U.S. DEPARTMENT OF ENERGY

Office of Inspector General

DOE-OIG-25-20

May 27, 2025

The Department of Energy's Payment Integrity Reporting in the Fiscal Year 2024 Agency Financial Report

AUDIT REPORT

May 27, 2025

MEMORANDUM FOR THE SECRETARY

SUBJECT: Audit Report: *The Department of Energy's Payment Integrity Reporting in the Fiscal Year 2024 Agency Financial Report*

The Payment Integrity Information Act of 2019 (PIIA) was signed into law in March 2020. The PIIA requires agencies to identify and review all programs and activities they administer that may be susceptible to significant improper payments based on guidance provided by the Office of Management and Budget (OMB). The current Administration has also identified payment integrity as a top priority, focusing on reducing improper payments and protecting taxpayer money. The priority includes balancing payment integrity risks and controls to ensure funding is serving its intended purpose. In accordance with PIIA and OMB requirements, we reviewed the improper payments identified in the Department of Energy's fiscal year 2024 *Agency Financial Report* (DOE/CF-0211, December 2024). We conducted this audit to determine whether the Department met OMB criteria for compliance with the PIIA. Although we determined that the Department's payment integrity reporting process was in accordance with OMB criteria, this report contains three suggestions that could assist in more efficient and accurate identification of improper payments. Management concurred with our suggestions.

We conducted this audit from November 2024 through May 2025 in accordance with generally accepted government auditing standards. We appreciated the cooperation and assistance received during this audit.

Sarah Nelson
Assistant Inspector General
for Management
Performing the Duties of the Inspector General
Office of Inspector General

cc: Chief of Staff

DOE OIG HIGHLIGHTS

The Department of Energy's Payment Integrity Reporting in the Fiscal Year 2024 Agency Financial Report

May 27, 2025

Why We Performed This Audit

The Payment Integrity Information Act of 2019 (PIIA) was signed into law in March 2020 and requires agencies to identify and review all programs and activities they administer that may be susceptible to significant improper payments based on guidance provided by the Office of Management and Budget (OMB). The PIIA and the OMB also require the Office of Inspector General to conduct an annual review of improper payments identified in the Department of Energy's *Agency Financial Report*.

We conducted this audit to determine whether the Department met OMB criteria for compliance with the PIIA.

What We Found

The Department's fiscal year (FY) 2024 improper payment reporting was aligned with OMB criteria. The Department published its FY 2024 *Agency Financial Report* and posted that report and the accompanying materials on its website. In addition, the Department performed risk assessments across all reporting sites for FY 2024. Based on the site risk assessments performed in FY 2024 and consolidated at the Departmental level, the Department determined that it was not susceptible to making significant improper payments.

Although we determined that the Department met the OMB's compliance criteria, we identified areas where continuous improvements to the underlying root cause process could result in more efficient and accurate identification of improper payments. Without properly identifying underlying root causes, the Department is unable to adequately identify trends related to improper payments and take appropriate corrective actions to mitigate recurrences.

What We Suggest

We suggest that the Department continue to make improvements to the payment integrity process to include: (1) further development of the Root Cause Dashboard, (2) consideration to track adjustments to previously reported improper payments in the *Agency Financial Report* to provide greater payment integrity reporting transparency, and (3) development of enhanced guidance and training to ensure the sites identify root causes in detail for every transaction.

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Background and Objective

The Payment Integrity Information Act of 2019 (PIIA) was signed into law in March 2020. The PIIA requires agencies to identify and review all programs and activities they administer that may be susceptible to significant improper payments based on guidance provided by the Office of Management and Budget (OMB). OMB Memorandum M-21-19, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, requires agencies to report technically improper payments, which are defined as a payment to the right recipient for the right amount where the payment process failed to follow all applicable statutes and regulations.

In July 2024, the Department of Energy's Office of Finance and Accounting, a component of the Office of the Chief Financial Officer (OCFO), communicated instructions to its 47 payment reporting sites for meeting improper payment and payment recapture audit requirements prescribed by the OMB. In accordance with the OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement*, the Department implemented a 3-year risk assessment review cycle. Fiscal Year (FY) 2024 is an on-cycle year for risk assessments; therefore, risk assessments were required for all payment reporting sites in every reported payment category. Based on the performance and consolidation of payment reporting site risk assessments at the Department level, the OCFO determined that the Department was not susceptible to significant improper payments.

We conducted this audit to determine whether the Department met OMB criteria for compliance with the PIIA.

Results of Review

The Department's FY 2024 improper payment reporting was aligned with OMB criteria. Specifically, the Department published its FY 2024 *Agency Financial Report* and posted that report, and the accompanying materials, on its website. The Department also conducted improper payment risk assessments for all reporting sites, as required. To its credit, we also noted that the Department made progress towards addressing suggestions and open recommendations made in our prior report, *The Department of Energy's Payment Integrity Reporting in the Fiscal Year 2023 Agency Financial Report* (DOE-OIG-24-19, May 2024). For example, the OCFO implemented its new Financial Reporting Auxiliary System in July 2024, which now allows reporting sites to import their reporting templates, certifications, risk assessments and justifications in real time. The OCFO also held webinars and individual sessions to assist reporting sites with the transition. Additionally, the Department revised the reporting template to add a freeform "Expanded Root Cause" column which allows for the inclusion of more detailed root cause information. Further, in support of data analytic advancements, the OCFO developed a Root Cause Dashboard that uses information from the Financial Reporting Auxiliary System to display and filter data at the site level to identify possible trends.

