

FY 2020 OMB Supplemental Data Call

DOT

OIG Disaster Relief Appropriations Act

Federal Transit Administration Emergency Relief Program - Disaster Relief Act

Question 9: Internal Controls, Human Capital, Information Systems and other Infrastructure and Program Needs (PIIA Section: 3352(d) (2) (A) through (C)3352(d) (3))

Does the program have the internal controls, human capital, and information systems and other infrastructure it needs to reduce IPs to the levels the agency has targeted? Please indicate additional program needs to reduce IPs to the levels the program has targeted.

| Indicate 'yes' or 'no' | Indicate program needs |
|------------------------|------------------------|
| YES | 1. Internal Controls |
| NO | 2. Human Capital |

Federal Highway Administration Highway Planning and Construction

Question 1: Annual Performance Appraisal Criteria (PIIA Section: 3352(d) (5) (A) and (B))

Please describe the steps the program has taken and plans to take (including timeline) to ensure that agency managers (including the agency head), accountable officers, program official/owner, and States and localities (where appropriate) are held accountable for reducing and recapturing IPs through annual performance appraisal criteria for each of the following:

- Meeting applicable improper payments reduction targets;*
- Preventing improper payments from being made; and*
- Promptly detecting and recovering improper payments that are made.*

| Performance Appraisal Criteria |
|---|
| meeting applicable improper payments reduction targets |
| prevent improper payments from being made |
| promptly detect and recover improper payments that are made |

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.

DOT's Deputy Chief Financial Officer (DCFO) is the senior accountable official responsible for completion of the improper payments-related remediation plans. The DCFO's performance plan contains accountability mechanisms, which include closure of corrective actions associated with improper payment remediation plans. For programs above Payment Integrity Information Act of 2019 (PIIA) statutory thresholds, DOT plans to take the following steps to ensure agency officials are held accountable for reducing and recapturing improper payments:

Federal Highway Administration (FHWA) Highway Planning and Construction. FHWA's Office of the Chief Financial Officer (HCF) administers the implementation of the Administration's PIIA requirements. FHWA develops improper payment reduction targets, implements corrective actions, and coordinates the recapture of improper payments identified during PIIA reviews. In addition to the PIIA-related sampling, FHWA conducts additional transaction testing of States and territories for improper payments under its Financial Integrity Review and Evaluation (FIRE) program. FHWA, through the FIRE program and other risk-based oversight, incorporates additional reviews, including focus areas such as inactive projects, grant administration, and procurement under the administration of State DOTs using Federal funds.

FHWA's HCF monitors FIRE Program findings and recommendations to address identified procedure and internal control weaknesses to ensure they are addressed by its accessible units (AU). The AUs develop responses for procedural and internal control weaknesses based on the various reviews completed for FIRE and other program evaluations. HCF monitors the AUs implementation periodically and assesses the AUs yearly performance documentation. The HCF monitors the AUs progress to ensure timely and effective response actions were completed.

Question 2: Detecting and Recovering Improper Payments (PIIA Section: 3352(e), 3352(e) (1))

Please describe the steps the agency has taken to detect and recover improper payments.

| Indicate root cause | Indicate mitigation strategy/corrective action(s) taken | Provide any additional detail (optional free text) | Select the actual completion date for action(s) taken |
|---|--|---|--|
| 1. Program Design or Structural Issue | 6-Audit (improve IC) | Recovery Audit is a continuous monitoring activity | Other |
| 9. Administrative or Process Errors Made by: Federal Agency | 6-Audit (improve IC) | Recovery Audit is a continuous monitoring activity | Other |
| 10. Administrative or Process Errors Made by: State or Local Agency | 6-Audit (improve IC) | Recovery Audit is a continuous monitoring | Other |

| Indicate root cause | Indicate mitigation strategy/corrective action(s) taken | Provide any additional detail (optional free text) | Select the actual completion date for action(s) taken |
|---------------------|---|--|---|
| | | activity | |

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.

