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Office of Inspector General
United States Department of State

AUD-FM-21-30

Office of Audits

May 2021

Audit of Department of State FY 2020 Compliance With Improper Payment Requirements

FINANCIAL MANAGEMENT DIVISION

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HIGHLIGHTS

Office of Inspector General
United States Department of State

AUD-FM-21-30

What Was Audited

In FY 2020, improper Federal payments Government-wide totaled approximately \$206 billion. The Payment Integrity Information Act of 2019 (PIIA) requires Inspectors General to annually determine whether agencies complied with improper payment requirements and established requirements for agencies that were deemed noncompliant with improper payments requirements.

Kearney & Company, P.C. (Kearney), acting on the Office of Inspector General's (OIG) behalf, conducted this audit to determine whether the Department of State (Department) complied with PIIA for FY 2020. As part of this objective, Kearney also evaluated the Department's efforts to prevent and reduce improper payments.

What OIG Recommends

Because the Department was found to be in compliance with improper payments requirements for FY 2020, OIG is not offering recommendations as a result of this audit. The Bureau of the Comptroller and Global Financial Services' response to a draft of this report is reprinted in its entirety in Appendix B.

May 2021

OFFICE OF AUDITS

FINANCIAL MANAGEMENT DIVISION

Audit of Department of State FY 2020 Compliance With Improper Payment Requirements

What Was Found

For the FY 2020 reporting period, Kearney found that the Department complied with improper payments requirements, as presented in Table 1.

Table 1: Compliance with Improper Payment Criteria

Improper Payment Criteria	Compliance
Published Agency Financial Report	Yes
Conducted Risk Assessment	Yes
Published Improper Payment Estimate*	N/A
Published Corrective Action Plans*	N/A
Published Met Reduction Targets*	N/A
Reported an Improper Payment Rate Less Than 10 Percent*	N/A

*Criteria did not apply because no program was identified in FY 2020 as being at risk for significant improper payments.

Source: Kearney prepared using criteria from Office of Management and Budget Circular A-123, Appendix C.

Kearney found that the Department published on its website the FY 2020 Agency Financial Report, which included all applicable payment integrity disclosures, as required by Office of Management and Budget Circular A-136, "Financial Reporting Requirements." In addition, the Department complied with the requirement to perform program-specific risk assessments. Specifically, during FY 2020, the Department performed risk assessments for eight programs as part of its 3-year risk assessment approach. The programs subject to risk assessments during FY 2020 are listed in Table A.1.

During the evaluation of the Department's efforts to prevent and reduce improper payments, Kearney did not identify any needed improvements in this area (including improper payments determination and estimation methodology, as well as actions to improve prevention and reduction).



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Audit of the Department of State FY 2020 Compliance With Improper Payments Requirements

Office of Inspector General
U.S. Department of State
Washington, D.C.

Kearney & Company, P.C. (Kearney), has performed an audit of the Department of State FY 2020 compliance with improper payments requirements. This performance audit, performed under Contract No. 19AQMM19F2808, was designed to meet the objective identified in the report section titled "Objectives" and further defined in Appendix A, "Purpose, Scope and Methodology," of the report.

Kearney conducted this performance audit from January 2021 through May 2021 in accordance with the Government Auditing Standards, 2018 Revision, issued by the Comptroller General of the United States. Those standards require that Kearney plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Kearney believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives. The purpose of this report is to communicate the results of Kearney's performance audit and its related findings.

Kearney appreciates the cooperation provided by personnel in Department of State offices during the audit.

A handwritten signature in blue ink that reads "Kearney & Company". The signature is written in a cursive, flowing style.

Kearney & Company, P.C.
Alexandria, Virginia
May 4, 2021

CONTENTS

OBJECTIVE	1
BACKGROUND	1
Department of State Payments.....	2
AUDIT RESULTS	3
Finding A: The Department Complied With Improper Payment Requirements.....	3
APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY	7
Data Reliability	8
Work Related to Internal Control.....	9
Sampling Methodology	9
Prior Office of Inspector General Reports.....	9
APPENDIX B: BUREAU OF THE COMPTROLLER AND GLOBAL FINANCIAL SERVICES RESPONSE...	11
ABBREVIATIONS	12

OBJECTIVE

Kearney & Company P.C. (Kearney), acting on the Office of Inspector General's (OIG) behalf, conducted this audit to determine whether the Department of State (Department) complied with the Payment Integrity Information Act of 2019¹ (PIIA) for FY 2020. As part of this objective, Kearney also evaluated the Department's efforts to prevent and reduce improper payments.