Reported Improper Payments

With OMB approval,[1] the Department has historically elected to report actual improper payments from the prior FY in the current year Agency Financial Report. In the FY 2024 *Agency Financial Report*, the Department reported that FY 2023 improper payments plus unknown payments[2] were $40.3 million out of $62.2 billion in total payment outlays, resulting in an improper payment rate of 0.06 percent. This amount was below the OMB's $100 million threshold for reporting on all aspects of improper payments. The Department also indicated that its improper payment rate has remained below 1 percent since its program began in FY 2002. For FY 2024, the Department reported that its improper payment amounts included underpayments of $1.8 million; lost discounts of $275,000; technically improper payments[3] of$5.2 million (none of which can be recaptured); unknown payments of $622,000; and overpayments identified for recapture of $32.3 million.

Compliance With Office of Management and Budget Criteria

The Department's Office of Finance and Accounting issued guidance in July 2024 that required all payment reporting sites to complete risk assessments in every reported payment category. Of the risk ratings at 47 reporting sites, 46 were assessed as low risk, with 1 assessed as an

[1] The OMB approved of the Department's reporting prior year payment activity in current year *Agency Financial Reports* (May 25, 2011).
[2] Per OMB Circular A-123, Appendix C, an unknown payment is a payment that could be either proper or improper, but the agency is unable to discern whether the payment was proper or improper at the time of reporting.
[3] Per OMB Circular A-123, Appendix C, a technically improper payment is a payment made to an otherwise qualified recipient for the right amount, but the payment failed to meet all regulatory and/or statutory requirements. A technically improper payment is a non-monetary loss type of improper payment.

overall moderate risk after the site's questionnaire responses calculated as moderate in more than 1 cost category. All sites were also required to submit actual improper payment and payment recapture information.

The Designated Financial Officer, or Contractor Chief Financial Officer, at payment reporting sites was also required to certify the accuracy of improper payments and risk ratings. In the payment reporting sites' FY 2024 risk assessments, site officials certified that the risk assessments included consideration of OMB and Department-required risk factors as they related to payment activities; accurately reflected self-assessment of susceptibility to significant improper payments; and were supported by documentation used to make the determination. In addition, payment reporting site officials were required to acknowledge:

- Responsibility for the identification of and compliance with all aspects of laws, regulations, contracts, or grant agreements that could have a significant effect on the achievement of the objectives of FY 2024 payment integrity reporting, and the disclosure of information related to any noncompliance;

- Documented procedures in place to implement requirements of the Payment Integrity Program;

- Compliance, in all material respects, with applicable laws and regulations that could have a significant effect on the achievement of the objectives of FY 2024 Payment Integrity Reporting in the event of noncompliance;

- Responsibility for the design and implementation of programs and controls to prevent, deter, and detect fraud while understanding that misrepresentations arising from fraudulent improper payment reporting activity are intentional misstatements or omissions of information to obtain something of value;

- No knowledge of any fraud or suspected fraud affecting FY 2024 payment integrity reporting involving management, employees who have significant roles in internal control over FY 2024 improper payment reporting, or others when the fraud could have a significant effect on FY 2024 improper payment reporting;

- No knowledge of any allegations of fraud or suspected fraud affecting FY 2024 payment integrity reporting received in communications from employees, former employees, regulators, or others;[4] and

- No deficiencies in internal controls that could have a significant effect on FY 2024 payment integrity reporting, or the occurrence of significant transactions or events that

[4] One reporting site could not confirm that it had no knowledge of any allegations of fraud or suspected fraud affecting FY 2024 payment integrity reporting received in communications from employees, former employees, regulators, or others. The one reporting site explained that it has knowledge of a fraud affecting its FY 2024 Improper Payment Reporting associated with FY 2018 and prior payment outlays. This was identified by an audit conducted by its Office of Internal Audit and Compliance in collaboration with the Office of Inspector General during FY 2018.

have not been properly recorded in records underlying the measurement of FY 2024 payment integrity reporting.

The OCFO collected and reviewed site-level risk assessments, improper payment results, and certifications from the payment reporting sites. This information was summarized and reported by the Department in the Other Information section of its FY 2024 *Agency Financial Report*. Based on the results and the Department's historically low improper payment totals, the Department concluded that its programs were not susceptible to significant improper payment risk and, as a result, not subject to additional reporting requirements such as corrective action plans and annual improper payment reduction targets.

According to the OMB, an agency is required to meet 10 specific requirements to comply with the PIIA. Based on our review of the FY 2024 *Agency Financial Report*, we found that the Department complied with applicable PIIA reporting requirements for improper payments and annual unknown payments, as indicated in Table 1. Compliance under the PIIA means that the agency has done the following:

Table 1

OMB Criteria for Compliance	Was Criteria Met?
1) Published payment integrity information with the annual financial statement.	Yes
2) Posted the annual financial statement and the accompanying materials on the agency website.	Yes
3) Conducted improper payment risk assessments for each program with annual outlays greater than $10 million at least once in the last 3 years.	Yes
4) Adequately concluded whether the program is likely to make improper payments and unknown payments above or below the statutory threshold.	Yes
5) Published improper payment and unknown payment estimates for programs susceptible to significant improper payments and unknown payments in the accompanying materials to the annual financial statement.	Not Applicable[5]
6) Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.	Not Applicable[5]
7) Published an improper payment and unknown payment reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.	Not Applicable[5]

[5] The Department concluded its programs were not susceptible to significant improper payments as defined by OMB guidance. Therefore, the reporting of statistical estimates of improper payments, corrective actions, and reduction targets in the FY 2024 *Agency Financial Report* was not applicable.

