

**DHS' Fiscal Year 2022  
Compliance with the  
Payment Integrity  
Information Act of 2019**





## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

May 22, 2023

MEMORANDUM FOR: Stacy Marcott  
Senior Official Performing the Duties of the Chief  
Financial Officer  
Department of Homeland Security

FROM: Joseph V. Cuffari, Ph.D.  
Inspector General

JOSEPH V  
CUFFARI

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JOSEPH V CUFFARI  
Date: 2023.05.22  
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SUBJECT: *DHS' Fiscal Year 2022 Compliance with the Payment  
Integrity Information Act of 2019*

For your action is our final report, *DHS' Fiscal Year 2022 Compliance with the Payment Integrity Information Act of 2019*. We incorporated the formal comments provided by your office.

The report contains three recommendations aimed at improving DHS' efforts to prevent and reduce improper and unknown payments. Your office concurred with all three recommendations. Based on information provided in your response to the draft report, we consider recommendations 1 through 3 open and resolved. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and the disposition of any monetary amounts.

Please send your response or closure request to  
[OIGAuditsFollowup@oig.dhs.gov](mailto:OIGAuditsFollowup@oig.dhs.gov).

Consistent with our responsibility under the *Inspector General Act of 1978, as amended*, we will provide copies of our report to congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact Kristen Bernard, Acting Deputy Inspector General for Audits, at (202) 981-6000.

Attachment



# **DHS OIG HIGHLIGHTS**

## ***DHS' Fiscal Year 2022 Compliance with the Payment Integrity Information Act of 2019***

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**May 22, 2023**

### **Why We Did This Audit**

OMB requires each agency's OIG to review the agency's payment integrity reporting. We conducted this audit to determine whether DHS complied with the PIIA in FY 2022.

### **What We Recommend**

We made three recommendations to improve DHS' compliance with the PIIA.

#### **For Further Information:**

Contact our Office of Public Affairs at (202) 981-6000, or email us at [DHS-OIG.OfficePublicAffairs@oig.dhs.gov](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov).

### **What We Found**

Although the Department of Homeland Security has made improvements to reduce improper payments (IPs) and unknown payments (UPs), DHS did not comply with the *Payment Integrity Information Act of 2019* (PIIA) in fiscal year (FY) 2022. According to Office of Management and Budget (OMB) Circular A-123, an agency must meet all 10 PIIA requirements to be considered compliant. Although DHS complied with 9 of the 10 requirements, it did not comply with the requirement to ensure that the IP risk assessment methodology it used adequately concluded whether a program was likely to make IPs and UPs above or below the statutory threshold.

Specifically, DHS concluded that the Federal Emergency Management Agency's (FEMA) Funeral Assistance program was unlikely to make IPs and UPs and, therefore, did not need payment integrity testing. This conclusion is inconsistent with our review of the program's risk assessment and recent DHS Office of Inspector General and U.S. Government Accountability Office reports, which indicated that the Funeral Assistance program is at high risk for IPs, fraud, waste, and abuse. This occurred because the internal control testing FEMA conducted did not account for internal control deficiencies in the component's policies and procedures or for the inherent risk associated with an unprecedented demand for assistance due to the COVID-19 pandemic.

### **DHS Response**

DHS concurred with all three recommendations.



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### Background

The *Payment Integrity Information Act of 2019* (PIIA),<sup>1</sup> which became law on March 2, 2020, requires agencies to identify and review all programs and activities that may be susceptible to significant improper payments (IPs) based on guidance from the Office of Management and Budget (OMB). An agency must meet all 10 PIIA requirements to be considered compliant.<sup>2</sup> OMB also requires each agency's Office of Inspector General to review the agency's payment integrity reporting and issue an annual report on its review within 180 days of the publication of the agency's report.

