

# NASA

National Aeronautics and Space Administration

Office of Inspector General

Office of Audits

# NASA'S COMPLIANCE WITH THE PAYMENT INTEGRITY INFORMATION ACT FOR FISCAL YEAR 2020

May 18, 2021

Report No. IG-21-020





## **Office of Inspector General**

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# RESULTS IN BRIEF

## NASA's Compliance with the Payment Integrity Information Act for Fiscal Year 2020

NASA Office of Inspector General  
Office of Audits

May 18, 2021

IG-21-020 (A-21-002-00)

### WHY WE PERFORMED THIS AUDIT

Improper payments are payments the federal government should not have made or made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. They also include duplicate payments and any payment to an ineligible recipient, for an ineligible good or service, for a good or service not received, or that does not account for credit for applicable discounts. In fiscal year (FY) 2020, the estimated amount of improper payments government-wide was \$206.4 billion.

The Improper Payments Elimination and Recovery Act of 2010 (IPERA) amended the Improper Payments Information Act of 2002 and required federal 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). IPERA also required Inspectors General to review each agency's improper payment reporting and issue an annual report. On March 2, 2020, the Payment Integrity Information Act of 2019 (PIIA) repealed these two laws but set forth similar improper payment reporting requirements, including an annual compliance report by Inspectors General.

Our overall objective in this audit was to determine whether NASA complied with the requirements of PIIA in FY 2020. In addition, we evaluated the Agency's implementation of recommendations made in our previous audit reports. To conduct our work, we interviewed NASA personnel and contractors. We also reviewed applicable federal laws and regulations; NASA policy and guidance; and the PIIA Reporting section of the Agency Financial Report (AFR), accompanying materials on the [Paymentaccuracy.gov](https://www.paymentaccuracy.gov) website, and supporting documentation.

### WHAT WE FOUND

Based on our review of NASA's AFR, accompanying materials, risk assessment, and sampling and estimation methodology plan for programs deemed susceptible to significant improper payments, we found the Agency complied with PIIA. However, NASA failed to report FY 2020 data on the improper payment estimate developed for the Institutional Construction of Facilities' disaster relief programs to OMB for publication on [Paymentaccuracy.gov](https://www.paymentaccuracy.gov). NASA mistakenly believed that because the programs' improper payment rates were zero, it was not required to submit the information to OMB and instead the Agency included a statement in its FY 2020 AFR that no improper payments were identified in the disaster relief programs.

We also found that overpayments reported in FY 2020 were incomplete and inaccurate. NASA's reporting of improper payments excluded credits that would be applied against a contractor's future billing to the Agency, and the Office of the Chief Financial Officer's Quality Assurance Division had not yet implemented its new process to gather and report overpayments identified and subsequently recaptured through contract credits. Further, we determined that the Quality Assurance Division reporting included overpayments from periods different than FY 2019, the period being reported, resulting in an overstatement of identified and collected overpayments. We believe the lack of detail in NASA's Payment Recapture Audit Program guidance likely contributed to personnel not excluding transactions that fell outside FY 2019 from the amounts reported as identified and collected.

## WHAT WE RECOMMENDED

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In addition to the two recommendations that remain open from prior audits, we recommended the Acting Chief Financial Officer: (1) in consultation with OMB, determine the appropriate method to update NASA's FY 2020 payment integrity information on the Paymentaccuracy.gov website to capture the results of the disaster relief improper payment testing; (2) report payment integrity information using the appropriate medium (e.g., AFR or OMB data call submission) as instructed in OMB guidance; and (3) enhance NASA's Payment Recapture Audit Program Administration Guidance by providing more detailed information and assistance such as a checklist outlining the review procedures performed by the Quality Assurance Division within the reporting process for overpayments from sources other than recapture audits.

We provided a draft of this report to NASA management who concurred with our recommendations and described actions they plan to take. We consider management's comments to our recommendations responsive; therefore, the recommendations are resolved and will be closed upon completion and verification of the proposed corrective actions.

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# Acronyms

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|       |  |
|-------|--|
| AFR   | Agency Financial Report                                |
| FY    | fiscal year  |
| IPERA | Improper Payments Elimination and Recovery Act of 2010 |
| OCFO  | Office of the Chief Financial Officer                  |
| OIG   | Office of Inspector General                            |
| OMB   | Office of Management and Budget                        |
| PIIA  | Payment Integrity Information Act of 2019              |
| QAD   | Quality Assurance Division                             |

# INTRODUCTION

Improper payments are payments the federal government should not have made or made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. They also include duplicate payments and any payment to an ineligible recipient, for an ineligible good or service, for a good or service not received (except for such payments where authorized by law), or that does not account for credit for applicable discounts. In fiscal year (FY) 2020, the estimated amount of improper payments government-wide was \$206.4 billion.<sup>1</sup>