8) Demonstrated improvements to payment integrity or reached a tolerable improper payment and unknown payment rate.	Not Applicable[5]
9) Developed a plan to meet the improper payment and unknown payment reduction target.	Not Applicable[5]
10) Reported an improper payment and unknown payment estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual financial statement.	Not Applicable[5]

Payment Integrity Reporting Process Observations

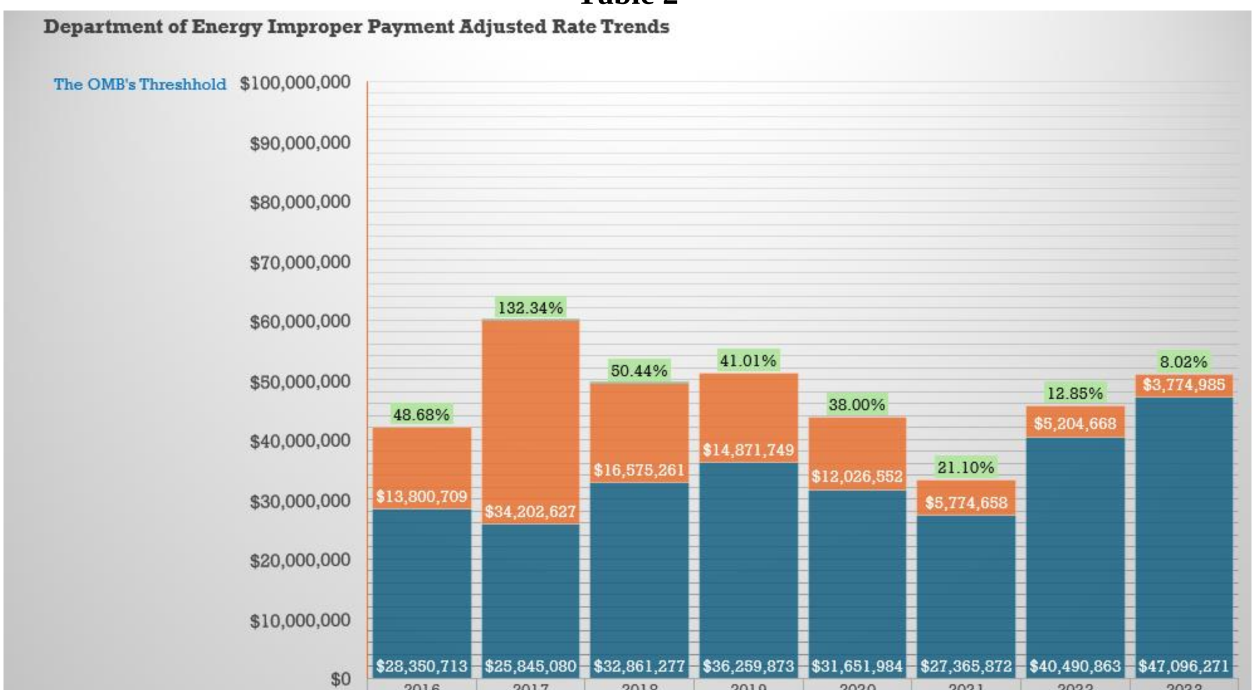
While the Department was compliant with OMB guidance for programs that were not deemed susceptible to improper payments, we determined that the recent expansion of Department programs introduced an increased risk that the Department may exceed the OMB's $100 million annual threshold for being susceptible to improper payments. If the Department exceeds that threshold, it would then be mandated to implement additional requirements. For example, the Department may no longer be able to report improper payment data a year in arrears. Instead, estimates based on current-year data may need to be published in addition to establishing payment reduction targets and corrective action plans.

In our Special Report, *Management Challenges at the Department of Energy — Fiscal Year 2025* (DOE-OIG-25-05, November 2024), we noted that the use of data analytics allows an organization to evaluate transactional data in support of decision making regarding policy, program operations, resource allocations, risk management, and mission outcomes. Most importantly for the Department, data analytics is fast becoming the cornerstone of fraud detection, waste detection, and payment integrity. Further, in another Special Report, *The Department of Energy's Considerations and Use of Data Analytics* (DOE-OIG-24-14, March 2024), we identified that the Department often lacks the necessary data to make critical decisions, evaluate and effectively manage risks, or gain visibility into program results. Data access, management, and analytics challenges hinder the Department's ability to enhance data-driven decision making, detect fraud, and ensure appropriate stewardship of Federal resources. In accordance with the PIIA, the Department should be collecting and analyzing data from reporting mechanisms and using that data and information to continuously improve fraud prevention controls. The Department's ability to perform comprehensive and timely analytics is still maturing, and delayed implementation could result in unidentified fraud, waste, and abuse of the Department's resources and cost the taxpayers a substantial amount of money in the long term.