BACKGROUND

According to the Department of the Treasury, improper Federal payments Government-wide totaled approximately \$206 billion in FY 2020.² Improper payments are payments that should not have been made or that were made in an incorrect amount. Improper payments include:

- Overpayments and underpayments that are made to eligible recipients,
- Duplicative payments,
- Payments made to an ineligible recipient,
- Payments for an ineligible good or service,
- Payments for goods or services not received (except for such payments authorized by law),
- Payments that do not account for credit for applicable discounts, and
- Payments for which an agency cannot determine whether the payments were proper because of insufficient or a lack of supporting documentation.³

The Federal Government has taken steps to identify and reduce improper payments. Most recently, on March 2, 2020, Congress enacted PIIA, which sets forth improper payment reporting requirements, including an annual compliance report from OIGs,⁴ that were similar to earlier laws.⁵ For example, PIIA requires agencies to publish improper payments information with the agency's financial statements and post the information on the agency's website.⁶

On June 26, 2018, the Office of Management and Budget (OMB) released guidance for agencies to implement improper payments legislation in Appendix C, "Requirements for Payment Integrity Improvement," of OMB Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control," in an effort "to transform the improper payment

¹ PIIA, Pub. L. 116-117, March 2, 2020.

² PaymentAccuracy.gov, Resources, Annual Improper Payment Datasets, Payment Accuracy 2020 Dataset, <https://www.paymentaccuracy.gov/payment-accuracy-the-numbers/>.

³ Office of Management and Budget Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control," Appendix C, "Requirements for Payment Integrity Improvement," 8 (June 26, 2018).

⁴ PIIA, § 3353.

⁵ PIIA repealed earlier improper payments laws, including the Improper Payments Information Act of 2002, Pub. L. 107-300, November 26, 2002; the Improper Payments Elimination and Recovery Act of 2010, Pub. L. 111-204, July 22, 2010; and the Improper Payments Elimination and Recovery Improvement Act of 2012, Pub. L. 112-248, January 10, 2013.

⁶ PIIA, § 3351(2)(A)(i) and (ii).

compliance framework to create a more unified, comprehensive, and less burdensome set of requirements.”⁷ For FY 2020, OMB also provided additional information to implement PIIA, specifically “OMB Annual Data Call Instructions” and “OMB Payment Integrity Question and Answer Platform.”⁸

Department of State Payments

The Department is the primary agency through which the U.S. Government conducts its diplomacy. The Department operates more than 270 embassies, consulates, and other posts worldwide. The Department provides policy guidance, program management, administrative support, and in-depth expertise in areas such as law enforcement, economics, the environment, intelligence, arms control, human rights, counternarcotic, counterterrorism, public diplomacy, humanitarian assistance, security, nonproliferation, and consular services.

Because of the nature and the extent of its programs, the Department makes significant payments to third-party vendors, contractors, grantees, and employees. During FY 2020, the Department made payments of approximately \$34.9 billion, of which \$29.3 billion was subject to improper payment requirements.⁹ The payments subject to improper payments included payments to vendors and contractors; payments to employees; and Federal financial assistance payments, including grants, assessed contributions,¹⁰ and voluntary contributions.¹¹ The amount and volume of payments made by the Department, the Department’s emphasis on expediting certain payments (e.g., payments for necessary foreign financial assistance), and the decentralized nature of the Department’s operations increase the Department’s risk for improper payments.

The Bureau of the Comptroller and Global Financial Services (CGFS) has oversight responsibilities for the Department’s financial management program. Financial management program responsibilities include establishing financial policy and procedures, analyzing and reporting financial information, managing financial information systems, and establishing management controls. Management controls, also known as “internal controls,” are the processes designed and implemented by an organization to help it accomplish its goals or objectives. Important internal control activities include those aimed at ensuring that only proper payments are made. Within CGFS, the Office of Management Controls (MC) is responsible for overseeing the Department’s management control program and other financial

⁷ OMB Memorandum M-18-20 (June 2018).

