FY 2020 OMB Supplemental Data Call

Department of Commerce (DOC)

Contents

Agency-Wide Responses

Question 2 Free Text: Detecting and Recovering Improper Payments (PIIA Section: 3352(e), 3352(e) (1))
Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER:

Departmental management fosters a control environment that contributes to the prevention and detection of improper payments, including management communicating its intent to identify and reduce improper payments; communicating expectations for identifying and reducing improper payments; managers and staff buying into the need for and importance of identifying and reducing improper payments; and defining the roles and responsibilities of managers and team leaders for managing improper payments. The Department recognizes the importance of maintaining adequate internal controls to ensure proper payments, and the Department's commitment to continuous improvement in the overall disbursement management process remains high. Each of the Department's payment offices has implemented policies and procedures to detect and prevent improper payments.

The Department annually conducts an assessment of the effectiveness of internal control over financial reporting, in compliance with OMB Circular A-123, Appendix C. Furthermore, every three years, the assessment includes a review of internal controls over disbursement processes, including Department-wide sample testing of disbursements for improper payments and for appropriate internal control attributes. The most recent review performed indicated that internal controls over disbursement processes were sound.

 Each of the Department's bureaus/reporting entities periodically completes or updates, over a one to three-year period (depending on the size of the entity), improper payments risk assessments (IPRAs) covering all of its programs/activities as required by OMB Circular A-123, Appendix C. These IPRAs of the entity's programs/activities also incorporate IPRAs every three years of the control, procurement, and grants management environments. The program/activity IPRAs performed in FY 2020 address improper payments risk factors set forth in OMB Circular A-123, Appendix C that should be addressed. The bureaus/reporting entities also identify and report on improper payments to the Department on a quarterly basis, to include recaptures of improper payments data, identified reasons for improper payments, and continually implemented appropriate actions to minimize future improper payments.

 The Department has extensive payment integrity monitoring, minimization, recapturing, and corrective actions efforts in place, including the identification of improper payments through bureau post-payment reviews, the Office of Inspector General (OIG) audits or reviews, Single Audit Act audits of grants/cooperative agreements, other grants/cooperative agreements audits, contract closeout reviews, grants/cooperative agreements closeout reviews, other audits or reviews, sample reviews of Department-wide sustained disallowed costs (SDC), and Department-wide sample testing of disbursements under internal controls testing.

Question 3: Recovery Audits (PIIA Section: 3352)
Please describe the steps the agency has taken to recover improper payments identified in recovery audits. Please note there is a 3000 character limit.

ANSWER: The Department is currently not performing payment recapture auditing.

Question 4: Excluded Programs (PIIA Section: 3352(e) (7))
Please list any programs the agency excluded from review under its payment recapture audit program because a payment recovery audit program was determined to not be cost-effective and provide a summary of the justification used to make that determination. Please note there is a 3000 character limit.

ANSWER: The Department is currently not performing payment recapture auditing. However, it continues to re-evaluate this. The Department had been performing from 2005 through June 2017, primarily with contractor assistance, annual payment recapture audits of closed contracts/obligations for many of the Department's bureaus/reporting entities on a rotational basis. From 2012 through June 2017, the scope was expanded to include contracts/obligations for which the period of performance ended, and last payment was made; however, for which the closeout process had not yet been completed. Annual payment recapture auditing was additionally performed by a contractor, effective 2011, for Department-wide grants and other cooperative agreements (i.e., financial assistance).

In May 2011, the Department completed an evaluation of possible additional categories of disbursements for which payment recapture auditing could be performed if cost-effective, held a meeting with OMB to discuss the Department's evaluation, and provided the written summary of the evaluation to OMB. The Department's evaluation of payroll disbursements in May 2011 determined that it would likely not be cost-effective to perform payment recapture auditing for payroll disbursements. Payroll-administration services are primarily provided to the Department by the U.S. Department of Agriculture's National Finance Center (NFC).

In March 2018, the Department completed a cost/benefit analysis for contracts/obligations and for grants and other cooperative agreements and determined that it is not able to conduct a cost-effective payment recapture audit program for the above noted categories. From 2005 through June 2017, the cumulative amount subject to review in the payment recapture audits performed was $17.53 billion, and $5.85 billion was reviewed by the payment recapture auditors. The cumulative adjusted overpayments subject to recapture that were identified was only $113 thousand (fully recaptured), and which fell below the cumulative contractor costs for the payment recapture audits performed of $582 thousand, before taking into consideration the significant staff time incurred to support the payment recapture audit program.

