U.S. DEPARTMENT OF ENERGY

Office of Inspector General

DOE-OIG-26-44

August 5, 2026

The Department of Energy's Payment Integrity Reporting in the Fiscal Year 2025 Agency Financial Report

AUDIT REPORT

Department of Energy
Washington, DC 20585

August 5, 2026

MEMORANDUM FOR THE SECRETARY

SUBJECT: Audit Report: *The Department of Energy's Payment Integrity Reporting in the Fiscal Year 2025 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. The PIIA also establishes a requirement for cognizant Offices of Inspectors General to issue an annual report on the agency's compliance with applicable PIIA criteria.

In accordance with PIIA and OMB requirements, we conducted this audit to determine whether the Department of Energy met OMB criteria for compliance with the PIIA and reviewed the improper payments identified in the Department's fiscal year 2025 *Agency Financial Report* (DOE/CF-0221, December 2025). Although we determined that the Department's fiscal year 2025 improper payment reporting met OMB criteria for compliance with the PIIA, we found other internal control deficiencies with its payment integrity reporting process. As such, this report contains four recommendations to improve the Department's controls over its payment integrity reporting process. Management concurred with three of our four recommendations.

We conducted this audit from January 2026 through June 2026 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: Deputy Secretary
Chief of Staff

DOE-OIG-26-44

DOE OIG HIGHLIGHTS

The Department of Energy's Payment Integrity Reporting in the Fiscal Year 2025 Agency Financial Report

Why We Performed This Audit

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

The 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 OMB. The PIIA and OMB also require the Office of Inspector General to conduct an annual review of improper payments identified in the Department's *Agency Financial Report*.

In fiscal year 2025, the Department identified $53.6 million of improper payments and unknown payments, which resulted in an improper payment rate of 0.08 percent.

What We Found

The Department's fiscal year 2025 improper payment reporting met OMB criteria for compliance with the PIIA. Specifically, the Department published its fiscal year 2025 *Agency Financial Report* and posted that report, and the accompanying materials, on its website. The Department also conducted improper payment risk assessments for all applicable payment reporting sites, as required.

However, we found other internal control deficiencies with its payment integrity reporting process. Specifically, the Department: (1) did not ensure that complete and accurate information was reported in its *Agency Financial Report*; (2) omitted payment reporting sites from its consolidated risk assessment; (3) did not fully complete implementation of suggested root cause determination process improvements; and (4) did not ensure reporting sites were aware of associations between improper payments and mandatory disclosures.

As a result of the deficiencies we identified, the Department is at risk of misreporting its improper payments, miscalculating its improper payment rate, and misunderstanding its susceptibility to improper payments.

What We Recommend

We recommended that the Department implement additional controls to address the risk of errors due to system functionality issues; develop enhanced guidance and train personnel to ensure root causes are identified; further develop and deploy the Root Cause Dashboard; and update its payment integrity reporting guidance to ensure the proper identification, coordination, and reporting of mandatory disclosures that may constitute an improper payment.

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Background and Objective

The *Payment Integrity Information Act of 2019*[1] (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). 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, or are payments made by the Federal Government for the wrong amount, to the wrong recipient, or for an ineligible good or service.[2] The PIIA also sets forth requirements for executive agencies to conduct program-specific risk assessments for each program or activity, publish improper payment estimates for programs susceptible to significant improper payments, report on corrective actions to reduce improper payments, and establishes a requirement for cognizant Offices of Inspectors General (OIG) to issue an annual report on the agency's compliance with applicable PIIA criteria.

To fulfill these requirements, the Department of Energy Office of the Chief Financial Officer (OCFO) communicated instructions to its 47[3] payment reporting sites for meeting improper payment and payment recapture audit requirements prescribed by OMB. According to its guidance, the Payment Integrity Program is focused on reducing, eliminating, and reporting improper payments while maintaining transparency, accountability, and being good stewards of taxpayer dollars. To comply with these requirements, the Department implemented a 3-year risk assessment review cycle and completed its latest improper payment risk assessment in fiscal year (FY) 2024. However, in FY 2025, payment reporting sites were also required to complete an off-cycle risk assessment if certain conditions existed. These were consolidated at the Department level, and it was determined that the Department was not susceptible to significant improper payments

The Department reports prior-year payment activity in its current year *Agency Financial Report* and is considered one program for improper payment reporting. For FY 2024 payment information reported in FY 2025, the Department identified $53.6 million of improper payments and unknown payments, which resulted in an improper payment rate of 0.08 percent, below OMB's susceptibility to significant improper payments thresholds. To fulfill the requirement for OIGs set forth in the PIIA, we conducted this audit to determine whether the Department met OMB criteria for compliance with the PIIA.