The Improper Payments Elimination and Recovery Act of 2010 (IPERA) amended the Improper Payments Information Act of 2002 and required federal 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).<sup>2</sup> In addition, section 3 of IPERA required Inspectors General to review each agency's improper payment reporting and issue an annual report. On March 2, 2020, the Payment Integrity Information Act of 2019 (PIIA) repealed these two laws but set forth similar improper payment reporting requirements, including an annual compliance report by Inspectors General.<sup>3</sup>

Our overall objective was to determine whether NASA complied with the requirements of PIIA in the PIIA Reporting section of its FY 2020 Agency Financial Report (AFR) and accompanying materials.<sup>4</sup> In addition, we evaluated the Agency's implementation of recommendations made in our previous audit reports. See Appendix A for details of the audit's scope and methodology and Appendix C for the status of our recommendations from prior years.

## Background

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To be compliant with PIIA, an agency must satisfy the following criteria, as applicable.

1. Improper payment reporting:
  - a. The agency published improper payments information with its annual financial statement for the most recent fiscal year.
  - b. The agency posted the annual financial statement and accompanying materials required under OMB guidance on the agency's website.

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<sup>1</sup> For information on improper payments and annual improper payment data for FY 2020, see <https://paymentaccuracy.gov/resources> (last accessed March 8, 2021).

<sup>2</sup> Improper Payments Elimination and Recovery Act of 2010, Pub. L. No. 111-204 (2010) and Improper Payments Information Act of 2002, Pub. L. No. 107-300 (2002).

<sup>3</sup> Payment Integrity Information Act of 2019, Pub. L. No. 116-117 (2020).

<sup>4</sup> Accompanying materials refer to the payment integrity information provided by NASA to OMB through an annual data call process, which is subsequently published on the external website [Paymentaccuracy.gov](https://paymentaccuracy.gov).

2. Risk assessments:
  - a. The agency conducted improper payment risk assessments for each program with annual outlays greater than \$10 million at least once in the last 3 years.
  - b. The agency adequately concluded whether the program is likely to make improper payments above or below the statutory threshold.
3. The agency published improper payment estimates for programs susceptible to significant improper payments in the accompanying materials to the annual financial statement.
4. The agency 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.
5. Improper payment reduction targets:
  - a. The agency published improper payment reduction targets for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.
  - b. The agency met improper payment reduction targets (published in FY 2019) for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.
  - c. The agency developed a plan to meet the improper payment reduction targets.
6. The agency reported an improper 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.

## **NASA's FY 2020 Processes to Estimate and Recover Improper Payments**

The Quality Assurance Division (QAD) of NASA's Office of the Chief Financial Officer (OCFO) is responsible for ensuring compliance with PIIA and reporting on NASA's recapture audit program. OCFO used a contractor to conduct a risk assessment and estimate improper payments. In FY 2020, NASA did not conduct any payment recapture audits, concluding that such audits were not cost effective for any program, activity, or contract type, and only reported on identified and collected overpayments from other sources.<sup>5</sup>

### ***Assessing Risk***

NASA identified the total population of its programs subject to risk assessment requirements after reviewing FY 2019 disbursements recorded in its financial management system. As permitted by statute, a subset of NASA programs is selected for risk assessment each year with all programs with annual outlays over \$10 million assessed at least once within a 3-year period. Out of a total of 94 programs, NASA assessed the risk of improper payments on 40 programs for FY 2020.

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<sup>5</sup> Payment recapture audits are reviews and analyses of an agency's or program's accounting and financial records, supporting documentation, and other pertinent information supporting its payments specifically designed to identify overpayments.

NASA assessed these 40 programs against 7 risk conditions, judgmentally weighted based on relevance and significance using a 100-point scale. The risk conditions incorporated risk factors NASA considered likely to contribute to the susceptibility of significant improper payments. NASA developed specific questions for each of these risk factors to help determine the level of risk for each program and assigned a risk rating of 1 (low), 3 (medium), or 5 (high). The risk condition-level rating corresponded to the highest numerical risk rating for that condition. NASA determined these ratings using a variety of sources including internal and external reports, questionnaires, and management reviews. The Agency computed an overall risk score for each program based on the weighted average of all risk condition ratings. NASA considered a program with an overall risk score of 3.33 or higher as susceptible to significant improper payments and therefore subject to testing on a statistical basis the following year to estimate the amount of improper payments.

### ***Estimating Improper Payments***

To estimate the amount of improper payments in programs determined to be susceptible to significant improper payments, NASA must develop a sampling plan and conduct testing. In FY 2020, of the 40 NASA programs assessed, none reached the 3.33 risk score threshold and, thus, did not require an improper payment estimate to be developed. However, NASA did have two programs—Institutional Construction of Facilities and Space Launch System—deemed susceptible to significant improper payments by other means, thus requiring the estimation of improper payments in the respective programs.