According to OMB guidance,<sup>3</sup> all program payments fall into one of three payment categories: proper, improper, or unknown. A proper payment is made to the right recipient for the right amount; an IP is made in an incorrect amount or to the wrong recipient; and an unknown payment (UP) is made without sufficient documentation for the agency to determine whether the payment falls into the proper or improper category. Agencies must eventually determine whether UPs are proper or improper, and they may be required to report the results of this review in future years.

OMB Circular A-123 requires agencies to conduct an IP risk assessment at least once every 3 years for each program with annual outlays greater than \$10 million to determine whether the program is likely to make IPs and UPs. If the agency determines that the program is susceptible to IPs and UPs, it must conduct payment integrity testing and produce a statistically valid and accurate estimate of IPs and UPs given the program's characteristics. If the agency estimates that IPs and UPs, combined, will exceed the statutory threshold<sup>4</sup> for any program, it must implement and annually report on a corrective action plan for reducing such payments and preventing them in the future. In addition, the agency must publish any applicable payment integrity information in its annual financial statement.

In fiscal year (FY) 2022, the Department of Homeland Security conducted IP risk assessments for 50 of its 165 programs. The assessed programs disbursed

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<sup>1</sup> PIIA (Public Law 116-117) repealed the *Improper Payments Information Act of 2002* (Public Law 107-300), the *Improper Payments Elimination and Recovery Act of 2010* (Public Law 114-204), and the *Improper Payments Elimination and Recovery Improvement Act of 2012* (Public Law 112-248).

<sup>2</sup> Appendix B contains a table summarizing DHS' compliance with the 10 PIIA requirements.

<sup>3</sup> OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement*, updated March 5, 2021.

<sup>4</sup> OMB Circular A-123 defines the statutory threshold as either \$100 million or 1.5 percent of program outlays plus \$10 million of all program payments made during the fiscal year.



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\$54 billion out of DHS' \$101 billion total disbursements. DHS determined that 7 of its 165 programs were susceptible to significant IPs and UPs. DHS conducted payment integrity testing for these programs and produced a statistically valid estimate of IPs and UPs.<sup>5</sup> Programs with published IP and UP rates are listed below:

- Federal Emergency Management Agency (FEMA) Disaster Case Management – Disaster Supplemental Funds
- FEMA Hazard Mitigation Grant Program – Disaster Supplemental Funds
- FEMA Payroll – Disaster Supplemental Funds
- FEMA Public Assistance – Validate As You Go
- FEMA Vendor Pay – Disaster Supplemental Funds
- United States Coast Guard Aviation Logistics Center – Disaster Supplemental Funds
- United States Coast Guard Procurement, Construction, and Improvements – Disaster Supplemental Funds

We conducted this audit to determine whether DHS complied with the PIIA during FY 2022.

### Results of Audit

Although DHS has made improvements to reduce IPs and UPs, it did not comply with the PIIA in FY 2022. According to OMB Circular A-123, an agency must meet all 10 requirements to be considered compliant with the PIIA. Although DHS complied with 9 of the 10 requirements, it did not comply with the requirement to ensure that the IP risk assessment methodology used adequately concluded whether a program was likely to make IPs and UPs above or below the statutory threshold. Appendix B contains a table summarizing DHS' compliance with the PIIA requirements.

Specifically, DHS concluded that the FEMA Funeral Assistance program was unlikely to make IPs and UPs and, therefore, did not need payment integrity testing. This conclusion is inconsistent with our review of the program's risk assessment and recent DHS OIG and U.S. Government Accountability Office (GAO) reports,<sup>6</sup> which indicated that the Funeral Assistance program is at high risk for IPs, fraud, waste, and abuse. This occurred because the internal

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<sup>5</sup> As required by the PIIA, relevant program data is submitted to OMB and published on [www.paymentaccuracy.gov](http://www.paymentaccuracy.gov).

<sup>6</sup> OIG-22-36 *Management Alert - FEMA's COVID-19 Funeral Assistance Operating Procedures Are Inconsistent with Previous Interpretation of Long-Standing Regulations for Eligible Funeral Expenses*; GAO-22-105397 - *Current and Future Federal Preparedness Requires Fixes to Improve Health Data and Address Improper Payments*.