[1] Public Law No. 116-117, 134 Stat. 113 (2020) (codified at 31 United States Code § 3353(a)).
[2] According to 31 United States Code § 3351(4)(A), an improper payment is "any payment that should not have been made or that was made in an incorrect amount, including an overpayment or underpayment, under a statutory, contractual, administrative, or other legally applicable requirement." Further, 31 United States Code § 3351(4)(B) states that it includes any payment: (1) to an ineligible recipient; (2) for an ineligible good or service; (3) that is duplicate; (4) for a good or service not received (except for those payments where authorized by law); and (5) that does not account for credit for applicable discounts.
[3] There are 48 reporting sites; however, the Chief Financial Officer Loan Accounting and Loan Programs Office are combined and considered 1 site.

Results of Review

THE DEPARTMENT IS COMPLIANT WITH REPORTING REQUIREMENTS

We determined that the Department's FY 2025 improper payment reporting met OMB criteria for compliance with the PIIA. Specifically, the Department published its FY 2025 *Agency Financial Report* and posted that report, and the accompanying materials, on its website. The Department also conducted improper payment risk assessments for all applicable programs, as required. Notably, the Payment Integrity and Services Division accomplished these tasks despite experiencing more than a 20 percent reduction in staff, which was attributable to the Deferred Resignation Program, retirements, and other human resource actions.

Reported Improper Payments

With OMB approval,[4] the Department elected to report actual improper payments from the prior FY in the current FY *Agency Financial Report*. In the FY 2025 *Agency Financial Report*, the Department reported that FY 2024 improper payments plus unknown payments[5] totaled $53.6 million out of $64.95 billion[6] in total payment outlays, which resulted in an improper payment rate of 0.08 percent. Specifically, the Department reported that its improper payment amounts included underpayments of $5.3 million; lost discounts of $307,000; technically improper payments[7] of $13.6 million (none of which can be recaptured); unknown payments of $639,000; and overpayments identified for recapture of $33.7 million. As such, the Department's improper payments of $53.6 million and improper payment rate of 0.08 percent are below both OMB's susceptibility to significant improper payments thresholds of: (1) $10,000,000 of all reported program or activity payments and 1.5 percent of program outlays; or (2) $100,000,000 in total.

Compliance With OMB Criteria

OCFO's Office of Finance and Accounting issued its payment integrity reporting guidance in April 2025, which required all payment reporting sites to perform an off-cycle risk assessment in FY 2025 if it experienced: (1) significant changes related to legislation; (2) increases in outlays equal to or greater than 10 percent; (3) changes in the site's payment processes; or (4) impacts from natural disasters that would make it susceptible to significant improper payments. If no such conditions were present, then an off-cycle risk assessment for FY 2025 was not required. Thirty-four of the 47 payment reporting sites were required to conduct off-cycle risk assessments because they met at least 1 of the 4 criteria.

[4] OMB approved of the Department's reporting of prior year payment activity in current year *Agency Financial Reports* on May 25, 2011.
[5] 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.
[6] The Department misstated its total FY 2024 outlays in its *Agency Financial Report* as $64.95 billion instead of $66.05 billion. The change in outlays did not change the improper payment rate.
[7] 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.

Based on the results of those risk assessments, all payment reporting sites were assessed as low risk. In addition to self-evaluating whether a risk assessment needed to be conducted, the Designated Financial Officer or Contractor Chief Financial Officer at each payment reporting site was required to certify the accuracy of the risk ratings and improper payment and recapture information. For the payment reporting sites that were required to complete an off-cycle risk assessment, 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 2025 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 2025 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 2025 payment integrity reporting involving management, employees who have significant roles in internal control over FY 2025 improper payment reporting, or others when the fraud could have a significant effect on FY 2025 improper payment reporting;

- No knowledge of any allegations of fraud or suspected fraud affecting FY 2025 payment integrity reporting received in communications from employees, former employees, regulators, or others;[8] and

- No deficiencies in internal controls that could have a significant effect on FY 2025 payment integrity reporting, or the occurrence of significant transactions or events that have not been properly documented in records underlying the measurement of FY 2025 payment integrity reporting.