**Institutional Construction of Facilities.** OMB designated any program that received disaster relief funding under the Bipartisan Budget Act of 2018 for damages sustained by hurricanes Harvey and Matthew and disbursed more than \$10 million in one fiscal year as susceptible to significant improper payments and directed agencies to report an improper payment estimate.<sup>6</sup> NASA received funding for Harvey and Matthew and both hurricane programs are components within its Institutional Construction of Facilities program. In FY 2019, the Agency disbursed \$22.3 million and \$22.0 million, respectively, for each program. NASA developed a statistical sampling plan and performed testing of the disbursements to estimate the annual amount of improper payments in each program. Based on its testing, no improper payments were identified.

**Space Launch System.** In our FY 2019 reporting, the NASA Office of Inspector General (OIG) found the Agency did not comply with the former Improper Payments Information Act, as amended.<sup>7</sup> Specifically, we found that NASA's risk assessment did not identify the Space Launch System—NASA's heavy-lift rocket under development—as susceptible to significant improper payments given the available information and established criteria. To bring the program into compliance, NASA developed a statistical sampling plan, which was submitted to OMB, and is currently conducting improper payment testing of the program's FY 2019 disbursements to obtain a statistically valid estimate of the annual amount of improper payments for reporting in the accompanying materials to the FY 2021 AFR. Since NASA is still in the process of developing a statistically valid estimate, our prior recommendation (IG-20-016, recommendation 2) remains open.

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<sup>6</sup> Bipartisan Budget Act of 2018, Pub. L. No. 115-123 (2018).

<sup>7</sup> NASA OIG, *NASA's Compliance with the Improper Payments Information Act for Fiscal Year 2019* (IG-20-016, May 15, 2020).

### ***Payment Recapture***

NASA's process of gathering data on identified and collected overpayments from sources other than recapture audits consists primarily of conducting a query of the Agency's financial management system that generates a list of overpayments from the previous fiscal year's receivable and collection activity.<sup>8</sup> Each overpayment is then further researched by the reporting offices to determine whether it constitutes an overpayment for reporting purposes. In addition, QAD makes inquiries to select offices to identify overpayments that may not have been captured in the system query. QAD reviews and consolidates the information gathered from these sources and is responsible for reporting this information in the AFR or accompanying materials, as required. As part of this review, QAD ensures overpayments are not reported twice or in the incorrect period.

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<sup>8</sup> For this audit, the previous fiscal year refers to FY 2019.

# NASA COMPLIED WITH PIIA BUT ITS REPORTING NEEDS IMPROVEMENT

Although we concluded that NASA complied with PIIA, the Agency did not report the improper payment estimate developed for the Institutional Construction of Facilities’ disaster relief programs to OMB for publication on Paymentaccuracy.gov as required, but instead reported the estimate in its FY 2020 AFR.

## Compliance with PIIA in FY 2020

Based on our review of NASA’s AFR, accompanying materials, risk assessment of its 40 programs, and the executed sampling and estimation methodology plan for the Agency’s programs susceptible to significant improper payments, we found that NASA complied with the requirements of the PIIA, as noted in Table 1.<sup>9</sup>

**Table 1: PIIA Compliance Summary**

| Criteria for Compliance  | Criteria Met? |
|--|---------------|
| 1. Improper payment reporting: <ul style="list-style-type: none"> <li>a. Published improper payments information with the FY 2020 AFR</li> <li>b. Posted AFR and accompanying materials on NASA’s website</li> </ul>   | Yes           |
| 2. Risk assessments: <ul style="list-style-type: none"> <li>a. Conducted improper payment risk assessments for each applicable program</li> <li>b. Adequately concluded whether the program is likely to make improper payments</li> </ul>   | Yes           |
| 3. Published improper payment estimates for programs susceptible to significant improper payments in the accompanying materials to the AFR   | Yes           |
| 4. Published corrective action plans for each applicable program   | N/A           |
| 5. Improper payment reduction targets: <ul style="list-style-type: none"> <li>a. Published improper payment reduction targets for each applicable program in the accompanying materials to the AFR</li> <li>b. Met the improper payment reduction targets for each applicable program</li> <li>c. Developed a plan to meet the improper payment reduction targets</li> </ul> | N/A           |
| 6. Reported an improper payment estimate of less than 10 percent for each applicable program   | Yes           |

Source: NASA OIG.

Note: N/A refers to criteria not applicable this year because NASA did not identify any improper payments during testing of disaster relief funding and did not publish improper payment estimates in the prior year.