⁸ OMB plans to provide additional guidance to implement PIIA; however, that guidance was not available at the time of this audit.

⁹ OMB Circular A-123, Appendix C, at 14, states that agencies are not obligated to review intra-governmental transactions for improper payments unless directed to do so by OMB. Approximately \$5.6 billion of \$34.9 billion in Department payments were intra-governmental and intra-departmental payments.

¹⁰ Assessed contributions represent assistance provided to foreign countries, international societies, commissions, or proceedings or to projects that are lump sum, quota of expenses, or fixed by treaty.

¹¹ Voluntary contributions represent discretionary financial assistance provided to foreign countries, international societies, commissions, proceedings, or projects.

management functions, such as administering compliance with improper payment requirements.

AUDIT RESULTS

Finding A: The Department Complied With Improper Payment Requirements

Kearney found that the Department complied with all applicable improper payment requirements for FY 2020. Specifically, the Department reported the required improper payments information in its FY 2020 Agency Financial Report (AFR), published the AFR on its public website, and conducted program-specific risk assessments, as needed. The Department was not required to perform additional procedures or make other AFR disclosures because it did not identify any programs at significant risk for improper payments.¹² During the evaluation of the Department's efforts to prevent and reduce improper payments, Kearney did not identify any needed improvements in this area (including the Department's improper payments determination and estimation methodology, as well as actions to improve prevention and reduction).

Agency Financial Report Included Required Disclosures and Was Published

PIIA requires agencies to "publish improper payments information with the annual financial statement" and post the financial statement and any accompanying material required by OMB on the agency's website.¹³ OMB Circular A-123, Appendix C, states that most improper payment reporting requirements are met though annual data requests from OMB and an agency's AFR, which is required to be presented in the format provided in OMB Circular A-136, as revised.¹⁴

The Department published its FY 2020 AFR containing the required improper payments information and posted it on its public website.¹⁵ Specifically, the Department included detailed information on its risk assessment process and a statement that it has not identified any programs deemed susceptible to significant improper payments. In the AFR, the Department

¹² OMB Circular A-123, Appendix C, at 49, identifies six criteria or requirements that agencies must meet to be compliant with improper payments requirements: (1) publish an AFR for the most recent fiscal year and post the report and accompanying materials required by OMB to the agency website; (2) conduct a program-specific risk assessment for each program; (3) publish improper payment estimates for all programs identified as susceptible to improper payments, if required; (4) publish programmatic corrective actions plans in the AFR, if required; (5) publish and meet annual reduction targets for each program at risk for improper payments, if required; and (6) report a gross improper payment rate of less than 10 percent for each program for which an improper payment estimate was obtained and published in the AFR. Requirements 3 through 6 apply to agencies that have identified programs susceptible to significant improper payments. The Department has not identified a program susceptible to significant improper payments.

¹³ PIIA, § 3351(2)(A)(i) and (ii).

¹⁴ OMB Circular A-123, Appendix C, at 6, "Annual Reporting," and OMB Circular A-136, "Financial Reporting Requirements," § II.4.5, "Payment Integrity Information Act Reporting" (August 27, 2020).

¹⁵ <https://www.state.gov/plans-performance-budget/agency-financial-reports/>.

also included a link to www.paymentaccuracy.gov, which contains additional information related to improper payments, including the amounts of recaptured overpayments and “Do Not Pay” initiative activities.¹⁶ Because the Department did not identify any programs that were deemed susceptible to significant improper payments, additional reporting requirements were not applicable.