As noted in our prior report, *The Department of Energy's Payment Integrity Reporting in the Fiscal Year 2023 Agency Financial Report* (DOE-OIG-24-19, May 2024), the Department tracks any known adjustments made to previously reported improper payment totals. At that time, we determined that the Department had adjusted previously reported improper payments from FY 2016 through FY 2022 by about $83.7 million. This year, the Department reported an additional $18.7 million in adjustments for the same period. For FY 2023, the Department reported improper payment adjustments of $3.8 million. Total adjustments from FY 2016 through FY 2023 were more than $106.2 million (Table 2), an increase of about 39 percent over originally reported improper payments. Because the Department reports its actual improper payments a year in arrears, adjustments to FY 2024 will not be available until next year.

This data could have been used to forecast and possibly prevent recurrences of high adjustment rates. While the adjustment amount was available internally, it was not easily identifiable in documents accessible by the public. As noted in Table 2, these adjustments have not yet caused the Department to exceed the $100 million threshold. The Government Accountability Office's report, *IMPROPER PAYMENTS: Improvements Needed to Ensure Reliability and Accuracy in DOE's Risk Assessments and Reporting* (GAO-20-442, June 2020), recommends that the Department track and disclose information on improper payments identified later to better inform Congress, the public, and others.

Table 2



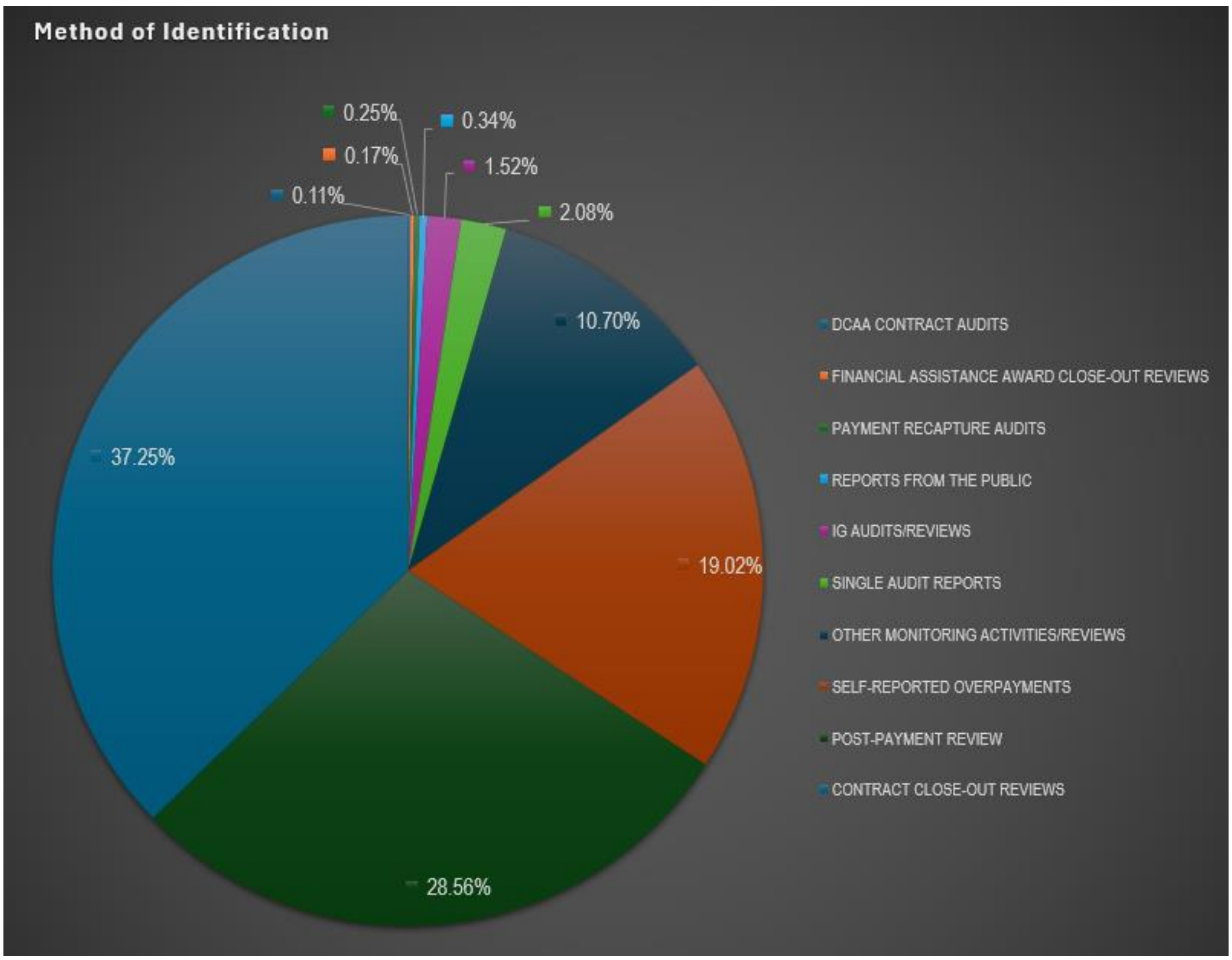
	2016	2017	2018	2019	2020	2021	2022	2023
Difference Between Reported and Adjusted	48.68%	132.34%	50.44%	41.01%	38.00%	21.10%	12.85%	8.02%
Current Total Adjustments	$13,800,709	$34,202,627	$16,575,261	$14,871,749	$12,026,552	$5,774,658	$5,204,668	$3,774,985
Improper Payment Amount Reported	$28,350,713	$25,845,080	$32,861,277	$36,259,873	$31,651,984	$27,365,872	$40,490,863	$47,096,271