DOT's Payment Integrity Center is responsible for coordinating improper payment reviews, reporting results, and monitoring the progress of corrective actions in accordance with the Payment Integrity Information Act of 2019, Office of Management and Budget (OMB) Circular No. A-123 Appendix C, Requirements for Payment Integrity Improvement, and OMB Circular No. A-136, Financial Reporting Requirements. Federal personnel within DOT's Payment Integrity Center performed the payment recapture audit focusing on DOT payments made between April 2019 through March 2020. During fiscal year 2020, the DOT Payment Integrity Center initiated a review of recoveries derived from legal settlements. The analysis of these recoveries is ongoing and we plan to report findings starting in fiscal year 2021.

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.

DOT considers all overpayments identified through the fiscal year 2020 audit to be recoverable. The Enterprise Service Center (ESC), DOT's service, provider typically recoups overpayments resulting from DOT errors directly from the payee, by offsetting a payee's future payment, or by submitting a debt to the Department of Treasury's Offset Program. In most cases, ESC can recover overpayments directly from the payees. In fiscal year 2020, recaptured overpayments resulting from DOT errors were returned to the program or activity's original purpose.

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.

All DOT programs and activities are included within the scope of the payment recapture audit program.

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.*

| Implementation of OMB Circular A-123 | Implementation of GAO Green Book | Identifying Risk and Vulnerabilities | Establishing Strategies, Procedures and Other steps |
|---|---|---|--|
| 2 – Established | 2 – Established | 2 – Established | 2 – Established |

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.

The Department is committed to preventing and detecting fraud within its programs and is taking steps to implement a fraud risk management program. Our phased approach enables us to utilize a maturity model to build out and adapt the program over time. The three phases of our plan to implement PIIA requirements include: 1) Develop DOT's Fraud Risk Management Implementation Plan; 2) Establish DOT's Fraud Risk Management Program, and 3) Implement DOT's Fraud Risk Management Framework.

During fiscal year 2020, we focused on phase two of our Fraud Risk Management Implementation Plan by incorporating fraud risk as part of the Department's process improper payments risk assessment and business process review frameworks. We also collected and analyzed purchase and travel card data for potential misuse. We are evaluating the results of our assessments and data analytics to enhance DOT strategies and procedures to mitigate the risk of fraud.

Historically, when fraud occurs with departmental funds, it routinely involves grant funds. The primary sources of grant-related fraud confirmed in fiscal year 2020 were in the Disadvantaged Business Enterprise (DBE) program, and false claims made on infrastructure projects administered by grant recipients where Federal funds comprised a portion of the project funding. The Department acknowledges that this is an area with persistent fraud and is working to prevent fraud in the DBE program by providing oversight, guidance, and technical assistance to recipients federal funding. Further, the Department adheres to Federal suspension and debarment regulations to prevent irresponsible parties from receiving federally funded grant awards.

In fiscal year 2020, the Department reported \$5.5 million of confirmed fraud within our programs compared to an enacted budget in excess of \$87 billion. Besides grant-related activity, we did not identify significant amounts of confirmed fraud in fiscal year 2020 related to payroll, beneficiary payments, large contracts, or charge cards. We will continue monitor the financial and administrative controls over these activities as we implement our fraud risk management program.

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

Please indicate the following:

- *Any programs not listed in this collection which were recently assessed to determine susceptibility of improper payments.*
 - *Whether it was likely to be above or below the statutory threshold.*
- *The FY for any programs not listed in this collection which were most recently assessed to determine whether it was likely to be above or below the statutory threshold.*
- *If they had substantial changes to RA methodology.*

| Program not listed | Likely to be above or below statutory threshold? | Assessment Date | Substantial RA methodology changes?? |
|---|---|------------------------|---|
| Federal Aviation Administration Facilities and Equipment | Likely to be Below Statutory Threshold | Other | YES |
| Federal Aviation Administration Franchise Fund | Likely to be Below Statutory Threshold | Other | YES |
| Federal Aviation Administration Operations | Likely to be Below Statutory Threshold | Other | YES |
| Federal Aviation Administration Research, Engineering and Development | Likely to be Below Statutory Threshold | Other | YES |
| Federal Transit Administration Administrative Expenses | Likely to be Below Statutory Threshold | Other | NO |
| Federal Transit Administration Capital Investment Grants | Likely to be Below Statutory Threshold | Other | NO |
| Federal Transit Administration Other Grant Programs | Likely to be Below Statutory Threshold | Other | NO |

| Program not listed | Likely to be above or below statutory threshold? | Assessment Date | Substantial RA methodology changes?? |
|---|---|------------------------|---|
| Maritime Administration Electronic Invoicing System Ship Manager Payments | Likely to be Below Statutory Threshold | Other | YES |
| Maritime Administration Federal Ship Financing Program Contracts | Likely to be Below Statutory Threshold | Other | YES |
| Maritime Administration Maritime Security Program Contracts | Likely to be Below Statutory Threshold | Other | YES |
| Federal Motor Carrier Safety Administration Contract Payments | Likely to be Below Statutory Threshold | Other | YES |
| Federal Motor Carrier Safety Administration Motor Carrier Safety Grants | Likely to be Below Statutory Threshold | Other | YES |
| Federal Motor Carrier Safety Administration Personnel Compensation and Benefits | Likely to be Below Statutory Threshold | Other | YES |
| Maritime Administration Approval Workflow Contract Payments | Likely to be Below Statutory Threshold | Other | YES |
| Federal Railroad Administration High-Speed Intercity Passenger Rail | Likely to be Below Statutory Threshold | Other | YES |
| Federal Railroad Administration Other Grant Programs | Likely to be Below Statutory Threshold | Other | NO |
| Federal Railroad Administration Railroad Research and Development | Likely to be Below Statutory Threshold | Other | NO |
| Federal Railroad Administration Safety and Operations | Likely to be Below Statutory Threshold | Other | YES |
| Maritime Administration Personnel Compensation and Benefits | Likely to be Below Statutory Threshold | Other | YES |

| Program not listed | Likely to be above or below statutory threshold? | Assessment Date | Substantial RA methodology changes?? |
|--|---|------------------------|---|
| Maritime Administration Student Incentive Program | Likely to be Below Statutory Threshold | Other | YES |
| Maritime Administration Travel Payments | Likely to be Below Statutory Threshold | Other | YES |
| National Highway Traffic Safety Administration Highway Traffic Safety Grants | Likely to be Below Statutory Threshold | Other | YES |
| National Highway Traffic Safety Administration Operations and Research | Likely to be Below Statutory Threshold | Other | YES |
| Office of Inspector General Salaries and Expenses | Likely to be Below Statutory Threshold | Other | YES |
| Office of the Secretary Grant Programs | Likely to be Below Statutory Threshold | Other | YES |
| Office of the Secretary Loan Programs | Likely to be Below Statutory Threshold | Other | YES |
| Office of the Secretary National Infrastructure Investments | Likely to be Below Statutory Threshold | Other | YES |
| Office of the Secretary Salaries and Expenses | Likely to be Below Statutory Threshold | Other | YES |
| Pipeline and Hazardous Materials Safety Administration Payments | Likely to be Below Statutory Threshold | Other | YES |
| Federal Highway Administration Other Grant Programs and Cooperative Agreements | Likely to be Below Statutory Threshold | Other | NO |
| Federal Highway Administration Research Programs | Likely to be Below Statutory Threshold | Other | NO |

| Program not listed | Likely to be above or below threshold? | Assessment Date | Substantial RA methodology changes?? |
|--|---|------------------------|---|
| Federal Highway Administration Salaries and Expenses | Likely to be Below Statutory Threshold | Other | NO |
| Federal Transit Administration Other Contracts | Likely to be Below Statutory Threshold | Other | NO |
| Federal Transit Administration Transit Infrastructure Grants | Likely to be Below Statutory Threshold | Other | YES |

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.