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control testing FEMA conducted did not account for internal control deficiencies in the component's policies and procedures or for the inherent risk associated with an unprecedented demand for assistance due to the COVID-19 pandemic.

#### **DHS Did Not Comply with the PIIA**

According to OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement*, "To achieve compliance the agency must ensure that the IP risk assessment methodology used adequately concludes whether the program is likely to make IPs plus UPs above or below the statutory threshold."

In FY 2022, FEMA conducted an IP risk assessment of the Funeral Assistance program and concluded that the program was low risk and not susceptible to IPs and UPs. Therefore, using the results of this assessment, FEMA did not conduct payment integrity testing on the Funeral Assistance program in FY 2022. However, through our review of the program's risk assessment we determined that the Funeral Assistance program is susceptible to IPs and UPs. In the program's risk assessment questionnaire, FEMA acknowledged it loosened or overrode its payment management internal controls to meet mission needs in response to the COVID-19 pandemic. In the questionnaire, FEMA also identified cases of known and potential fraud in which applications for funeral assistance were found to include fraudulent documentation. Further, FEMA indicated in the questionnaire that it allowed the same staff members to both determine initial eligibility and approve award amounts, which we determined could indicate issues with separation of duties.

Our conclusion that the Funeral Assistance program is susceptible to IPs and UPs is consistent with recent DHS OIG and GAO report results that are also referenced in the program's risk assessment questionnaire. These reports indicated that the Funeral Assistance program is at high risk for IPs, fraud, waste, and abuse. DHS OIG reported that "there was no assurance that: 1) funeral assistance funds are being used to reimburse necessary expenses and serious needs; 2) expenses are being checked line-by-line; 3) expenses specifically excluded from payment in other disasters are not being reimbursed in connection with COVID-19 without notice to the public; and 4) FEMA is complying with its own policies." Additionally, in its report, GAO identified "several gaps in FEMA's internal controls meant to prevent improper or potentially fraudulent payments, such as cases in which these controls did not prevent duplicate applications for funeral assistance or assistance issued to ineligible recipients."



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FEMA conducted multiple internal control tests, which led FEMA to conclude the program was low risk. However, FEMA's approach for internal testing did not account for the risks and internal control deficiencies in its policies and procedures. Based on the known risks identified by FEMA's risk assessment questionnaire and relevant audit reports associated with the Funeral Assistance program, FEMA should have deemed the program high risk and conducted payment integrity testing, which would have included reporting a statistically valid IP and UP estimate for the program.

Additionally, FEMA's risk assessment did not account for the inherent risk associated with an unprecedented demand for funeral assistance due to the COVID-19 pandemic. FEMA provides funeral assistance to help those eligible pay for unexpected and uninsured expenses attributed to an event that is declared to be a major disaster or emergency. According to GAO, FEMA reported that in the 10 years before the COVID-19 pandemic, it processed just 6,000 Funeral Assistance applications, whereas, from April 2021 through February 2022, FEMA received and processed more than 400,000 Funeral Assistance applications. Although FEMA acknowledged in the risk assessment questionnaire that it loosened internal controls to process the large number of COVID-19-related applications, it still concluded the Funeral Assistance program was not susceptible to IPs and UPs.

If programs that are highly susceptible to fraud, waste, and abuse are not assessed properly, DHS is more likely to make IPs and UPs that may go undetected. Additionally, without the proper risk determination, DHS cannot identify payment integrity issues and make improvements to address them. Further, if DHS continues to be noncompliant with the PIIA, it will be subject to additional OMB reporting requirements.