Additionally, we noted over $57 million in unresolved questioned costs from four previous Office of Inspector General audit reports that remained open, including one report dating back as far as 2013. The report with the largest amount of unresolved questioned costs, *UT-Battelle LLC Costs Claimed under Department of Energy Contract No. DE-AC05-00OR22725 for Fiscal Year 2017* (DOE-OIG-23-37, September 29, 2023) totals over $37.5 million and had been open for 367 days (as of September 30, 2024). While the Department was not required to disclose unresolved questioned costs in the *Agency Financial Report*, doing so would provide greater payment integrity reporting transparency. After the allowability of these costs are determined, there may be further adjustments to prior year improper payment totals.

Upon reviewing the identification methods for improper payments, we noted that the vast majority of improper payments were reported as a result of an audit or review (Table 3). This is how the reporting sites determine the actual improper payments that are reported each year. However, audits can occur years after the payments were made and the improper payment associated with any questioned costs may be harder to recover. The following text is taken from the Government Accountability Office Testimony, *PROGRAM INTEGRITY: Agencies and Congress Can take Actions to Better Manage Improper Payments and Fraud Risks* (GAO-25-108172, March 2025):

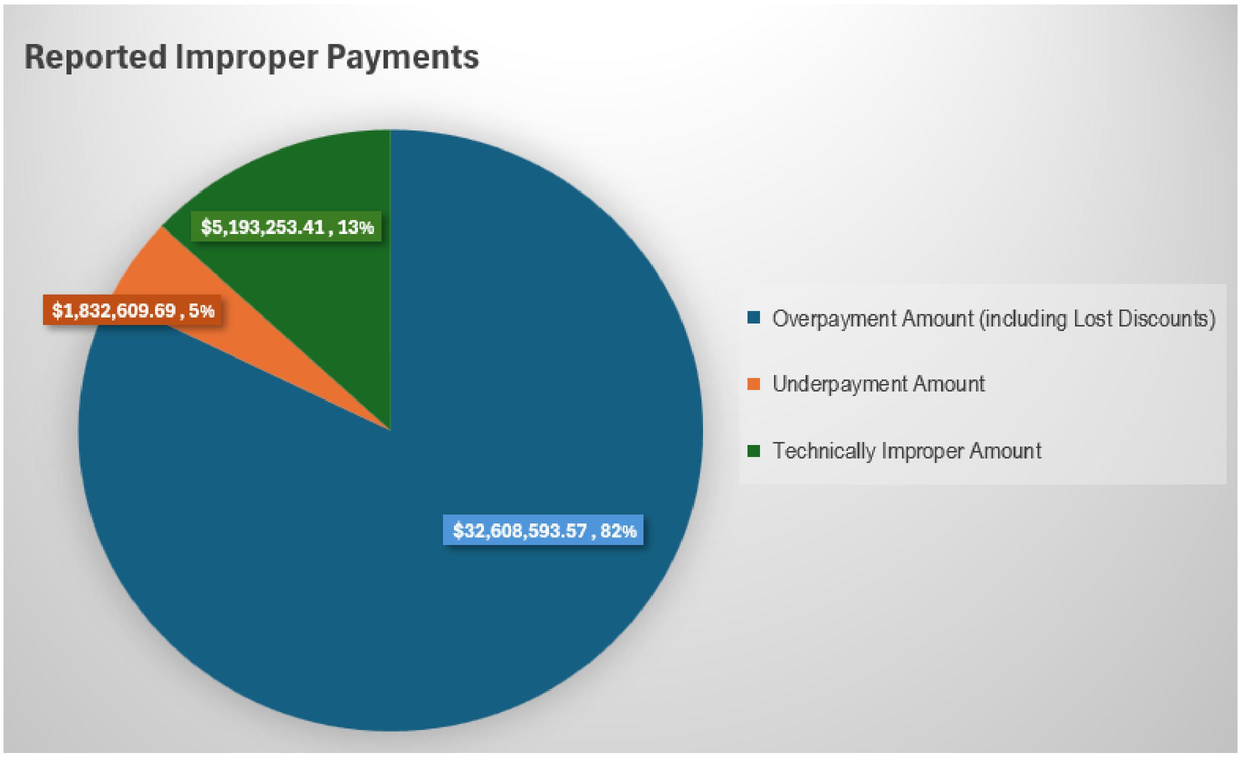
> Preventive controls offer the most cost-efficient use of resources and are generally effective at mitigating improper payment and fraud risks. The best way to reduce improper payments is to not make them. As their name implies, preventive controls are designed to stop payment errors and fraud before they occur. Preventive controls can also help agencies avoid reliance on the difficult and expensive "pay and chase" model, where efforts are made to identify and recover improper payments, including fraudulent payments, after they are made.