Program Risk Assessments Were Performed

PIIA requires agencies to periodically review all programs and identify those with outlays exceeding a certain amount that may be susceptible to significant improper payments.¹⁷ OMB Circular A-123, Appendix C, defines significant improper payments as gross annual improper payments in a program exceeding (1) both 1.5 percent of program outlays and \$10 million of all program payments made during the fiscal year or (2) \$100 million. Agencies should institute a systematic method for performing the risk assessment by conducting either a quantitative or qualitative risk assessment. Quantitative risk assessments should be based on sampling (statistical or nonstatistical) analysis. Qualitative risk assessments may be conducted in another form, such as a questionnaire, designed to accurately determine whether the program is susceptible to significant improper payments.¹⁸

For programs that an agency initially determines are not susceptible to significant improper payments, OMB requires the agency to implement a systematic method to conduct risk assessments of all programs at least once every 3 years thereafter. However, agencies are required to consider annually whether significant changes to either legislation or funding would affect each program’s risk susceptibility.¹⁹

During FY 2019, the Department performed a full risk assessment for each of its programs that was subject to improper payments requirements to identify those programs that may be susceptible to significant improper payments. Therefore, during FY 2020, the Department only needed to perform risk assessments for programs for which significant changes to either legislation or funding could affect the program’s risk susceptibility. In FY 2020, of the 35 programs that the Department identified as being subject to improper payment requirements, MC identified 8 programs requiring updated improper payment risk assessments. MC determined that the risk assessments were required because these programs experienced an increase in expenditures from the prior year of greater than \$85 million and 50 percent or an increase in expenditures from the prior year of \$100 million or greater.

¹⁶ “Do Not Pay” is a Government initiative that allows agencies to use a secure online interface to check various data sources to verify the eligibility of a vendor, grantee, loan recipient, or beneficiary to receive Federal payments.

¹⁷ PIIA, § 3352.a.1.

¹⁸ OMB Circular A-123, Appendix C, at 10–13.

¹⁹ *Ibid.*, at 11.

The Department applies a five-phase risk assessment approach to determine a program's susceptibility to improper payments, which includes qualitative and quantitative phases, as follows:

- **Phase I:** Identification of Department programs that require risk assessments.
- **Phase II:** MC evaluation of seven risk factors specified by OMB²⁰ and four risk factors developed by the Department²¹ for each program. MC assigns a numerical rating of 1 (low risk), 3 (moderate risk), or 5 (high risk) for each risk factor. MC averages the ratings to determine the program's overall risk level.²²
 - The assessment is complete for programs that are identified as low risk.
 - The assessment continues for programs that are identified as moderate or high risk.
- **Phase III:** MC evaluation of three additional risk factors developed by the Department, which are combined with Phase II risk scores, for each program.
 - The assessment is complete for programs that are identified as low risk.
 - The assessment continues for programs that are identified as moderate or high risk.
- **Phase IV:** Responsible program officials complete a questionnaire developed by MC, which uses the same scoring techniques as Phases II and III, for nine risk factors. Phase IV scores are combined with Phase III scores.
 - The assessment is complete for programs that are identified as low risk.
 - The assessment continues for programs that are identified as moderate or high risk.
- **Phase V:** MC evaluates a statistical sample of program payments and determines whether the error rate of improper payments exceeds the OMB threshold for programs identified as susceptible to significant improper payments.²³

MC obtained information for its evaluation by reviewing the Department's FY 2020 Congressional Budget Justification, information on internal and external websites, and information contained in internal and external reports and by having discussions with officials from the responsible bureaus and offices. The overall ratings calculated by MC showed that all eight programs were at low risk for incurring significant improper payments. Kearney reviewed

²⁰ Ibid., at 11-12.

²¹ Three of the additional risk factors used by the Department relate to risk factors that OMB A-123, Appendix C, required before it was revised on June 26, 2018. Specifically, MC has elected to continue considering "[r]esults from prior improper payment work," which MC splits into two factors—number of improper payments and amount of improper payments—and "[i]nherent risks of improper payments due to the nature of agency programs or operations." Furthermore, MC considers one additional risk factor—percentage increase in funding. Although OMB includes a risk factor related to major changes in program funding, MC includes this additional factor so that it can consider changes in amounts and changes in a percentage of the program's funding.

²² MC defines a program's average overall risk level between 1.0 to 2.2 as low, 2.3 to 3.4 as moderate, and 3.5 or greater as high.

²³ The Department's conclusion on a program's susceptibility to significant improper payments would be based on the thresholds for significant improper payments defined in OMB Circular A-123, Appendix C, at 10.

risk assessment documentation for each of the eight programs identified by the Department as requiring a risk assessment in FY 2020 to evaluate MC's risk assessment processes. Kearney found that MC performed the risk assessments in accordance with its processes and procedures and that MC's conclusions were supportable.