<sup>9</sup> For a complete list of the Agency programs reviewed by the OIG as part of this audit, see Appendix B.

## Improper Payment Estimate Reported in Incorrect Medium

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Paymentaccuracy.gov is a public website that reflects federal agencies' progress toward improving the prevention and recovery of improper payments.<sup>10</sup> The website includes current and historical information about improper payments, such as improper payment rates, recoveries, dollar amounts, and root causes, made under federal programs that have been determined to be susceptible to significant improper payments. The FY 2020 data on this website was populated based on data submitted in response to OMB's "FY 2020 OMB Paymentaccuracy.gov Data Call Instructions." Among other data, these instructions required agencies to report total outlays, the improper payment estimate amount, and the improper payment rate for each program deemed susceptible to significant improper payments.

In FY 2020, NASA had one program (Institutional Construction of Facilities) deemed susceptible to significant improper payments (because it contained disaster relief funding) for which it calculated improper payment estimates. However, NASA did not submit the required information to OMB for publication on Paymentaccuracy.gov and noted that this reporting was not applicable to NASA. Even though NASA did not submit the required information to OMB via the data call, the Agency included a statement in its FY 2020 AFR that no improper payments were identified in the hurricane relief programs. According to OCFO personnel, NASA believed the information for the OMB data call was not required since the programs' improper payment rates were zero. However, OMB confirmed that programs with executed sampling and estimation methodology plans that result in no improper payments, and thus zero percent improper payment rates, should have reported this data along with the corresponding program outlays.<sup>11</sup> Therefore, NASA failed to use the proper medium to submit the required information for the two hurricane relief programs.

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<sup>10</sup> As required by Executive Order 13520, *Reducing Improper Payments* (November 20, 2009) and codified in 31 U.S. Code 3321, the U.S. Department of the Treasury, in coordination with the U.S. Department of Justice and OMB, established Paymentaccuracy.gov to create a centralized location to publish information about improper payments made to individuals, organizations, and contractors.

<sup>11</sup> In FY 2020, OMB established a question and answer forum for agencies, including OIGs, to submit questions related to payment integrity matters. We used this forum to seek OMB's input on whether NASA should have reported the improper payment information in the data call for its susceptible program even though no improper payments were identified as a result of its testing.

# OVERPAYMENTS REPORTED WERE INCOMPLETE AND INACCURATE

NASA is required to report improper payment information from sources other than payment recapture audits in the accompanying materials to its AFR. In response to this requirement, NASA developed a query of its financial management system to generate a list of overpayments that are then researched to determine whether the transaction represents an overpayment for reporting purposes. The reported information in FY 2020 was incomplete since OCFO's QAD had not implemented its process to gather and report overpayments identified and subsequently recaptured through contract credits. Additionally, the reported information was inaccurate because QAD included overpayments from a period different than the current period being reported (FY 2019).

## Contract Credits Were Excluded from Reporting

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When NASA makes a payment to a vendor, contractor, or employee in excess of the amount owed, either a bill of collection or credit memo (a reduction to a future invoice) is recorded. Bills of collection are recorded as accounts receivable transactions (amounts others owe NASA) while credit memos are recorded as accounts payable transactions (amounts NASA owes others). For several years NASA's system query focused solely on accounts receivable transactions. Therefore, NASA's reporting of improper payments excluded credits that would be applied against a contractor's future billing to NASA. Although NASA developed a query for accounts payable transactions to capture credit memos in FY 2020, the query was not utilized for the current reporting period because it will not be implemented until FY 2021. As such, our prior recommendation for tracking overpayments related to contract credits (IG-18-017, recommendation 3) remains open.

## Overpayments Were Reported in the Incorrect Reporting Period

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As part of NASA's process to gather data on identified and collected overpayments from sources outside of payment recapture audits, certain NASA offices are asked to identify and submit to QAD a list of transactions that meet the definition of an improper payment but may not be included in the system query. As part of its reporting process, QAD reviews overpayments submitted by those NASA offices to verify the overpayments are not duplicates of transactions in the query and relate to the current reporting period. Based on our review of the transactions QAD included from those submissions, we determined several transactions were included in the current reporting year even though they occurred in a different reporting period, resulting in an overstatement of identified and collected overpayments.

Specifically, the NASA Office of Procurement reported overpayments from sustained questioned costs from incurred cost audits.<sup>12</sup> The Office of Procurement included questioned costs that were sustained in FYs 2018 through 2020 even though the amounts submitted should have only included activities from FY 2019. When QAD reported the amounts, the sustained questioned costs for years other than FY 2019 were not removed, resulting in an overstatement of overpayments identified by \$139,065. Further, the NASA OIG Office of Investigations submitted to QAD overpayments owed to the Agency resulting from litigation cases settled in FY 2019. Since the Office of Investigations was not routinely notified when NASA received settlement payments, QAD forwarded the listing of settlements to the NASA Shared Services Center to update for collections received during FY 2019. When the NASA Shared Services Center returned the updated listing to QAD, it included two collections received in the first quarter of FY 2020. QAD did not remove these two collections from the total, resulting in an overstatement of overpayments collected by \$10,922.