[8] One payment reporting site indicated that it was aware of fraud allegations and investigations involving two of its contractors. One allegation was resolved in FY 2025, and the other may affect the subsequent years' payment integrity reporting.

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 2025 *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 therefore not subject to additional reporting requirements such as corrective action plans and annual improper payment reduction targets.

According to OMB, an agency is required to meet 10 specific requirements to comply with the PIIA. Based on our review of the FY 2025 *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[9]
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[9]
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[9]
8. Demonstrated improvements to payment integrity or reached a tolerable improper payment and unknown payment rate.	Not Applicable[9]

[9] The Department concluded that 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 2025 *Agency Financial Report* was not applicable.

OMB Criteria for Compliance	Was Criteria Met?
9. Developed a plan to meet the improper payment and unknown payment reduction target.	Not Applicable[9]
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[9]

PAYMENT INTEGRITY REPORTING PROCESS INSIGHTS AND OBSERVATIONS

Although the Department's FY 2025 improper payment reporting met OMB criteria for compliance with the PIIA, we found other internal control deficiencies with its payment integrity reporting process. Specifically, the Department did not ensure that it reported complete information in its *Agency Financial Report* and did not ensure it included all payment reporting sites in its consolidated risk assessment calculation. These deficiencies did not technically change the reported improper payment rate and risk assessment calculation within this year's *Agency Financial Report*. However, failure to correct these deficiencies may have a greater impact on future reporting. Additionally, we found that the Department did not fully complete implementation of prior OIG suggested root cause[10] improvements and did not ensure reporting sites were aware of associations between improper payments and mandatory disclosures. As such, we found several opportunities for the Department to strengthen internal controls for its improper payment reporting process.

Incomplete Information Reported in the *Agency Financial Report*

The Department misstated total FY 2024 outlays in its *Agency Financial Report.* According to this report, for FY 2024 payment information reported in FY 2025, the Department's total payment outlays were $64.95 billion instead of accurately reporting the outlays as $66.05 billion. Specifically, we found incomplete information for three payment reporting sites, which the Department then reported in its final report. For example, one payment reporting site reported $1,082,044.85 for one of its payment types;[11] however, the Department reflected zero dollars for the same payment reporting site at the consolidated level. According to a Department official, this difference was likely due to user error as many sites lost employees and were understaffed for this reporting cycle. The errors were made in the chain[12] procedures in the system, which resulted in the incorrect numbers. Notably, the improper payment rate remained at 0.08 percent

[10] Root causes are conditions, activities, and other factors that lead to improper payments, including those due to fraud and that, if corrected, would prevent the improper payment from occurring. According to OMB guidance, identifying root causes of improper payments is critical to formulating effective corrective actions. Understanding the root causes of improper payments will help agencies develop effective corresponding corrective actions. Identifying the root cause is an iterative process that can include assessing possible causes and prioritizing among them.

[11] The Department's payment types include: vendors/contracts, payroll, travel, grants, loans, and other.

[12] Financial Reporting Auxiliary System (FRAS) templates contain background data tables and chains facilitate instantaneous updates to data tables after the data is input.

with the corrected outlay number, and the difference was below the FY 2024 materiality and performance materiality thresholds.

At another site that we selected for sampling, we noted a variance between what was reported to the Department and what was in the transaction's supporting documentation. The site concluded that a transposition of numbers when entering the data caused the error. We further found that the Department did not include the total amount for vendors and contracts at another site. These errors at the three payment reporting sites resulted in the understatement of total payment outlays in the Department's *Agency Financial Report*.