### **DHS Has Made Improvements to Reduce Improper Payments and Unknown Payments**

DHS has made improvements to reduce program IP and UP rates, with fewer programs exceeding the statutory threshold in the current year, from three programs reported in FY 2021 to only one in FY 2022. Additionally, DHS met the reduction targets for two out of three programs with established targets. Although FEMA Payroll – Disaster Supplemental Funds did not meet its reduction target, the program showed improvements in its IP plus UP percentage rate, with a decrease from 3.45 percent to 2.88 percent. Additionally, we reviewed DHS' corrective action plans and determined the plans comply with OMB A-123 requirements, and the corrective actions appeared adequate in preventing and reducing IPs. Further, DHS' oversight controls for the payment integrity reporting process — including its review of



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components' program identification templates and IP testing results — also appear adequate.

### Recommendations

**Recommendation 1:** We recommend the DHS Chief Financial Officer ensure FEMA conducts payment integrity testing of the Funeral Assistance program.

**Recommendation 2:** We recommend the DHS Chief Financial Officer ensure FEMA assesses and conducts payment integrity testing, as applicable, for any program with COVID-19 funding that meets the *Payment Integrity Information Act of 2019* threshold.

**Recommendation 3:** We recommend the DHS Chief Financial Officer ensure DHS' Risk Management and Assurance Division follows OMB requirements for programs that do not comply with the *Payment Integrity Information Act of 2019*, as stated in Appendix C of OMB Circular A-123.

### DHS Comments and OIG Analysis

DHS concurred with all three recommendations, and we consider the recommendations open and resolved.

Appendix A contains a copy of DHS' Management Response to the draft report. A summary of DHS' responses and our analysis follows.

**DHS Comments to Recommendation 1:** Concur. The FEMA Office of the Chief Financial Officer's Risk Management and Compliance Division will conduct payment integrity testing on FY 2022 Funeral Assistance program disbursements as part of the FY 2024 reporting cycle.

FEMA reiterates its belief that the FY 2022 risk assessment performed was appropriate and that FEMA's determination regarding the susceptibility of the Funeral Assistance program to make IPs and UPs was correct. However, to further substantiate this, FEMA will perform a quantitative assessment of FY 2022 disbursements by moving the program to Phase 2 for statistical assessment, in accordance with OMB Circular A-123, Appendix C guidance. Results from this assessment will be published in FY 2024 and will be used as the quantitative basis for whether the program will be determined to be susceptible to significant IPs moving forward. Estimated Completion Date: November 30, 2024.





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**OIG Analysis:** DHS provided a corrective action plan and an estimated completion date that satisfy the intent of the recommendation. We consider this recommendation resolved, but it will remain open until DHS provides documentation to show the corrective actions have been completed.

**DHS Comments to Recommendation 2:** Concur. The DHS Office of the Chief Financial Officer's Risk Management and Assurance Division (RM&A) will ensure that all DHS components, including FEMA, assess and conduct payment integrity testing in accordance with PIIA requirements.

RM&A intends to continue using the same risk assessment methodology and approach previously used. However, RM&A will better document and transparently communicate potential areas of apparent misalignment between internal assessment results, measured against current and effective policies, by ensuring that the following areas are documented in the assessments with more granular detail:

- related/relevant audit reports;
- compensating and mitigating controls and processes;
- justifications for variances between external evaluations highlighting policy concern areas and how that may or may not impact assessments being performed in accordance with the current and effective policies, as long as policies are in accordance with legally applicable requirements; and
- additional information, as appropriate.

For any risk assessment that determines the program is susceptible to significant IPs, the program will be transitioned to Phase 2 and necessary testing will be conducted to produce a statistically valid estimate. Estimated Completion Date: May 31, 2024.

**OIG Analysis:** DHS provided a corrective action plan and an estimated completion date that satisfy the intent of the recommendation. We consider this recommendation resolved, but it will remain open until DHS provides documentation to show the corrective actions have been completed.

**DHS Comments to Recommendation 3:** Concur. Because this is the first year DHS OIG has noted noncompliance for the FEMA Funeral Assistance program, DHS will follow the OMB requirements for first year noncompliance. RM&A will describe the actions FEMA will take to achieve compliance as part of the OMB annual data call. This information will be published on PaymentAccuracy.gov and will serve as the plan that agencies must submit to



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the appropriate authorizing and appropriations committee of Congress.  
Estimated Completion Date: May 31, 2024.