While NASA guidance provides direction on the implementation and execution of NASA's Payment Recapture Audit Program, this guidance is not sufficiently detailed nor does it include any type of job aid, such as a checklist, to ensure consistency and completeness in performing the review procedures.<sup>13</sup> The lack of detail and job aids in the guidance likely contributed to QAD personnel not excluding those transactions from the amounts reported as identified and collected.

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<sup>12</sup> An incurred cost audit examines charges to the government by a contractor under certain types of contracts (e.g., cost-type) to determine whether costs are reasonable, allowable, and allocable to the contracts, and are not prohibited by the contracts, government statutes, or regulations.

<sup>13</sup> NASA OCFO, *Payment Recapture Audit Program Administration Guidance* (April 15, 2020).

# CONCLUSION

Based on our review of the FY 2020 AFR, accompanying materials, and supporting documentation, we concluded NASA complied with PIIA. Reporting estimates of improper payments in susceptible programs using OMB's required medium, implementing a process to gather and report overpayments returned to the Agency in the form of credits against future billings, and performing a more thorough and robust review prior to reporting overpayment information should improve the completeness and accuracy of the information reported in the AFR and accompanying materials.

# RECOMMENDATIONS, MANAGEMENT'S RESPONSE, AND OUR EVALUATION

In addition to the two recommendations that remain open from prior year audits, we recommended the Acting Chief Financial Officer:

1. In consultation with OMB, determine the appropriate method to update NASA's FY 2020 payment integrity information on the [Paymentaccuracy.gov](https://www.paymentaccuracy.gov) website to capture the results of the disaster relief improper payment testing.
2. Report payment integrity information using the appropriate medium (e.g., AFR or OMB data call submission) as instructed in guidance issued by OMB.
3. Enhance NASA's *Payment Recapture Audit Program Administration Guidance* by providing more detailed information and/or job aids, such as a checklist, outlining the review procedures performed by QAD within the reporting process for overpayments from sources other than recapture audits.

We provided a draft of this report to NASA management who concurred with our recommendations and described actions they plan to take. We consider management's comments to our recommendations responsive; therefore, the recommendations are resolved and will be closed upon completion and verification of the proposed corrective actions.

Management's comments are reproduced in Appendix D. Technical comments provided by management have been incorporated as appropriate.

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Major contributors to this report include Mark Jenson, Financial Management Director; Regina Dull, Project Manager; Deirdre Alexander; Andrada Cornea; and GaNelle Sutton. Lauren Suls provided editorial and graphics assistance.

If you have questions or wish to comment on the quality or usefulness of this report, contact Laurence Hawkins, Audit Operations and Quality Assurance Director, at 202-358-1543 or [laurence.b.hawkins@nasa.gov](mailto:laurence.b.hawkins@nasa.gov).

Paul K. Martin  
Inspector General

## APPENDIX A: SCOPE AND METHODOLOGY

We performed this audit from November 2020 through April 2021 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our overall objective was to determine whether NASA complied with the requirements of PIIA in the PIIA Reporting section of its FY 2020 AFR and accompanying materials. In addition, we evaluated the Agency's implementation of recommendations we made in our previous audit reports. Because final OMB guidance related to PIIA was not issued until March 2021, we used a combination of the requirements in OMB Circular A-123, Appendix C (June 2018); OMB Circular A-136 (August 2020); OMB Annual Data Call Instructions; OMB Payment Integrity Question and Answer Platform; and the Council of the Inspectors General on Integrity and Efficiency guidance required under PIIA while performing this audit.

We interviewed various personnel, including, but not limited to, those from OCFO and its contractor responsible for conducting the risk assessment on NASA's behalf. We also reviewed the PIIA Reporting section of the AFR, accompanying materials, and supporting documentation.