Table 3



Further, when attempting to ascertain contributing root causes, we looked at the percentage breakdown of the types of improper payments as reported in FY 2024. We continue to see that the majority of improper payments, 82 percent, were attributed to overpayments (Table 4). The Department identified for recapture $32.3 million of the $32.6 million in overpayments reported. In FY 2023, a total of more than $42.8 million was recaptured, including $29.88 million associated with FY 2023 payments, and $12.95 million associated with payments made in FY 2022 and prior.

Table 4



Note: The graphic represents the FY 2024 *Agency Financial Report* where the Department reported FY 2023 actual improper payments.

According to information collected by the OCFO from the Department's payment reporting sites, the large share of root causes attributing to the overpayment amount (in combination with lost discounts) includes incorrect payments of $9.9 million, other of $7.7 million, duplicate payments of $6.1 million, and unallowable cost of $3.5 million. While the Department attributed the overpayments to these areas, it had not identified the true underlying root causes for why the overpayments occurred and, therefore, cannot formulate effective corrective actions to mitigate recurrences. According to OMB Circular A-123, Appendix C, a root cause is something that would directly lead to an improper payment, and if corrected, would prevent the improper payment. It also noted that identifying the root cause requires the program to continue asking, "Why did this occur?"—until the root cause is identified. Additionally, 5 of the 47 reporting sites had yet to report root causes for some of their reported unknown payment transactions. As previously noted, an unknown payment is a payment that could be either proper or improper, but the agency is unable to discern whether the payment was proper or improper at the time of reporting. Once an unknown cost is determined to be improper, a root cause will be assigned.

We noted that there were a few reporting sites that identified expanded root causes for why their overpayment occurred. However, for most sites, there was not enough detail to determine the actual reasons the improper payments happened without tracing each individual transaction to the site or contractor where the improper payment occurred. In one case, after requesting supporting information for transactions associated with one reporting site's improper payments, the site informed us that some of the root causes identified in the samples were not the most appropriate for the improper payment transactions. As a result, it is planning to update its accounts payable reporting procedures.

CONCLUSION

The Department's FY 2024 improper payment reporting was aligned with OMB criteria. In addition, the OCFO developed a Root Cause Dashboard that uses information from the reporting sites to display and filter data at the site level to see possible trends. The ability to disseminate the Root Cause Dashboard to the reporting sites could aid the sites in the identification of trends that increase fraudulent activities such as ineligible recipients and duplicative payments if the true root cause has been properly identified. However, this Dashboard is not currently being shared with all sites, and although not required, not all sites are providing enough additional detail to determine the actual root causes for their improper payments.

Without improvements to its payment integrity program to include further identification of root causes and related corrective actions, the Department will not be able to adequately prevent improper payments before they occur.

Suggested Actions

While our current review determined that the Department’s payment integrity reporting process was in accordance with OMB criteria, we identified areas of improvement that could help improve the Department’s improper payment reporting process. We suggest that the OCFO:

1. Consider tracking adjustments to previously reported improper payments and disclose this information in the *Agency Financial Report* to better inform Congress, the public, and others;

2. Develop enhanced guidance to ensure detailed root causes are identified by the sites for every transaction, as required by the OMB, and train the personnel reporting improper payments on providing accurate root causes; and

3. Further develop the Root Cause Dashboard and make it available to all reporting sites to assist with trending of root causes in a timely manner.

Objective, Scope, and Methodology

Objective

We conducted this audit to determine whether the Department of Energy met the Office of Management and Budget (OMB) criteria for compliance with the Payment Integrity Information Act of 2019 (PIIA).

Scope

The audit was conducted remotely from November 2024 through May 2025 at Department Headquarters in Germantown, Maryland; and Washington, DC. Consistent with guidance established in the OMB Memorandum M-21-19, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, the scope of the audit was the Payment Integrity Reporting section of the Department's fiscal year (FY) 2024 *Agency Financial Report*. This audit was conducted under Office of Inspector General project number A25FN001.

We obtained the risk assessments and improper payment submittals for the 47 payment reporting sites that were consolidated by the Office of the Chief Financial Officer to report PIIA results. The improper payment submittals included the site-level Chief Financial Officer and Designated Financial Officer certifications, risk assessments, and payment results. To gain an understanding of the reporting methodologies, we judgmentally selected four payment reporting sites for further review: Lawrence Berkeley National Laboratory in Berkeley, California; Hanford Site-TF in Richland, Washington; Science Consolidated Service Center in Oak Ridge, Tennessee; and Pacific Northwest National Laboratory in Richland, Washington.

Methodology

To accomplish our audit objective, we analyzed the Payment Integrity Reporting section in the Other Information section of the Department's FY 2024 *Agency Financial Report*. We completed the following procedures to assess compliance with OMB requirements:

- Gained an understanding of the Department's PIIA reporting process and controls;
- Confirmed whether the Department's policies and procedures were in accordance with the PIIA;
- Determined whether the Department published an *Agency Financial Report* for the most recent FY and posted the report, and accompanying materials, on its website;
- Assessed whether the Department published improper payment estimates for all programs and activities identified as susceptible to significant improper payments;
- Verified whether the Department reported a gross improper payment rate of less than 10 percent;

- Determined whether the Department published corrective action plans in the FY 2023 *Agency Financial Report* for those programs with significant improper payments;

- Evaluated whether the Department published and met annual reduction targets for each program assessed to be at risk for, and identified to have, significant improper payments;

- Confirmed if management considered all agency disbursements and programs in its agency-wide risk assessment;

- Assessed whether the Department verified that there were no significant changes in legislation, increases in its funding level, or changes to the sites' payment process;

- Evaluated whether the Department verified that the applicable payment reporting sites conducted a risk assessment;

- Verified whether the Department reported a statistically valid estimate of the improper payments for each program deemed susceptible to improper payments;

- Determined if management executed the assessment methodology designed for each program deemed susceptible to improper payments; and

- Assessed whether the Department met OMB monitoring and tracking requirements, if applicable.