A risk assessment, statutory law, OMB, or DOT management may identify a program or activity as susceptible to significant improper payments and require it to report annual estimates. Annually, DOT evaluates prior year outlay activity by Treasury Account Symbol to determine whether a program requires an improper payments risk assessment. Management also considers prior year legislative changes, audit findings, and the timing of the last improper payment risk assessment when determining which programs or activities need to perform an improper payments risk assessment. During fiscal year 2020, the Department conducted 34 improper payment risk assessments and concluded that none of the programs were susceptible to significant improper payments.

DOT significantly updated its qualitative risk assessment methodology, bringing the framework into closer alignment with Payment Integrity Information Act of 2019 requirements. When conducting our assessments, DOT considers the following risk factors: 1) recent major changes in legislation, funding, practices, or procedures; 2) results of OMB Circular A-123 assessments, Inspector General audits/reviews, and other external audits/reviews; 3) results of monitoring activities and recapture audit activities; 4) process complexities; 5) volume and dollar amount of payments; 6) inherent risk; 7) capability of personnel; 8) payments of payment eligibility decisions made by non-DOT entities, and 9) fraud risk.

Programs or activities required to perform risk assessment in fiscal year 2020 were permitted to utilize the former framework. Beginning fiscal year 2021, program or activities which meet the criteria to perform a qualitative risk assessment will follow the updated methodology.

Question 7: Improper Payment Rate Reduction (PIIA Section: 3352(d) (2))

Please indicate whether lowering the improper payment rate beyond the current level would be cost prohibitive because applying additional mitigation strategies or corrective actions for improper payment prevention would cost more to implement than the amount that would be saved.

| Cost Prohibitive (Yes/No) | Indicate Root Cause if known | Indicate which corrective action |
|----------------------------------|---|--|
| NO | 1. Program Design or Structural Issue | 4-Change Process (instructions, checklist, policy) |
| NO | 10. Administrative or Process Errors Made by: State or Local Agency | Other (free text) |

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.

DOT and, more specifically, FHWA have the resources necessary to identify and reduce improper payments to the targeted reduction rates. The annual improper payments review provides for a systematic and verifiable means of testing FHWA payment controls, grantee, and sub-grantee compliance with pertinent laws, regulations, and grant provisions. The results enable FHWA management to continuously promote improvements, pursue worthwhile mitigation strategies, and provide for the effective risk-based management of Federal funds.

Question 8: Tolerable Rate

Do you believe the program has reached a tolerable rate of improper payments?

| |
|---------------------------|
| Indicate Yes or No |
| YES |

Question 8 Free Text: Tolerable Rate

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

FHWA recognizes that it has likely attained a tolerable rate of improper payments considering that rate has been below or near 1% for nine of the past ten years. In addition, the lower bound of confidence intervals for the fiscal years 2019 and 2020 estimates were 0.00% further indicating that the program may have reached a tolerable rate of improper payments.

Question 9: Internal Controls, Human Capital, Information Systems and other Infrastructure and Program Needs (PIIA Section: 3352(d) (2) (A) through (C)3352(d) (3))

Does the program have the internal controls, human capital, and information systems and other infrastructure it needs to reduce IPs to the levels the agency has targeted? Please indicate additional program needs to reduce IPs to the levels the program has targeted.

| Indicate 'yes' or 'no' | Indicate program needs |
|------------------------|------------------------|
| YES | 1. Internal Controls |
| YES | 2. Human Capital |
| YES | 3. Information Systems |
| YES | 4. Resources |

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.

DOT and, more specifically, FHWA have the internal controls, human capital, and information systems necessary to identify and reduce improper payments to the targeted reduction rates.