Finally, we reviewed applicable federal laws and regulations, as well as NASA policy and guidance, related to improper payments, which included, but was not limited to, the following:

- Payment Integrity Information Act of 2019, Pub. L. No. 116-117 (2020)
- Bipartisan Budget Act of 2018, Pub. L. No. 115-123 (2018)
- Federal Improper Payments Coordination Act of 2015, Pub. L. No. 114-109 (2015)
- OMB Circular A-136, *Financial Reporting Requirements—Revised* (August 27, 2020)
- OMB Memorandum M-18-20, *Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement* (June 26, 2018)
- OMB Memorandum M-18-14, *Implementation of Internal Controls and Grant Expenditures for the Disaster-Related Appropriations* (March 30, 2018)
- NASA Procedural Requirements 9010.3A, *Financial Management Internal Control* (February 3, 2020)
- NASA OCFO, *Payment Recapture Audit Program Administration Guidance* (April 15, 2020)
- NASA OCFO, *Procedural Guidance, Improper Payments Information Act and OMB Circular A-123, Appendix C: Requirements for Effective Measurement and Remediation of Improper Payments* (May 2019)
- Council of the Inspectors General on Integrity and Efficiency, *Guidance for Payment Integrity Information Act Compliance Reviews* (November 2020)

## Assessment of Data Reliability

We took various steps to assess the reliability of the data analyzed for the purposes of this report. For example, we reviewed FY 2019 disbursement data extracted by the Agency from its financial management system, which it used to determine the universe of programs considered for the FY 2020 risk assessment, and traced NASA program names to the President's budget. We also reviewed the results of the Agency-executed sample of FY 2019 disbursements from the disaster relief funding extracted from the system and tested for improper payments. We reperformed that testing by tracing a sub-sample of those disbursement transactions to source documents. Additionally, we reviewed a system query of FY 2019 receivables and collections, which NASA used to identify overpayments that should be reported in its FY 2020 AFR and accompanying materials. We traced a sample of transactions from the NASA Shared Services Center's travel audit reports to the receivable and collection transactions in that system query. Additionally, we examined the results of the Agency's testing of disbursement transactions made in FYs 2018 and 2019 on cost-type contracts. We reperformed that testing by reviewing the source documentation of a sub-sample of those transactions and traced any disbursements that were overpayments and subsequently recovered to the FY 2019 receivable and collection system query. Overall, we assessed the reliability of these data by reviewing the results of the general and application control testing of the financial management system performed as part of NASA's annual financial statement audit in addition to tracing various transactions to supporting documents. Based on these actions, we determined that the data were sufficiently reliable for the purposes of this report.

## Review of Internal Controls

We assessed internal controls necessary to satisfy the audit objectives. Specifically, we assessed the information and communication internal control component and the underlying principles relating to the use of quality information and externally communicating the necessary quality information to achieve NASA's reporting objectives. However, because our review was limited to this internal control component and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit. Any internal control deficiencies identified are discussed in this report. Our recommendations, if implemented, should correct the identified control deficiencies.

## Prior Coverage

During the last 5 years, NASA OIG and the Government Accountability Office have issued 12 reports of significant relevance to the subject of this report. Unrestricted reports can be accessed at <https://oig.nasa.gov/audits/auditReports.html> and <https://www.gao.gov>, respectively.

### ***NASA Office of Inspector General***

*NASA's Compliance with the Improper Payments Information Act for Fiscal Year 2019 (IG-20-016, May 15, 2020)*

*NASA's Compliance with the Improper Payments Information Act for Fiscal Year 2018 (IG-19-020, June 3, 2019)*

*NASA's Compliance with the Improper Payments Information Act for Fiscal Year 2017 (IG-18-017, May 14, 2018)*

*NASA's Compliance with the Improper Payments Information Act for Fiscal Year 2016 (IG-17-020, May 15, 2017)*

*NASA's Compliance with the Improper Payments Information Act for Fiscal Year 2015 (IG-16-021, May 12, 2016)*

### ***Government Accountability Office***

*Improper Payments: Improvements Needed to Ensure Reliability and Accuracy in DOE's Risk Assessments and Reporting (GAO-20-442, June 17, 2020)*

*Improper Payments: Selected Agencies Need Improvements in Their Assessments to Better Determine and Document Risk Susceptibility (GAO-19-112, January 10, 2019)*

*Improper Payments: Additional Guidance Needed to Improve Oversight of Agencies with Noncompliant Programs (GAO-19-14, December 7, 2018)*

*Improper Payments: Actions and Guidance Could Help Address Issues and Inconsistencies in Estimation Processes (GAO-18-377, May 31, 2018)*

*Improper Payments: Most Selected Agencies Improved Procedures to Help Ensure Risk Assessments of All Programs and Activities (GAO-18-36, November 16, 2017)*

*Improper Payments: Additional Guidance Could Provide More Consistent Compliance Determinations and Reporting by Inspectors General (GAO-17-484, May 31, 2017)*

*Improper Payments: CFO Act Agencies Need to Improve Efforts to Address Compliance Issues (GAO-16-554, June 30, 2016)*

## APPENDIX B: PROGRAMS REVIEWED

We reviewed 40 programs from the Agency’s risk assessment and 2 programs that NASA tested to develop an improper payment estimate.