We conducted this performance audit in accordance with 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We assessed internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. We assessed the following internal control components and underlying principles significant to the audit objective: control environment and the related principles to exercise oversight responsibility and enforce accountability; control activities and the related principle to design control activities but also design activities for information systems; and risk assessment and the related principle to identify, analyze, and respond to risk. However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit. We did not rely on computer-processed data to satisfy our audit objective.

Management officials waived an exit conference on May 22, 2025.

Related Reports

Office of Inspector General

- Special Project Report: *The Department of Energy Should Invest in and Implement Enterprise-Wide Data Analytics to Identify and Mitigate Risk* (DOE-OIG-25-06, December 2024). The Office of Inspector General (OIG) issued this report to encourage the Department of Energy to invest in and use enterprise-wide data analytics to better identify and manage risks. The report highlights that private sector organizations and other public sector peers are modernizing their risk management with technology and data analytics. The Department needs to act now to modernize its operations and improve its risk management practices. Currently, the Department considers risks in a fragmented way, leading to gaps in information. This element-based approach reflects a decentralized management style and results in blind spots that could be addressed through comprehensive data-informed models. Addressing these gaps is crucial, as enterprise-wide risks are increasingly significant due to external threats, complex stakeholder interactions, national security needs, and new energy transformation missions.

- Special Report: *Management Challenges at the Department of Energy — Fiscal Year 2025* (DOE-OIG-25-05, November 2024). There is significant risk to taxpayers due to the recent large expansions of Department programs. The Infrastructure Investment and Jobs Act (IIJA) in November 2021, along with the CHIPS and Science Act and Inflation Reduction Act (IRA) in August 2022, and the Puerto Rico Energy Resilience Fund in December 2022, provided the Department with about $99 billion in new appropriations, $30.5 billion in new authorizations, and enhanced loan authority over $400 billion. The OIG is particularly worried about the rapid growth of the Loan Programs Office (LPO). Since the IIJA was signed, the LPO's lending authority has increased by at least $385 billion, bringing the total to at least $402.2 billion. This amount surpasses the LPO's portfolio balance from November 2021 by more than 23 times. The Department has launched 72 new programs and greatly expanded others, such as the Weatherization Assistance Program. They must avoid waste and theft of these funds by ensuring strong oversight rather than allowing money to go out with few controls. The OIG's work shows ongoing concerns about the Department's ability to manage awards and transactions safely. Former Inspector General Donaldson highlighted issues with internal controls and project dependencies on foreign adversaries. The use of data analytics to combat fraud and waste is essential, and the Department's slow adoption of a data-driven approach could lead to significant taxpayer losses.

- Audit Report: *The Department of Energy's Payment Integrity Reporting in the Fiscal Year 2023 Agency Financial Report* (DOE-OIG-24-19, May 2024). The report found that the Department's fiscal year (FY) 2023 improper payment reporting was aligned with Office of Management and Budget (OMB) criteria. However, we identified areas where improvements to the payment integrity process could result in more efficient and accurate identification of improper payments. The Department has not identified underlying root causes for reported improper payments. The Department is also at risk of exceeding the

OMB's threshold for improper payments as a result of new spending appropriations. However, staffing shortages and lack of data analytics advancement put the Department at risk for inadequate oversight of improper payments.

- Special Report: *The Department of Energy's Considerations and Use of Data Analytics* (DOE-OIG-24-14, March 2024). The OIG found that while Federal efforts to promote information as a valuable national resource and strategic asset have increased, the Department often lacks the data necessary to make critical decisions, evaluate and effectively manage risks, or gain visibility into program results. The Department relies on contractors to execute much of its diverse mission, creating a decentralized environment in which authoritative source data may be uncollected or is collected and stored in various systems and databases throughout the complex. This presents data access, management, and analytics challenges that hinder the Department's ability to enhance data-driven decision making, detect fraud, and ensure appropriate stewardship of Federal resources. This report introduces the legal framework and leading practices supporting the use of data access, management, and analytics while highlighting past data management and analytics shortcomings within the Department.

- Audit Report: *The Department of Energy's Payment Integrity Reporting in Fiscal Year 2022 Agency Financial Report* (DOE-OIG-23-22, May 2023). The OIG found that the Department's FY 2022 improper payment reporting was aligned with OMB criteria. Specifically, the Department published its FY 2022 *Agency Financial Report* and posted that report, and the accompanying materials, on its website. However, we identified areas where improvements to the payment integrity process are warranted. Specifically, the Department informed us that it underreported its improper payments in the FY 2022 *Agency Financial Report* by approximately $867,000 because of a data entry error created by a third-party contractor. Additionally, new spending and loan programs introduce an increased risk that the Department may exceed the OMB's $100 million threshold for being susceptible to improper payments. Because of this influx of funds, we determined that enhancements to the payment integrity process are necessary.