**OIG Analysis:** DHS provided a corrective action plan and an estimated completion date that satisfy the intent of the recommendation. We consider this recommendation resolved, but it will remain open until DHS provides documentation to show the corrective actions have been completed.

### Objective, Scope, and Methodology

The Department of Homeland Security Office of Inspector General was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*.

The audit objective was to determine whether DHS complied with the PIIA in FY 2022. We also evaluated the accuracy and completeness of DHS' IP reporting.

We obtained and reviewed relevant requirements and guidance and interviewed officials in RM&A to understand what is required of DHS under the PIIA as well as the DHS policies and procedures intended to meet those requirements.

We evaluated the accuracy of payment integrity information in the DHS FY 2022 Agency Financial Report (AFR). We also assessed DHS' controls over the IP reporting process and reviewed documentation to determine that the information compiled in the IP packages is sufficiently reliable to support our audit results.

Although we assessed internal controls over DHS' payment integrity reporting, our assessment was limited to determining whether DHS complied with the PIIA. As such, it may not disclose all internal control deficiencies that may have existed at the time of our audit.

We reviewed DHS' FY 2022 AFR and supporting documentation to determine whether DHS met the following 10 PIIA requirements:

- Published payment integrity information with the AFR.
- Posted the AFR and accompanying materials on the agency's website.
- Conducted IP risk assessments for each program with annual outlays greater than \$10 million at least once in the last 3 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 AFR.



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- Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AFR.
- 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 AFR.
- 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 AFR.

We examined documentation related to RM&A's review of the components' IP packages to determine if it conducted those reviews in compliance with the DHS *Improper Payment Reduction Guidebook*. We also interviewed DHS RM&A personnel to gain an understanding of their payment integrity testing procedures. Accordingly, we performed a limited review of 10 randomly selected payments from FEMA's Public Assistance Validate As You Go program. Further, we evaluated the accuracy of DHS RM&A's quality assurance reviews over the components' payment integrity testing.

We conducted this performance audit between November 2022 and March 2023 pursuant to the *Inspector General Act of 1978, as amended*, and according to 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.



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**Appendix A**  
**DHS' Management Response to the Draft Report**

U.S. Department of Homeland Security  
Washington, DC 20528



**Homeland  
Security**

May 10, 2023

MEMORANDUM FOR: Joseph V. Cuffari, Ph.D.  
Inspector General

FROM: Jim H. Crumacker, CIA, CFE  
Director  
Departmental GAO-OIG Liaison Office

DAVID E SCHMITT  
Digitally signed by  
DAVID E SCHMITT  
Date: 2023.05.10  
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SUBJECT: Management Response to Draft Report: "DHS' Fiscal Year  
2022 Compliance with the Payment Integrity Information Act  
of 2019" (Project No. 22-069-AUD-DHS)

Thank you for the opportunity to comment on this draft report. The U.S. Department of Homeland Security (DHS or the Department) appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this report.

DHS leadership is pleased to note OIG's positive recognition that the Department has made improvements reducing improper or unknown payments, with only one program exceeding the statutory threshold<sup>1</sup> for FY 2022 compared to three in FY 2021. The OIG found that DHS complied with nine of ten "Payment Integrity Information Act of 2019" (PIIA)<sup>2</sup> requirements during FY 2022, but overall was noncompliant with the PIIA for not meeting the tenth requirement.<sup>3</sup> DHS strenuously disagrees with this determination.

As highlighted in its draft report, the OIG "found no issues with DHS' overall risk assessment methodology." However, based on the review of a single program out of the 50 risk assessments DHS conducted during FY 2022—the Federal Emergency Management Agency (FEMA) Funeral Assistance program—OIG concluded that the Funeral Assistance program did not adequately account for and consider known risks specific to the program's COVID-19 policy when executing the risk assessment. The

<sup>1</sup> The statutory threshold to determine that a program is susceptible to significant improper payments (IPs) is either (1) both 1.5 percent of program outlays and \$10 million in IPs and unknown payments (UPs) of all program payments made during the fiscal year (FY), or (2) \$100 million of IPs and UPs of all program payments made during the FY.