**Table 2: Agency Programs Reviewed by NASA OIG**

| Program Name                               |   |
|--|---|
| 21st Century Space Launch Complex          | Human Research Program                                |
| Advanced Cislunar and Surface Capabilities | Human Space Flight Operations                         |
| Aeronautics Construction of Facilities     | Institutions and Management                           |
| Aeronautics Strategy and Management        | Institutional Construction of Facilities <sup>a</sup> |
| Aeronautics Test Program                   | Launch Services                                       |
| Airspace Operations and Safety Program     | Lunar Discovery and Exploration                       |
| Applied Sciences                           | RMB-ARMD Institutional Reimbursables                  |
| Center Management and Operations           | RMB-ARMD Programmatic Reimbursables                   |
| Commercial Crew and Cargo                  | RMB-EDUC Programmatic Program                         |
| Commercial Crew Program                    | RMB-ESMD Programmatic Program                         |
| Commercial LEO Development Program         | RMB-SOMD Institutional Program                        |
| Constellation Systems                      | RMB-SOMD Programmatic Program                         |
| Cosmic Origins                             | RMB-SSMS Institution                                  |
| Education                                  | RMB-SSMS Programmatic Program                         |
| Enhance User Lease                         | Rocket Propulsion Testing                             |
| Enhanced-Use Lease Program                 | Safety and Mission Success                            |
| Environmental Compliance and Restoration   | Space Launch System <sup>b</sup>                      |
| Exploration Technology Development         | Space Shuttle Program                                 |
| Fundamental Aeronautics                    | Space Technology                                      |
| Gateway                                    | STEM Engagement                                       |
| Heliophysics Explorer Program              | Strategic Capabilities Asset Program                  |

Source: NASA OIG summary of Agency information.

<sup>a</sup> NASA received disaster relief funding under the Bipartisan Budget Act of 2018 for damages sustained by hurricanes Harvey and Matthew. NASA’s programs for Hurricane Harvey and Hurricane Matthew are components of the Institutional Construction of Facilities program. These programs met the OMB criteria to be designated as susceptible to significant improper payments, therefore, NASA performed sampling and improper payment estimation, as required.

<sup>b</sup> During FY 2020, NASA developed a sampling and estimation plan to develop a statistically valid estimate of improper payments. According to NASA, testing will be completed in FY 2021.

# APPENDIX C: STATUS OF PRIOR YEAR RECOMMENDATIONS

Based on this year's audit, we closed recommendations from prior years' audits if corrective actions were completed and verified. However, if additional corrective actions were necessary, the prior year recommendation remains open until evidence is provided that adequately satisfies the intent of the recommendation. Table 3 lists the status of prior year OIG recommendations that were open as of May 15, 2020.

**Table 3: Status of Prior Year Recommendations**

| Recommendation Number | Recommendation   | Status        |
|-----------------------|--|---------------|
| <b>IG-20-016</b>      |  |               |
| 1                     | Complete steps outlined in the OMB guidance for when an agency is not compliant with IPPIA for one fiscal year. Non-compliant agencies must submit a plan to Congress and OMB describing the actions that the agency will take to become compliant. Such a plan should include: <ol style="list-style-type: none"> <li>Measurable milestones to be accomplished to achieve compliance,</li> <li>Designation of a senior agency official who will be accountable for the progress to become compliant, and</li> <li>Establishment of an accountability mechanism with appropriate incentives and consequences tied to the success of the senior agency official in leading NASA's efforts to achieve compliance.</li> </ol> | <b>Closed</b> |
| 2                     | In accordance with OMB guidance, obtain a statistically valid estimate of the annual amount of improper payments in the SLS program for reporting in the FY 2020 AFR, and complete the associated required reporting.  | <b>Open</b>   |
| 3                     | Ensure that all risk factors are assigned risk ratings appropriately based on the supporting documentation in the risk assessment.   | <b>Closed</b> |
| 4                     | Change the timing of the Improper Payments Data Call so the results are available in time to consider for the improper payment risk assessment.  | <b>Closed</b> |
| <b>IG-19-020</b>      |  |               |
| 1                     | Revise existing policies and procedures for reporting overpayments identified and recaptured from sources outside of the payment recapture audit by documenting the processes developed to gather, track, and report improper payments recaptured through credits on future billings and sustained questioned direct costs from post-award audits.   | <b>Closed</b> |
| 2                     | Provide training to those organizations or individuals responsible for reporting overpayments from future billing credits and sustained questioned direct costs from post-award audits to ensure they are aware of NASA's reporting requirements and their responsibility for tracking the information and communicating it to OCFO, including specific details of the information to be reported and the format it should be reported.  | <b>Closed</b> |

| Recommendation Number | Recommendation  | Status        |
|-----------------------|---|---------------|
| <b>IG-18-017</b>      |   |               |
| 1                     | Implement a procedure to use information regarding known improper payments, including the latest available data used for payment recapture reporting, when performing the annual risk assessment.   | <b>Closed</b> |
| 3                     | Develop a process for tracking overpayments identified and subsequently recovered through reductions in future billings on existing contracts such as contract credits.   | <b>Open</b>   |
| <b>IG-15-015</b>      |   |               |
| 5                     | Include cost-type contract payments in the Agency’s recapture audit efforts. If NASA determines this proposal is not cost-effective, the Chief Financial Officer should document its justification for excluding these payments, including demonstrating that costs associated with recovering the funds are projected to be greater than the amount recovered. | <b>Closed</b> |