NOAA is currently the only bureau with loan disbursements. As part of NOAA's internally-conducted reviews and testing processes, NOAA loan disbursements are significantly tested every three years for both internal controls and improper payments, and the disbursement testing for improper payments is considered to be equivalent to a payment recapture audit. Regarding the NOAA Corps Retirement System and the NOAA Corps Health Benefits benefit programs, these programs are cross-serviced for disbursements by the U.S. Department of Defense; and, therefore, are not subject to payment recapture auditing by the Department.

Question 5: Financial and Administrative Controls (PIIA Section: 3357(d))
Please describe your agency's progress:
- *Implementing the financial and administrative controls established by OMB in OMB Circular A-123 to identify and assess fraud risks and design and implement control activities in order to prevent, detect, and respond to fraud, including improper payments; the fraud risk principle in the Standards for Internal Control in the Federal Government published by the Government Accountability Office*

(commonly known as the "Green Book"); and Office of Management and Budget Circular A-123, with respect to the leading practices for managing fraud risk;
- *Identifying risk and vulnerabilities to fraud, and*
- *Establishing strategies, procedures, and other steps to curb fraud.*

ANSWER:

Implementation of OMB Circular A-123	Implementation of GAO Green Book	Identifying Risk and Vulnerabilities	Establishing Strategies, Procedures and Other steps
3 – Fully Operational	3 – Fully Operational	3 – Fully Operational	3 – Fully Operational

Question 5 Free Text: Financial and Administrative Controls (PIIA Section: 3357(d))
Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER:

Fraud prevention, detection, monitoring and response are key to managing fraud risk and are continually being integrated into the culture and controls throughout the Department. Several key control strategies have been implemented since FY 2018. Fraud risk has been identified as one of 10 categories of risk by the Department's Enterprise Risk Management (ERM) Framework. The Department's ERM Framework is designed to facilitate a risk-based approach to fraud risk assessment at different levels within the organization. Management uses the U.S. Government Accountability Office (GAO) Fraud Risk Management Framework leading practices as a guide to combat fraud, increase emphasis on prevention, and put into place corrective actions to address identified deficiencies. The Department also utilizes several processes and sources to identify, manage, and mitigate fraud risks.

 Analyses of fraud risks are an integral process of the Department's financial internal control program. The Department annually performs an assessment of the risks at the entity and process levels. At the entity level, the Department and components assess exposures and controls around fraud risk. How the Department anticipates, identifies, and responds to fraud is considered during the assessment. Existing Departmental policies and procedures are also examined to ensure that they adequately meet their objective. At the process level, inherent and control risks are assessed for each of the Department's key business processes and sub-processes. The process level assessment includes evaluations such as the Department's payroll, contracts, purchase card, and grants management business cycles. The exercise and results of these assessments aids in identifying types and levels of risks within the Department and informs the mitigation process.

 The Department is an active participant with OMB and other agencies in the government-wide working group for the implementation of the The Department continues to explore ways to refine and enhance its processes to better deter, detect and reduce instances of fraud. For example, the Department established an enterprise wide data analytics program to perform, collect and analyze data to detect and monitor for potential fraud. The data analytics program involves the development of continuous monitoring processes, data science techniques, analytics and visualizations, to be applied to sensitive programs and financial data in order to identify trends, anomalies, and other meaningful patterns that may signify potential internal control weakness or indicators of fraud, waste, and abuse. The Department has developed and presented to the financial community within the Department a fraud awareness training program.

Question 6 Free Text: Statutory Thresholds and Risk Assessments (PIIA Section: 3352(a) (3) (C))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER:

There are not any programs or activities not listed in this collection, which includes Table 6 of the primary OMB FY 2020 Payment Integrity Excel spreadsheet submission by the Department, that were recently assessed to determine susceptibility of improper payments.

Agency-Wide Responses

Question 1 Free Text: Annual Performance Appraisal Criteria (PIIA Section: 3352(d) (5) (A) and (B))
Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER: Question 1 is not applicable to the Department of Commerce as it does not have any programs or activities with IPs that exceed the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.B.

