AFR or PAR

The Peace Corps published their FY 2020 AFR on the linked public website. This report included the required information about payments made. Specifically, OMB A-136 requires the agency to report program outlays for FY 2020.

Conducted a Risk Assessment

The agency implemented a new risk assessment template to include all types of payments made to third party vendors, including purchase and travel card payments, salary to U.S. and overseas employees, and allowance payments to Volunteers. When conducting improper payment risk assessments, the agency considered risk factors that are likely to contribute to a susceptibility of significant improper payments, such as:

- The complexity of the program or activity reviewed, particularly with respect to determining correct payment amounts;
- The volume of payments made annually;
- Recent major changes in program funding, authorities, practices, or procedures;
- The level, experience, and quality of training for personnel responsible for making program eligibility determinations or certifying that payments are accurate; and
- Significant deficiencies in the audit reports of the agency including, but not limited to, the agency Inspector General or the Government Accountability Office (GAO) audit report findings, or other relevant management findings that might hinder accurate payment certification.

Recommendations made in OIG's FY 2019 IPERA report:
In FY 2019, OIG reported that the Peace Corps was not compliant with IPERA because the agency did not perform the necessary steps to assess improper payment risk to their program. As a result of that report, OIG made the following six recommendations:

1. That the Director develop a risk profile in alignment with the agency's comprehensive enterprise risk management policy.
2. That the Director develop a comprehensive risk assessment document that follows OMB M-18-20 and addresses the risk factors over all payment methods as outlined in this guidance document.
3. That the Director develop a comprehensive tracking system to record all improper payments, dollar values of the errors, and corrective actions taken for each of the six disbursement groups.
4. That the chief financial officer develop and implement formal procedures and training for staff to ensure they understand how to detect and track improper payments.
5. That the chief financial officer obtain, validate, and retain support on improper payment amounts reported in the Annual Financial Report.
6. That the chief financial officer develop and implement procedures to validate all vendor and pre-payment information on a routine and recurring basis against all ten of the Do Not Pay Portal databases.

We reviewed the response and the actions Peace Corps management initiated to implement the recommendations included in our 2019 IPERA report. Based on the review of support provided, we concluded that Peace Corps management implemented all six recommendations, and these recommendations are now closed.

Conclusion
The Peace Corps performed a formal risk assessment and published the AFR, meeting the requirements of PIIA.

Based on our review, OIG agrees that the Peace Corps' methodology for reviewing and analyzing improper payments and its reporting in the FY 2020 AFR is consistent with the requirements set out in PIIA and OMB Circular A-123, Appendix C, and is appropriate based on assessed risk, the dollar amount of payments made, and number of related transactions.