<sup>2</sup> Pub. Law No. 116-117, dated March 2, 2020. <https://www.congress.gov/116/plaws/publ117/PLAW-116publ117.pdf>

<sup>3</sup> Ensure that the IP risk assessment methodology used adequately concluded whether a program was likely to make IPs and UPs above or below the statutory threshold.



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primary basis for this determination seems related to prior OIG and U.S. Government Accountability Office reporting including OIG-22-36, “Management Alert – FEMA’s COVID-19 Funeral Assistance Operating Procedures Are Inconsistent with Previous Interpretation of Long-Standing Regulations for Eligible Funeral Expenses,” dated April 13, 2022. However, nowhere in the OIG’s draft report was it disclosed that, at the time this report was published, FEMA disagreed with and continues to disagree with the Management Alert and its one recommendation, in part based on FEMA’s:

- Broad authority to determine eligible costs for funeral assistance pursuant to 44 C.F.R. § 206.119(c)(4)(iii), and
- Extensive engagement with congressional staff, and the White House, as well as the Centers for Disease Control and Prevention, tribal leaders, and other stakeholders on the direction and intent of the laws authorizing FEMA to administer the COVID-19 Funeral Assistance Program.

In accordance with Office of Management and Budget (OMB) Circular A-123, Appendix C, “Requirements for Payment Integrity Improvement,” dated March 5, 2021<sup>4</sup>, DHS requires that programs assess the risk of IPs and UPs utilizing the current policy documentation in place at the time of the payment so long as the policy in effect enables payments to be made in accordance with all legally applicable requirements. To assess the risk that transactions would not be deemed ‘proper’ when evaluated against the OMB decision elements, the FEMA Office of the Chief Financial Officer’s Risk Management and Compliance Division utilized the current policy in place at the time of the payment. For the Funeral Assistance program making payments in response to the COVID-19 disaster, FEMA issued a publicly available policy in March 2021<sup>5</sup> and an updated policy in June 2021,<sup>6</sup> as authorized by 44 C.F.R. § 206.119(c)(4)(iii). Leadership believes that the FY 2022 risk assessment performed was appropriate and that the DHS determination made and reported regarding the susceptibility of the Funeral Assistance program to make IPs and UPs was correct.

The appropriateness of this determination was further strengthened by FEMA’s completion of an internal control assessment over the design and operating effectiveness of COVID-19 Funeral Assistance controls during FY 2022. This review covered 16 risks and unique control activities with a total of 45 control samples reviewed for each, spanning across the first three quarters in FY 2022, resulting in no exceptions noted.

While the OIG or other oversight entities may in hindsight highlight concerns related to or make recommendations to enhance current policy, DHS programs must continue to operate against current, published policy until such adjustments are incorporated.

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<sup>4</sup> <https://www.whitehouse.gov/wp-content/uploads/2021/03/M-21-19.pdf>

<sup>5</sup> FEMA Policy FD 104-21-0001, “FEMA POLICY: COVID-19 Funeral Assistance Individuals and Households Program Policy (Interim),” dated March 21, 2021.

<sup>6</sup> FEMA Policy FD 104-21-0001, “FEMA POLICY: COVID-19 Funeral Assistance Individuals and Households Program Policy (Interim) (Version 2),” dated June 29, 2021.





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Additional analysis is ongoing and potential adjustments may be proposed to either the aforementioned COVID-19 specific Funeral Assistance policy or FEMA Policy 104-009-03, "Individual Assistance Program and Policy Guide," dated May 2021 and amended in September 2021. However, in lieu of any new policy adjustments, FEMA will continue to perform risk assessments and make determinations regarding the properness of resulting payments in accordance with its current policy as prescribed by OMB.