Incomplete Consolidated Risk Assessment Calculation

We found that six payment reporting sites were omitted in the Department's consolidated risk assessment calculation. According to OMB Memorandum M-21-19, programs with annual outlays above $10,000,000 must conduct an improper payment risk assessment at least once every 3 years unless the program moves to Phase 2.[13] As such, the Department performs a risk assessment at least once every 3 years, with the most recent being performed in FY 2024, and requires the payment reporting sites to perform off-cycle risk assessments if certain criteria are met.[14] Since the Department is considered one program for improper payment reporting, it consolidates the off-cycle risk assessments performed by the payment reporting sites at the Department level.

We found that some of the off-cycle risk assessments provided by the payment reporting sites were not included in the Department's consolidated risk assessment calculation. Department officials informed us that they had a system issue that affected the connections feeding the consolidated risk sheets. Officials also indicated that while there was an omission of risk assessments when the consolidation occurred, they still reviewed each of the site submissions provided by the sites. After the initial omission of six payment reporting sites was corrected, the Department's risk remained low, and it determined that it was not susceptible to significant improper payments.

Root Cause Identification Not Mitigating Improper Payments

Improper payments marked for recapture have consistently trended upward over the past 4 years. Specifically, the Department's total amount of improper payments identified for recapture increased from $52.4 million reported in 2021 to $69.17 million reported in 2024. According to OMB, root causes are issues that lead to improper payments that, if corrected, would prevent the improper payment from occurring. In our prior report, *The Department of Energy's Payment Integrity Reporting in the Fiscal Year 2024 Agency Financial Report* (DOE-OIG-25-20, May 2025), we suggested that the Department develop enhanced guidance to ensure detailed root causes are identified by the payment reporting sites for every transaction, as required by OMB,

[13] OMB Memorandum M-21-19 further states that if a program that is on a 3-year improper payment risk assessment cycle experiences a significant change in legislation or its funding level, agencies may need to reassess the program's risk susceptibility during the next annual cycle, even if it is less than 3 years from the risk assessment.
[14] The criteria are: (1) significant changes related to legislation; (2) increases in outlays equal to or greater than 10 percent; (3) changes in the payment reporting site's payment processes; or (4) impacts from natural disasters that would make it susceptible to significant improper payments.

and train the personnel reporting improper payments on providing accurate root causes. Additionally, we suggested that the Department further develop the Root Cause Dashboard and make it available to all payment reporting sites to assist with trending of root causes in a timely manner.

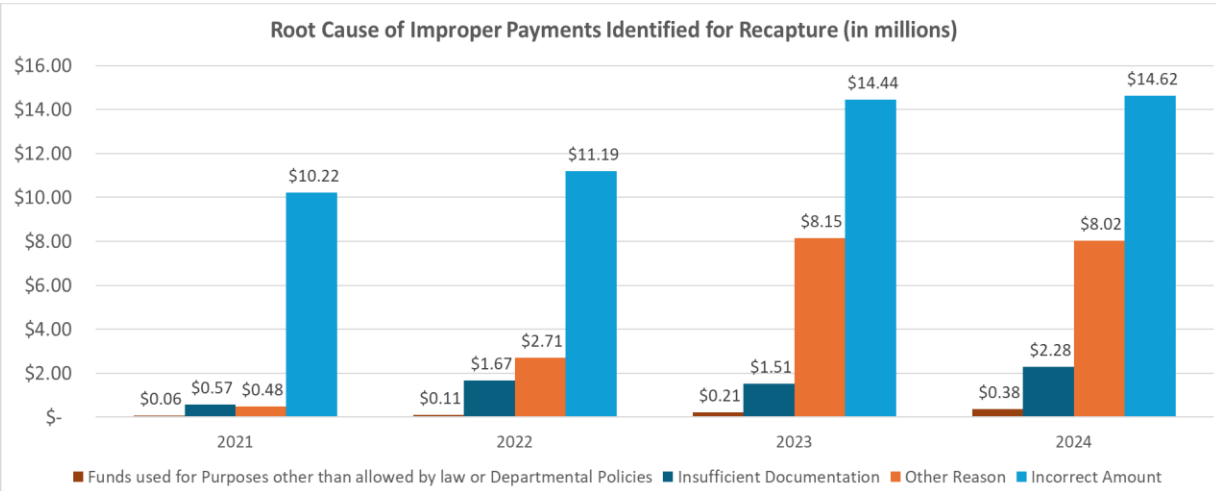
The Government Accountability Office's (GAO) report, *Program Integrity: Agencies and Congress Can Take Actions to Better Manage Improper Payments and Fraud Risks* (GAO-25-108172, March 2025), details the importance of root cause identification in the formulation of effective corrective actions. Specifically, understanding the root causes of improper payments and identifying the root cause is an iterative process that can include assessing possible causes and prioritizing among them. Implementing preventive controls represents the most effective approach for managing resources and minimizing instances of improper payments and fraud. By addressing errors and fraudulent activities proactively, agencies can avert expensive recovery actions.