Question 7 Free Text: Improper Payment Rate Reduction (PIIA Section: 3352(d) (2))
Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER: This question is not applicable to the Department of Commerce as it does not have any programs or activities with IPs that exceed the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.B.

Question 8 Free Text: Tolerable Rate
Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER: This question is not applicable to the Department of Commerce as it does not have any programs or activities with IPs that exceed the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.B.

Question 9 Free Text: Internal Controls, Human Capital, Information Systems and other Infrastructure and Program Needs (PIIA Section: 3352(d) (2) (A) through (C)3352(d) (3))
Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER: This question is not applicable to the Department of Commerce as it does not have any programs or activities with IPs that exceed the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.B.

Question 10 Free Text: Corrective Actions Taken (PIIA Section: 3352(d) (1))
Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER: This question is not applicable to the Department of Commerce as it does not have any programs or activities with IPs that exceed the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.B.

Question 11 Free Text: Corrective Actions to be Taken (PIIA Section: 3352(d) (1))
Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER: This question is not applicable to the Department of Commerce as it does not have any programs or activities with IPs that exceed the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.B.

Question 12: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))
Please indicate which of the six (6) criteria (if any) were determined to be non-compliant in the most recent IG compliance review.

ANSWER:

Indicate compliant or non-compliant	Compliance criteria
Compliant	1. Publish an AFR or PAR
Compliant	2. Conduct Program-Specific Risk Assessment
Compliant	3. Publish Improper Payment Estimates
Compliant	4. Publish Programmatic Corrective Action Plans
Compliant	5. Publish and Meet Annual Reduction Targets
Compliant	6. Report a gross Improper Payment Rate of Less than 10%

Question 13 Free Text: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))
Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER: Since FY 2011, the Department of Commerce has only been found non-compliant once (FY 2017).

Question 14 Free Text: Bringing the program into compliance (PIIA Section: 3353(b) (5))
Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER: This question is not applicable to the Department of Commerce; the Department was deemed to be compliant in the most recent fiscal year.

Question 15 Free Text: Creating accountability to achieve compliance (PIIA Section: 3353(b) (1) (B))
Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER: This question is not applicable to the Department of Commerce; the Department was deemed to be compliant in the most recent fiscal year.

Question 16: Do Not Pay Initiative (PIIA Section: 3354(b) (5))
Please indicate whether the program uses the DNP (yes/no) and whether the Do Not Pay Initiative has reduced/prevented improper payments (yes/no). Additionally, please provide the frequency of corrections (week/month range) or identification of incorrect information (range of false hits?).

ANSWER:

Does the program use the Do Not Pay Initiative (DNP) (yes/no)	Has the DNP reduced/prevented improper payments (yes/no)	How frequently are corrections made?	How frequently is incorrect information identified?
YES	NO	Annually	Annually

Question 16 Free Text: Do Not Pay Initiative (PIIA Section: 3354(b) (5))
Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER: The Department currently performs prepayment checking of the following Do Not Pay portal databases: (a) Death Master File (DMF) data from the Social Security Administration and from other sources; and (b) the U.S. General Services Administration's System for Award Management (SAM) Exclusion Records.

The prepayment checking performed by the Department excludes prepayment eligibility reviews of grantees under ASAP, as Treasury performs continuous monitoring of the Do Not Pay portal of ASAP grantees. Bureau payment and acquisition offices, as appropriate, follow up on any vendors initially matched to the Do Not Pay portal databases checked, and perform further research as necessary to follow through and resolve any issues identified by the Do Not Pay portal matches. In most cases, the initial matches are subsequently determined by the Department to be false matches. Other Departmental offices are also consulted as appropriate.

Furthermore, the Department's payment offices receive, from the Do Not Pay portal, monthly reports listing any match results of payments made to the following databases: (a) DMF; and (b) SAM Exclusion Records. Payment offices research and follow up on matches, as appropriate, and submit to the Do Not Pay portal monthly Adjudication Reports summarizing the results of their efforts.

Since the inception of the payment offices' Do Not Pay portal prepayment eligibility reviews and reviews of the Do Not Pay portal post-payment match reports, the Department has not had any significant true matches to DMF and SAM Exclusion Records. While the Department's use of the Do Not Pay portal since inception has not yet identified or led to the prevention of any significant improper payments, the Department supports the use of the Do Not Pay portal as a sound financial management practice to identify and minimize improper payments.