Question 10: Corrective Actions Taken (PIIA Section: 3352(d) (1))

Please indicate which corrective action(s) the program HAS TAKEN to prevent improper payments.

| Indicate identified root cause | Indicate corrective action(s) taken | Select the actual completion date for action(s) taken | If other completion date, please indicate |
|---|--|---|---|
| 10. Administrative or Process Errors Made by: State or Local Agency | 3-Training (how to complete contracts) | FY2020 Q2 | |
| 10. Administrative or Process Errors Made by: State or Local Agency | 4-Change Process (instructions, checklist, policy) | FY2020 Q2 | |
| 10. Administrative or Process Errors Made by: State or Local Agency | 4-Change Process (instructions, checklist, policy) | FY2020 Q3 | |

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.

FHWA implemented three corrective actions to prevent administrative or process errors made by State agencies. FHWA developed: 1) a catalog of improper payment risk factors and incorporated them into its annual improper payment training to Division Offices; 2) formal

procedures to identify State DOTs with consecutive year of improper payments and communicate findings to Division Offices; and, 3) guidance to Division Office on reducing improper payments with State partners.

Question 11: Corrective Actions to be Taken (PIIA Section: 3352(d) (1))

Please indicate which corrective action(s) the program WILL TAKE to prevent improper payments.

| Indicate identified root cause | Indicate planned corrective action(s) | Select the planned completion date for action(s) program will take | Other planned completion date |
|---|--|--|-------------------------------|
| 1. Program Design or Structural Issue | 4-Change Process (instructions, checklist, policy) | FY2021 | |
| 10. Administrative or Process Errors Made by: State or Local Agency | Other (free text) | FY2021 | |

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.

Program Design or Structural Issue: FHWA established a team to review the relevant Federal-aid Division Office's authorization and obligation process. The team will evaluate a sample of projects that met similar criteria to the project for which the improper payments were discovered and recommend new procedures to address identified weaknesses.

Administrative or Process Errors Made by: State or Local Agency: FHWA will compare fiscal year 2020 identified improper payments with prior year findings and address specific issues with the relevant Federal-aid Division Office and grant recipients. If applicable, FHWA will recover overpayments from the grant recipient.

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.

| Indicate compliant or non-compliant | Compliance criteria |
|-------------------------------------|--------------------------|
| Compliant | 1. Publish an AFR or PAR |

| Indicate compliant or non-compliant | Compliance criteria |
|-------------------------------------|--|
| 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 12 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.

DOT's Inspector General found that DOT complied with the Improper Payments Elimination and Recovery Act of 2010 and included all required reporting elements in its fiscal year 2019 Agency Financial Report.

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.

An important part of the Department's program integrity efforts is integrating Treasury Department's Do Not Pay (DNP) Business Center into our existing processes. DOT utilizes the DNP Business Center to perform online searches, screen payments against the DNP databases, and augment DOT's Payment Integrity Center capabilities. The Department has neither identified a material amount nor realized a reduction of improper payments attributable to the implementing the DNP capabilities. Rather, our DNP implementation has proven that DOT has robust and effective internal controls over ensuring that eligible entities receive Federal funds.

Federal Aviation Administration Airport Improvement Program

Federal Aviation Administration Facilities and Equipment - Disaster Relief Act

Federal Highway Administration General Funded Emergency Relief Program - Disaster Relief Act (Hurricane Sandy related only)

Federal Railroad Administration Grants to National Railroad Passenger Corporation

Federal Railroad Administration Grants to National Railroad Passenger Corporation - Disaster Relief Act

Federal Railroad Administration High-Speed Intercity Passenger Rail

Federal Transit Administration Capital Investment Grants
Federal Transit Administration Formula Grants and Passenger Rail
Investment and Improvement Act Projects for the Washington Metropolitan
Area Transit Administration
Maritime Administration Ready Reserve Force Ship Manager Payments