OCFO's Office of Finance and Accounting April 2025 *Payment Integrity Reporting* guidance states that "sites should also ensure they identify the true root cause of an improper payment or an unknown payment, as understanding the true root cause of a problem is critical to formulating effective corrective actions." The guidance further states that "identifying the root cause requires the program to continue asking 'Why did this occur?' noting the answer and repeating the process until the root cause is identified." However, our review of the root causes provided by the payment reporting sites noted that 14 percent used the same prepopulated root causes provided by the Department in the root cause of improper payment column as in the expanded root cause column. It was also noted that no explanation of other roots cause nor root cause description was provided. For example, a transaction noted "duplicate payment" for both the root cause and the expanded root cause without identifying why the duplicate payment occurred. Without knowing additional details, the Department will not be able to remedy the issue that caused the duplicate payment effectively.

Department officials stated that the Payment Integrity Working Group continues to refine the expanded root cause list, with the goal of identifying the underlying cause of the error so that additional controls can be implemented to reduce the risk of future errors. Further, Department officials stated that once a curated list of root causes had been determined, the reporting guidance would be updated to ensure sites are providing the actual cause of each improper payment, accompanied by training site points-of-contact on reporting the correct root causes. The Department is still developing the Root Cause Dashboard for payment reporting sites to assist with the identification of trends of root causes in a timely manner. The comprehensive Root Cause Dashboard within the Business Intelligence Platform will offer sites dynamic data visualizations, trend analyses, and performance insights into improper payments and highlight areas for improvement. Although the Department was able to demonstrate the capabilities of the Root Cause Dashboard to audit staff, it is currently using it to generate ideas for the payment integrity working group. The Root Cause Dashboard was released for use to federally controlled reporting sites on April 10, 2026, but there is no current date when it will be released to contactor-controlled reporting sites for usage. Due to these incomplete initiatives, the suggested actions from last year are being elevated to formal recommendations for formal tracking and remediation.

As depicted in Table 2, the following root causes have continued to increase over the past 4 years: “incorrect amounts,” “other reason,” “insufficient documentation,” and “funds used for purposes other than allowed by law or Departmental policies.” As such, it is imperative that the Department identifies the true root causes of improper payments, so that corrective actions can be implemented to prevent future improper payments.

Table 2



Incomplete Improper Payment Submissions

There is significant risk that sites filing mandatory disclosures failed to coordinate internally with their improper payment reporting personnel, leading to the omission of these disclosures in the sites’ improper payment transactions, which are consolidated at the Department level for inclusion in the *Agency Financial Report*. The mandatory disclosure rule requires contractors whose contracts have a value expected to exceed $7.5 million and whose performance period is 120 days or more to make timely disclosures to the agency OIG, with a copy to the contracting officer, whenever the contractor has credible evidence that its principal, employee, agent, or subcontractor has committed a fraud, conflict of interest, bribery, or gratuities crime or a violation of the civil *False Claims Act*. An improper payment is fraudulent when it results from a false representation. On all contracts, a contractor may be suspended or debarred if a principal, including officers, directors, owners, partners, or persons having primary management or supervisory responsibilities, knows of a fraud, conflict of interest, bribery, or gratuities crime; a violation of the civil *False Claims Act*; or a significant overpayment and the contractor fails to disclose it.