Government Accountability Office

- *PROGRAM INTEGRITY: Agencies and Congress Can take Actions to Better Manage Improper Payments and Fraud Risks* (GAO-25-108172, March 2025). The Government Accountability Office (GAO) noted in its testimony that reducing improper payments and fraud is critical to safeguarding Federal funds, with estimated total direct annual financial losses to the Government from fraud of between $233 billion and $521 billion, based on FY 2018 through FY 2022 data. Preventive controls offer the most cost-efficient use of resources and are generally effective at mitigating improper payment and fraud risks. Conducting regular risk assessments, establishing a designated responsible officer, sharing data, using technology, and preparing for emergencies are also important steps in addressing improper payments and fraud risks.

- *Improper Payments: Agency Reporting of Payment Integrity Information* (GAO-25-107552, January 2025). The GAO reported that improper payments were a long-standing and significant problem in the Federal Government. Since FY 2003, executive branch agencies have reported cumulative improper payment estimates of about $2.8 trillion, including $161.5 billion for FY 2024. Agencies' understanding of the requirements and related key concepts of and proper oversight of compliance with the Payment Integrity Information Act of 2019 criteria is important to more effective detection and prevention of improper payments. To provide relevant information on improper payments to Congress and the public, agencies' reported payment integrity information must be timely, complete, accurate, and accessible.

- *Improper Payments: Information on Agencies' Fiscal Year 2023 Estimates* (GAO-24-106927, March 2024). This GAO report to the Subcommittee on Legislative Branch, Committee on Appropriations, House of Representatives, reported that improper payments have consistently been a Government-wide issue. Since FY 2003, cumulative improper payment estimates by executive branch agencies have totaled about $2.7 trillion. The GAO found that these payments represent a material deficiency or weakness in internal controls. Specifically, the GAO noted that the Federal Government is unable to determine the full extent of its improper payments or to reasonably assure that appropriate actions are taken to reduce them.

- *Improper Payments: Opportunities for Interagency Collaboration and Improvements* (GAO-23-106761, September 2023). According to the GAO's survey of Chief Financial Officers (CFO) from the 24 agencies covered by the Chief Financial Officers Act of 1990 (CFO Act), CFOs play a role, to different extents, in managing their agencies' efforts to reduce improper payments and overseeing compliance with the Payment Integrity Information Act of 2019 reporting requirements. The CFO Act provided certain agency CFOs with leadership responsibilities for overseeing all financial management activities within their respective agencies. The GAO made prior recommendations to agencies to help detect and prevent improper payments and recommended that Congress consider clarifying certain CFO responsibilities. As of August 2023, of the 18 agencies that reported improper payment estimates in FY 2022, 8 had open (unaddressed) GAO priority recommendations related to improper payments. In addition, 42 of their 59 priority recommendations related to improper payments remained open. Also, there were 21 open GAO matters for Congressional consideration to improve Federal financial management.

- *OVERSIGHT OF AGENCY SPENDING: Implementing GAO Recommendations Could Help Address Previously Identified Challenges at Commerce, DOE, and EPA* (GAO-23-106726, March 2023). The GAO's testimony noted funding was provided to three agencies, including the Department that was provided with IRA and IIJA funding. For example, the Department was provided with over $60 billion for clean energy and other investments under the IIJA, and hundreds of billions in loan authority under the IRA and the IIJA. Challenges were noted with the Department's management of its carbon capture and storage, nuclear energy demonstrations projects, and the Department's loan programs. The testimony noted that recommendations address concerns about the Department making loans and disbursing funds without having sufficient engineering expertise; sufficient and quantifiable performance measures to assess program progress; or a fully developed loan monitoring function. As the LPO starts up new programs and expands existing ones with funds from the IIJA and the IRA, ongoing oversight may be needed to ensure that proper policies and procedures are in place, as well as sufficient expertise and staffing levels.

- *IMPROPER PAYMENTS: Improvements Needed to Ensure Reliability and Accuracy in DOE's Risk Assessments and Reporting* (GAO-20-442, June 2020). The GAO reviewed the Department's improper payment reporting for FY 2015 through FY 2019 and its FY 2018 risk assessment, and reviewed documents and interviewed officials from 10 of 48 reporting sites selected to provide a range of sites and about half of FY 2018 reported improper payments. The GAO found that the improper payments amounts that the Department reported in its annual *Agency Financial Report* for FY 2015 through FY 2019 may not be accurate or complete. Agencies with programs that are susceptible to significant improper payments (those with more than $100 million of improper payments annually) are required to report statistically valid estimates of their improper payments. The Department determined that these requirements did not apply but optionally reported information on actual improper payments it made and identified in the prior year. The Department did not disclose that these amounts do not include improper payments identified through reviews, audits, and investigations completed several years after it issues its *Agency Financial Report*. For example, as of September 2019, the Department had not audited $23.8 billion of its $38.5 billion in FY 2018 outlays. Such audits may increase the improper payments in a year by millions of dollars. The Department does not always track information on the year improper payments were made that would allow it to determine whether improper payments identified later would increase the total to more than $100 million. By tracking and disclosing such information, the Department could better inform Congress, the public, and others about whether it exceeded the $100 million threshold and should be subject to additional reporting requirements.

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