The draft report contained three recommendations with which the Department concurs. Enclosed find our detailed response to each recommendation. DHS previously submitted technical comments addressing several accuracy, contextual and other issues under a separate cover for OIG's consideration.

Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions. We look forward to working with you again in the future.

Enclosure



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#### Enclosure: Management Response to Recommendations Contained in 22-069-AUD-DHS

OIG recommended that the DHS Chief Financial Officer:

**Recommendation 1:** Ensure FEMA conducts payment integrity testing of the Funeral Assistance program.

**Response:** Concur. The FEMA Office of the Chief Financial Officer's Risk Management and Compliance Division will conduct payment integrity testing on FY 2022 Funeral Assistance program disbursements as part of the FY 2024 reporting cycle.

FEMA reiterates its belief that the FY 2022 risk assessment performed was appropriate and that FEMA's determination regarding the susceptibility of the Funeral Assistance program to make IPs and UPs was correct. However, to further substantiate this, FEMA will perform a quantitative assessment of FY 2022 disbursements by moving the program to Phase 2 for statistical assessment, in accordance with OMB Circular A-123, Appendix C guidance. Results from this assessment will be published in FY 2024 and will be used as the quantitative basis for whether the program will be determined as susceptible to significant improper payments moving forward.

It is anticipated, however, that the Funeral Assistance program will significantly reduce in size based on disbursement activity and amounts as the COVID-19 disaster has steadily improved and the COVID-19 incident period will come to an end on May 11, 2023. While applicants can still submit claims to FEMA and financial assistance will be provided until September 30, 2025, it is expected that the program will soon fall below the \$10 million disbursement threshold to be considered potentially susceptible to significant improper payments.

The estimated completion date (ECD) shown below has been set to align to OMB Circular A-123, Appendix C reporting timelines for the agency annual PIIA reporting. However, the OIG review and compliance determination would not be expected until six months after [PaymentAccuracy.gov](https://www.paymentaccuracy.gov) publication of the reported data. DHS will request closure of the recommendation once statistical results have been made publicly available on [PaymentAccuracy.gov](https://www.paymentaccuracy.gov) for the FY 2024 reporting period.

ECD: November 30, 2024.



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**Recommendation 2:** Ensure FEMA assesses and conducts payment integrity testing, as applicable, for any program with COVID-19 funding that meets the *Payment Integrity Information Act of 2019* threshold.

**Response:** Concur. The DHS Office of the Chief Financial Officer's Risk Management and Assurance Division (RM&A) will ensure that all DHS Components, including FEMA, assess and conduct payment integrity testing in accordance with PIIA requirements.

As noted in its draft report, the OIG "found no issues with DHS' overall risk assessment methodology." RM&A intends to continue utilizing the same risk assessment methodology and approach previously used; however, RM&A will better document and transparently communicate potential areas of apparent misalignment between internal assessment results, measured against current and effective policies, by ensuring that the following areas are documented in the assessments with more granular detail:

- Related/relevant audit reports;
- Compensating and mitigating controls and processes;
- Justifications for variances between external evaluations highlighting policy concern areas and how that may or may not impact assessments being performed in accordance with the current and effective policies, as long as policies are in accordance with legally applicable requirements; and
- Additional information, as appropriate.

For FY 2022 reporting, DHS provided and published information through OMB for a total of 43 programs that contained disbursement activity related to COVID-19 funding. With only one program evaluated and reported as non-compliant by the OIG, DHS does not intend to reperform previously conducted risk assessments nor adjust the approach for the risk assessment structure for any of these programs beyond the enhancements noted above.

In accordance with OMB Circular A-123, Appendix C guidance, DHS will complete a risk assessment for each required program utilizing relevant information, to include the enhanced granular detail noted above, to assess and consider the risk that the program's IPs plus UPs are above the statutory threshold. For any risk assessment that determines the program is susceptible to significant improper payments, the program will be transitioned to Phase 2<sup>7</sup> and conduct testing necessary to produce a statistically valid estimate.