We judgmentally selected four payment reporting sites and inquired about their processes for including potential violations in their improper payment submittals. Even though these contractors are reporting mandatory disclosures to the OIG, there were instances where dollar amounts associated with mandatory disclosures were not included in the payment reporting sites’ improper payment transactions. For example, we found an employee was terminated for inaccurate timekeeping; however, we were unable to reconcile the dollar amount associated with this mandatory disclosure in the payment reporting site’s improper payment transactions. During the audit, this site acknowledged a gap in its improper payments reporting process and planned to incorporate processes into its reporting that will provide additional assurance of the completeness of its improper payment reporting.

Further, we found inconsistent methods amongst payment reporting sites on how they report mandatory disclosures. The Department's payment integrity guidance stated that payment sites that have identified potential fraud cases, but have not received an OIG-confirmed fraud notification, should email the Payment Integrity Program; however, it did not provide specific instructions on reporting such matters. One payment reporting site said that unless a disclosure is confirmed as fraudulent through the adjudication process, it would not be included in the improper payment submittal. Another site said that a mandatory disclosure that was reported to the OIG hotline would not be in the improper payment transactions until it was finalized as proper or improper. According to OCFO officials, it is their position if a reporting site is disclosing something to the OIG, whether confirmed or not, that disclosure should be included in their improper reporting as either an unknown payment or an improper payment.

During FY 2024, the universe of mandatory disclosures reported to the OIG was comprised of 45 disclosures across 22 locations within the complex. Over half of these disclosures related to irregularities in timecard reporting. The costs associated with these disclosures ranged from under $1,000 to over $2.7 million. As previously stated, sites have either acknowledged a gap in their internal processes or have different understandings of when these mandatory disclosures should be reported as improper payment. Further, the vagueness of the Department's guidance for reporting potential violations of criminal conduct increases the risk of inconsistent application across the Department, which could affect its improper payment total of $53.6 million. As such, clarifying the Department's guidance and improving internal coordination at sites will help ensure the complete and accurate reporting of these types of transactions.

CONCLUSION

We determined that the Department's FY 2025 improper payment reporting met OMB criteria for compliance with the PIIA. However, the Department misstated its FY 2024 outlays, and at least one payment reporting site misreported its improper payments, which increases the Department's risk of misrepresenting its improper payments and miscalculating its improper payment rate. Further, the Department's omission of six payment reporting sites in its consolidated risk assessment increases the risk of misunderstanding its susceptibility to improper payments. Finally, failing to ensure comprehensive reporting of improper payments that require mandatory disclosure exposes the Department to the risk of presenting incomplete annual reports on improper payments. As such, we made four recommendations to improve the Department's controls over its payment integrity reporting process, including implementing additional controls and updating its payment integrity reporting guidance, as necessary.

Recommendations

While we determined that the Department's FY 2025 improper payment reporting met OMB criteria for compliance with the PIIA, we identified other internal control deficiencies that, if corrected, could improve the Department's improper payment reporting process. We recommend that OCFO:

1. Design, implement, and communicate internal controls to address the risk of errors due to system functionality issues;
2. Continue to develop enhanced guidance to ensure detailed root causes are identified by the sites for every transaction, as required by OMB, and train the personnel reporting improper payments on providing accurate root causes;
3. Continue to develop the Root Cause Dashboard and deploy it to all payment reporting sites to assist with trending of root causes in a timely manner; and
4. Update the payment integrity reporting guidance to ensure that mandatory disclosures that may also constitute improper payments are properly identified, coordinated, and reported, as required.

Management Comments and OIG Response

Management concurred with three of our four recommendations and described proposed actions to address them. We believe the proposed actions adequately address our recommendations. However, management does not believe the conditions expressed indicate internal control deficiencies. We maintain that misstating outlays and the omission of payment reporting sites in the consolidated risk assessment calculation increases the Department's risk of miscalculating its improper payment rate and misunderstanding its susceptibility to improper payments. Because the errors were not identified until after the Department had completed its *Agency Financial Report*, we found that these issues represent internal control deficiencies in compiling the consolidated information.

