



# Payment Integrity Information Act of 2019

## A new law to identify and reduce government-wide improper payments

Issue brief | KPMG Government Institute



On March 2, 2020, the president signed the Payment Integrity Information Act of 2019 (Act) into law as Public Law 116-117. The new legislation repeals and replaces the *Improper Payments Information Act of 2002 (IPIA)*, the *Improper Payments Elimination and Recovery Act of 2010 (IPERA)*, the *Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA)*, and the *Fraud Reduction and Data Analytics Act of 2015 (FRDAA)*. The goal of the revised legislation is to encourage collaboration and transparency between the Office of Management and Budget (OMB) and federal agencies to mitigate the risk of improper payments and involve agency leadership to a greater degree in identifying improper payment risk within their own programs. The legislation improves efforts to identify and reduce government-wide improper payments and presents several changes to prior legislation, including the addition of more risk indicators and contributing risk factors, enhanced reporting requirements, and mandatory recovery audits.


Under the 2019 Act, federal agency leaders are required to assess and identify high-risk or otherwise significant programs and activities and share these findings in an annual publication made available to the OMB and Office of Inspector General (OIG) as well as to the general public. Following a risk assessment, OMB will collaborate with federal agencies to develop targets and actions to be taken to reduce improper payments.

The head of each federal agency is responsible for providing a statistically valid estimate of improper payments using a methodology developed and provided by OMB and reporting on actions taken to reduce these improper payments. In turn, OMB is responsible for submitting a report on actions being taken by government agencies to recover improper payments. OMB will also issue guidance to assist federal agencies with recovery actions and strategies for addressing risks and establishing appropriate prepayment and postpayment internal controls.

This KPMG Government Institute issue brief summarizes the key changes enacted by the Payment

Integrity Information Act of 2019 and provides matters for consideration related to these changes.

### Key changes

 Enhance improper payment risk assessments  
This legislation adds **four new risk indicators** that should be evaluated when identifying high-priority programs, such as those in which the highest-rate or highest-dollar value of improper payments exist or those programs that may be a source for improper payments in the future. The four new risk indicators are:

- Whether programs or activities possess similarities between other programs that have reported improper payment estimates or been deemed susceptible to improper payments in the past
- The accuracy and reliability of improper payments estimates previously reported
- Whether the program or activity lacks information or data systems to confirm eligibility
- The risk of fraud.



## Develop reports on improper payments

Under the new improper payment legislation, federal agency heads must **develop an annual report** that includes:

1. Significant programs or activities identified in the risk assessment
2. Actions to reduce improper payments based on the improper payment estimate
3. Actions the agency is taking to recover improper payments.

An annual report is already required under existing accounting and financial reporting requirements. Federal agency heads should ensure it includes the new elements above and as outlined in the revised legislation going forward.

Under the first requirement, agency leadership is required to publish a listing of significant programs or activities and the date each program or activity was most recently assessed. The report should also include a listing of programs or activities for which the agency has made substantial changes to the methodologies of such reviews.

For the second requirement, the head of the agency is responsible for reporting on actions to reduce improper payments based on the improper payment estimate. The report should include:

- Description of the causes of improper payments
- Statement of whether the agency has the necessary resources to mitigate improper payments
- Description of resources requested during budget submission
- Reduction targets approved by OMB
- List of steps taken to meet the established targets.

Lastly, the Act requires the head of the agency to report on all actions the agency is taking to recover improper payments, including:

- Discussion of the methods used
- Amounts recovered, outstanding, and deemed to be uncollectible
- Justification surrounding uncollectible amounts
- Aging schedule of outstanding amounts
- Summary of how recovered amounts were disposed of
- Discussion surrounding the conditions that caused the improper payments and how those conditions are being resolved.

Agency leadership is required to establish roles and responsibilities and develop protocols to produce and distribute the report on an annual basis to ensure it supports the requirements established under the Act. In addition, leadership should develop a timeline for preparing the report to ensure compliance.



## Recovery audits

Additionally, the legislation mandates that federal agencies are **required to design and conduct recovery audits** for programs and activities that expend \$1 million or more annually, if deemed cost effective. Leadership should identify programs and activities that fall into this category and begin evaluating the level of effort necessary to undertake these audits and whether assistance from outside contractors will be required.

Each fiscal year, the inspector general of each executive agency is required to determine whether the agency is in compliance with the legislation and submit a report on their determination. The remediation required increases each year the program or activity is found to be noncompliant as follows:

- **Fiscal year 1 of noncompliance:** The head of the executive agency must submit a remediation plan describing the actions that the agency will take to become compliant including measurable milestones, designating an agency official to be held accountable, and establishing an accountability mechanism.
- **Fiscal year 2 of noncompliance:** The agency is required to introduce additional payment integrity controls to achieve compliance. If OMB determines additional funding would help the agency become compliant, the agency head shall dedicate additional funds towards compliance efforts.
- **Fiscal year 3 of noncompliance:** The agency must submit reauthorization proposals for each affected program or activity and proposed statutory changes to bring about compliance.
- **Fiscal year 4 of noncompliance:** The agency is required to submit a report that includes the activities taken to comply with the requirements, a description of any actions that were successful in reducing the risk and likelihood of improper payments, a description of any new corrective actions, and a timeline for when the program or activity will achieve compliance.

The additional requirements and regulations established under the Act demand greater accountability from the individual federal agencies. The Act encourages agencies to take a proactive approach to prevent improper payments, rather than a reactive one, in eliminating and mitigating the risk of improper payments.

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