Source: NASA OIG.

# APPENDIX D: MANAGEMENT'S COMMENTS

National Aeronautics and  
Space Administration

**Mary W. Jackson NASA Headquarters**  
Washington, DC 20546-0001



May 13, 2021

Reply to Attn of: Office of the Chief Financial Officer

TO: Assistant Inspector General for Audits

FROM: Chief Financial Officer (Acting)

SUBJECT: Agency Response to OIG Draft Report, "NASA's Compliance with the Payment Integrity Information Act for Fiscal Year 2020" (A-21-002-00)

The National Aeronautics and Space Administration (NASA) appreciates the opportunity to review and comment on the Office of Inspector General (OIG) draft report entitled, "NASA's Compliance with the Payment Integrity Information Act for Fiscal Year 2020" (A-21-002-00), dated April 16, 2021.

In the draft report, the OIG makes three recommendations addressed to the Acting Chief Financial Officer intended to improve NASA's compliance with the Payment Integrity Information Act (PIIA).

Specifically, the OIG recommends the following:

**Recommendation 1:** In consultation with OMB, determine the appropriate method to update NASA's FY 2020 payment integrity information on the Paymentaccuracy.gov website to capture the results of the disaster relief improper payment testing.

**Management's Response:** NASA concurs. NASA will consult with the Office of Management and Budget (OMB) to determine the appropriate method to update the FY 2020 Payment integrity information on the Paymentaccuracy.gov Web site to capture the results of the disaster relief improper payment testing.

**Estimated Completion Date:** The estimated completion date for this activity is September 30, 2021.

**Recommendation 2:** Report payment integrity information using the appropriate medium (e.g., AFR or OMB data call submission) as instructed in guidance issued by OMB.

**Management's Response:** NASA concurs. NASA will report payment integrity information using the appropriate medium as instructed in guidance issued by OMB.

**Estimated Completion Date:** The estimated completion date for this activity is September 30, 2021.

**Recommendation 3:** Enhance *NASA's Payment Recapture Audit Program Administration Guidance* by providing more detailed information and/or job aids, such as a checklist, outlining the review procedures performed by QAD within the reporting process for overpayments from sources other than recapture audits.

**Management's Response:** NASA concurs. NASA will enhance the *Payment (fix spacing) Recapture Audit Program Administration Guidance* by providing more detailed information outlining procedures performed within the reporting process for overpayments from sources other than recapture audits.

**Estimated Completion Date:** The estimated completion date for this activity is September 30, 2021.

We have reviewed the draft report for information that should not be publicly released. As a result of this review, we have not identified any information that should not be publicly released.

Once again, thank you for the opportunity to review and comment on the subject draft report. If you have any questions or require additional information regarding this response, please contact Jamell Sharpe on (202) 358-1643.

**STEPHEN** Digitally signed by  
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Date: 2021.05.13  
21:37:56 -04'00'

Steve Shinn  
Chief Financial Officer (Acting)

# APPENDIX E: REPORT DISTRIBUTION

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## National Aeronautics and Space Administration

Administrator  
Associate Administrator  
Chief of Staff  
Acting Chief Financial Officer

## Non-NASA Organizations and Individuals

Office of Management and Budget  
Deputy Associate Director, Energy and Space Programs Division  
Government Accountability Office  
Managing Director, Financial Management and Assurance  
Director, Contracting and National Security Acquisitions

## Congressional Committees and Subcommittees, Chairman and Ranking Member

Senate Committee on Appropriations  
Subcommittee on Commerce, Justice, Science, and Related Agencies  
Senate Committee on Commerce, Science, and Transportation  
Subcommittee on Space and Science  
Senate Committee on Homeland Security and Governmental Affairs  
House Committee on Appropriations  
Subcommittee on Commerce, Justice, Science, and Related Agencies  
House Committee on Oversight and Reform  
Subcommittee on Government Operations  
House Committee on Science, Space, and Technology  
Subcommittee on Investigations and Oversight  
Subcommittee on Space and Aeronautics

**(Assignment No. A-21-002-00)**