Management nonconcurred with our recommendation for the development and deployment of the Root Cause Dashboard. Management stated that there is no adverse impact to PIIA reporting or internal controls without additional root cause dashboards. Although management believes that there were no adverse impacts, OMB Memorandum M-21-19, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, states that to effectively prevent an improper payment or an unknown payment from occurring, agencies must properly identify the reasons their programs are at risk of improper payments. Agencies should ensure they have identified a true root cause of an improper payment or an unknown payment as it is critical to understand the true root cause of a problem to formulate effective corrective actions. A root cause is something that would directly lead to an improper payment, and if corrected, would prevent the improper payment. As such, we maintain that the Department should continue to develop and deploy the Root Cause Dashboard to all payment reporting sites so corrective actions can be taken and to assist in the prevention of improper payments.

Objective, Scope, and Methodology

Objective

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

Scope

We conducted this audit from January 2026 through June 2026 at Department Headquarters in Germantown, Maryland, and Washington, DC. Consistent with guidance established in 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) 2025 *Agency Financial Report*. This audit was conducted under Office of Inspector General project number A26FN034.

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: Sandia National Laboratories in Albuquerque, New Mexico; Los Alamos National Laboratory in Los Alamos, New Mexico; National Energy Technology Laboratory in Pittsburgh, Pennsylvania; and Idaho National Laboratory in Idaho Falls, Idaho.

Methodology

To accomplish our audit objective, we analyzed the "Payment Integrity Reporting" section in the "Other Information" section of the Department's FY 2025 *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 that report, and the 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 2025 *Agency Financial Report* for those programs with significant improper payments, if applicable;

- 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, if applicable;

- 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, if applicable;

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

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

We conducted this 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. To assess the reliability of the documents and data needed to answer the audit objectives, we: (1) reviewed documentation and compared documentation maintained in the source system, and (2) interviewed Department and site officials knowledgeable about the data. We determined that the data was sufficiently reliable for the purposes of this report.

Management officials waived an exit conference on July 30, 2026.

Related Reports

Office of Inspector General

- Audit Report: *The Department of Energy's Payment Integrity Reporting in the Fiscal Year 2024 Agency Financial Report* (DOE-OIG-25-20, May 2025). We found that the Department of Energy's fiscal year (FY) 2024 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. For example, the Department had not identified underlying root causes and was unable to adequately identify trends related to improper payments and take appropriate corrective actions to mitigate recurrences.

- 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. We identified risks associated with the rapid growth of the Loan Programs Office (LPO). Since the IIJA was signed, the LPO's lending authority 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. In addition, the Department launched 72 new programs and greatly expanded others, such as the Weatherization Assistance Program. We 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). We found that the Department's FY 2023 improper payment reporting was aligned with 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 had not identified underlying root causes for reported improper payments. The Department was also at risk of exceeding OMB's threshold for improper payments as a result of new spending appropriations. However, staffing shortages and a 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). We 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 relied 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 presented data access, management, and analytics challenges that hindered the Department's ability to enhance data-driven decision making, detect fraud, and ensure appropriate stewardship of Federal resources. This report introduced 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). We 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 for improvements to the payment integrity process. Specifically, the Department 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 introduced an increased risk that the Department may exceed 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 were 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 between $233 billion and $521 billion, based on data from FY 2018 through FY 2022. 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). 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, related key concepts, and proper oversight of compliance with *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 that 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 were a consistent Government-wide issue. Since FY 2003, cumulative improper payment estimates by executive branch agencies had totaled about $2.7 trillion. GAO found that these payments represented a material deficiency or weakness in internal controls. Specifically, GAO noted that the Federal Government was unable to determine the full extent of its improper payments or reasonably assure that appropriate actions were taken to reduce them.

- *Improper Payments: Opportunities for Interagency Collaboration and Improvements* (GAO-23-106761, September 2023). According to GAO's survey of Chief Financial Officers (CFO) from the 24 agencies covered by the *Chief Financial Officers Act of 1990*, CFOs play a role, to different extents, in managing their agencies' efforts to reduce improper payments and oversee compliance with the *Payment Integrity Information Act of 2019* reporting requirements. The *Chief Financial Officers Act of 1990* provided certain agency CFOs with leadership responsibilities for overseeing all financial management activities within their respective agencies. 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 GAO's 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). GAO's testimony noted that 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. GAO identified challenges with the Department's management of its carbon capture and storage, nuclear energy demonstration projects, and the Department's loan programs. GAO stated 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.