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<sup>7</sup> Per OMB Circular A-123, Appendix C, "When an agency determines through IP risk assessment that the total annual IPs PLUS the UPs for the program are likely to be above the statutory threshold, the program will report an IP and UP estimate in the FY following the FY in which the risk assessment determination was made."



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For FY 2023 reporting, DHS information will be provided to OMB for publication on [PaymentAccuracy.gov](https://www.paymentaccuracy.gov) in accordance with OMB Circular A-123, Appendix C reporting timelines for the agency annual PIIA reporting. However, the ECD shown below has been aligned to the OIG review and compliance determination, which would not be expected until 180 days after the publication date for the Annual Financial Statement of the Agency and the Accompanying Materials to the Annual Financial Statement of the Agency, to include publication of data by OMB on [PaymentAccuracy.gov](https://www.paymentaccuracy.gov), whichever is later.

ECD: May 31, 2024.

**Recommendation 3:** Ensure DHS' Risk Management and Assurance Division follows OMB requirements for programs that do not comply with the *Payment Integrity Information Act of 2019*, as stated in Appendix C of OMB Circular A-123.

**Response:** Concur. As this is the first year of non-compliance noted by the OIG for the FEMA Funeral Assistance program, DHS will follow the OMB requirements for first year non-compliance. RM&A will describe the actions that the agency will take to come into compliance as part of the OMB annual data call. This information will be published on [PaymentAccuracy.gov](https://www.paymentaccuracy.gov) and will serve as the plan that agencies must submit to the appropriate authorizing and appropriations committee of Congress.

For FY 2023 reporting, DHS information will be provided to OMB for publication on [PaymentAccuracy.gov](https://www.paymentaccuracy.gov) in accordance with OMB Circular A-123, Appendix C reporting timelines for the agency annual PIIA reporting. However, the ECD shown below has been aligned to the OIG review and compliance determination, which would not be expected until 180 days after the publication date for the Annual Financial Statement of the Agency and the Accompanying Materials to the Annual Financial Statement of the Agency, to include publication of data by OMB on [PaymentAccuracy.gov](https://www.paymentaccuracy.gov), whichever is later.

ECD: May 31, 2024.



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**Appendix B**  
**DHS PIIA Compliance Reporting Table, FY 2022**

<b>Component</b>	1a. Published payment integrity information with the AFR	1b. Posted the AFR and accompanying materials on the agency website	2a. Conducted IP risk assessments for each program with annual outlays greater than \$10 million 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	4. Published corrective action plans for each program as applicable	5a. Published an IP and UP reduction target for each program as applicable	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	6. Reported an IP and UP estimate of less than 10% for each program
Countering Weapons of Mass Destruction	N/A	N/A	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
U.S. Customs and Border Protection	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Cybersecurity and Infrastructure Security Agency	N/A	N/A	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Federal Emergency Management Agency	Yes	Yes	Yes	No <sup>1</sup>	Yes	Yes	N/A	N/A	N/A	Yes
Federal Law Enforcement Training Centers	N/A	N/A	Yes	Yes	N/A	N/A	NA	N/A	N/A	N/A
U.S. Immigration and Customs Enforcement	N/A	N/A	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Management Directorate	N/A	N/A	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Science and Technology Directorate	N/A	N/A	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Transportation Security Administration	N/A	N/A	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
U.S. Citizenship and Immigration Services	N/A	N/A	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
United States Secret Service	N/A	N/A	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
United States Coast Guard	Yes	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	Yes

Source: OIG analysis of DHS' FY 2022 AFR and its accompanying materials

\*N/A = Programs for which certain requirements are not applicable.

Note: 1. We selected one FEMA program, Funeral Assistance, to further evaluate for this specific compliance requirement. Based on our review of FEMA's risk assessment methodology and conclusion for the Funeral Assistance program, FEMA is noncompliant.





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**Appendix C**  
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