Management Comments

Department of Energy
Washington, DC 20585

MEMORANDUM FOR: OFFICE OF INSPECTOR GENERAL

FROM: RACHEL DENCHFIELD, DEPUTY DIRECTOR
OFFICE OF FINANCIAL REPORTING AND BUSINESS ANALYSIS
OFFICE OF FINANCE AND ACCOUNTING
OFFICE OF THE CHIEF FINANCIAL OFFICER

RACHEL DENCHFIELD
Digitally signed by RACHEL DENCHFIELD
Date: 2026.07.28 14:10:24 -04'00'

SUBJECT: *The Department of Energy's Payment Integrity Reporting in the Year 2025 Agency Financial Report (A26fFN34)*

Thank you for the opportunity to review and comment on the subject draft report.

We appreciate the Office of Inspector General's recognition that the Department achieved full compliance with all statutory requirements of the Payment Integrity Information Act (PIIA) of 2019 for the FY 2025 improper payment reporting.

Management recognizes and considers the recommendations put forth by OIG. However, based on the materiality, relationship to the identification of improper payments and identification of risk and overall strength of compensating controls in the Department's Payment Integrity Program, management does not concur with the OIG's assessment that the conditions expressed by OIG indicated internal control deficiencies which could increase the Department's risk of misreporting its improper payments, miscalculating its improper payment rate, or misunderstanding its susceptibility to improper payments.

If you have any questions regarding this response, please contact Catherine Caruana at Catherine.Caruana@hq.doe.gov,

Enclosure

Enclosure

Management Response
OIG Draft Report: *The Department of Energy's Payment Integrity Reporting in the Fiscal Year 2025 Agency Financial Report (A26FN034)*

Recommendation 1: Design, implement, and communicate internal controls to address the risk of errors due to system functionality issues.

DOE Response: Concur

The Department identified to OIG that the system controls did not function as designed resulting in a minor difference in reported outlays. While we acknowledge the discrepancy, the resulting misstatement of outlays was immaterial and unrelated to the assessment of risk or the identification of improper and unknown and payments and caused no change to the published Department's low improper payment rate of 0.08 percent.

Estimated Completion Date: February 2026

Recommendation 2: Continue to 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.

DOE Response: Concur

The Payment Integrity Working Group continues to refine the expanded root cause list, with the goal of identifying the underlying cause of the error so that additional controls can be implemented to reduce the risk of future errors.

Estimated Completion Date: February 2027

Recommendation 3: Continue to develop the Root Cause Dashboard and deploy it to all payment reporting sites to assist with trending of root causes in a timely manner.

DOE Response: Non Concur

DOE completed the first iteration of its advanced Root Cause Dashboard and successfully releasing it to federal sites on April 10, 2026. The Department is fully committed to continuous improvement in our payment integrity program and has been working diligently to enhance the reporting, analysis, and granularity of improper payment root causes. Management must balance program improvements against how and where to apply limited resources. In FY 2025, the Department maintained a low improper payment rate and moved forward in its root cause project despite unprecedented reduction in staffing across program. There is no adverse impact to PIIA reporting or internal controls without additional root cause dashboards.

Estimated Completion Date: February 2027

Enclosure

Management Response
OIG Draft Report: *The Department of Energy's Payment Integrity Reporting in the Fiscal Year 2025 Agency Financial Report (A26FN034)*

Recommendation 4: Update the payment integrity reporting guidance to ensure that mandatory disclosures that may also constitute improper payments are properly identified, coordinated, and reported, as required.

DOE Response: Concur

A FAR-reported item is a subset of what should be captured under the PIIA requirements. Recognizing that OIG noted instances of reported disclosures possibly unreported, DOE has updated its Payment Integrity Reporting guidance to ensure sites cross-check improper and unknown payments against FAR disclosures.

Estimated Completion Date: July 2026

The Department's Improper Payment Program strives to be more robust than required. This reflects our ongoing commitment to robust financial stewardship and the prevention of improper payments across all departmental payment sites.

FEEDBACK

The Office of Inspector General has a continuing interest in improving the usefulness of its products. We aim to make our reports as responsive as possible and ask you to consider sharing your thoughts with us.

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For all media-related questions, please send inquiries to OIGpublicaffairs@hq.doe.gov and include your name, contact information, and the report number.