The Department's Efforts to Prevent and Reduce Improper Payments

Kearney assessed the Department's efforts to prevent and reduce improper payments. Through inquiry with MC staff and review of Department policies and procedures and responses to OMB data calls, Kearney found that the Department is performing procedures to detect and recover improper payments. Specifically, MC's policies and procedures include an established process to identify and recapture (collect) erroneous vendor payments and to track erroneous payments that were identified and returned by vendors. Furthermore, the Department will use the Department of the Treasury Offset Program to collect overpayments if the Office of Claims is unsuccessful in its efforts recapture an improper payment.

In addition, the Department uses resources such as the Department of the Treasury's Do Not Pay Initiative and the General Services Administration's System for Award Management²⁴ to reduce improper payments prior to making a payment or award. CGFS employees are required to review pre-payment and pre-award procedures and ensure that a thorough review of available databases with relevant information on eligibility occurs before the release of any Federal funds, to the extent permitted by law.

Furthermore, annually, the Department conducts its assessment of risk and internal control in accordance with OMB Circular A-123. The Department employs a risk-based approach to evaluate internal controls over reporting on a multi-year rotating basis. The Department has controls in place to address identified risks related to payroll, grants, large procurements, information technology and security, assets, and purchase and travel cards. Additionally, the Department continues to advance its enterprise risk management program by developing risk profiles.

²⁴ The System for Award Management is operated by the General Services Administration. Entities must have an active registration in the system to do business with the Federal Government.

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

The Payment Integrity Information Act of 2019¹ (PIIA) requires the Office of Inspector General (OIG) to provide an annual report of Department of State (Department) compliance with improper payments requirements.² In accordance with the PIIA requirement, an external audit firm, Kearney & Company, P.C. (Kearney), acting on behalf of OIG, conducted an audit to determine whether the Department complied with PIIA for FY 2020. As part of this objective, Kearney also evaluated the Department's efforts to prevent and reduce improper payments.

On March 2, 2020, PIIA repealed the Improper Payments Elimination and Recover Act of 2010 (and other laws)³ but sets forth similar improper payment reporting requirements, including an annual compliance report by Inspectors General.⁴ Because final Office of Management and Budget (OMB) guidance related to PIIA was not available at the time of this audit, Kearney performed this audit using a combination of the requirements in OMB Circular A-123,⁵ Appendix C,⁶ OMB Circular A-136,⁷ "OMB Annual Data Call Instructions," the "OMB Payment Integrity Question and Answer Platform," and the Council of the Inspectors General on Integrity and Efficiency guidance.

Kearney conducted this audit from January to April 2021 in the Washington, DC, metropolitan area. The scope of this audit was the Department's FY 2020 improper payment reporting process. Kearney's audit was impacted by the COVID-19 pandemic and resulting operational challenges. These challenges included the inability to conduct in-person meetings and difficulty accessing some information. Kearney conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that Kearney plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objective. Kearney believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objective.

To obtain background information, Kearney researched and reviewed legislative requirements related to improper payments, OMB guidance, and prior OIG and Government Accountability Office audit reports. Kearney designed the audit to obtain insight into the Department's current processes, procedures, and organizational structure regarding compliance with improper

¹ PIIA, Pub. L. 116-117, March 2, 2020.

² PIIA, § 3353.

³ PIIA repealed earlier improper payments laws, including the Improper Payments Information Act of 2002, Pub. L. 107-300, November 26, 2002; the Improper Payments Elimination and Recovery Act of 2010, Pub. L. 111-204, July 22, 2010; and the Improper Payments Elimination and Recovery Improvement Act of 2012, Pub. L. 112-248, January 10, 2013.

⁴ PIIA, § 3353.

⁵ OMB, "Management's Responsibility for Enterprise Risk Management and Internal Control" (July 15, 2016).

⁶ OMB Memorandum M-18-20, "Requirements for Payment Integrity Improvements" (June 26, 2018).

⁷ OMB, "Financial Reporting Requirements" (August 27, 2020).

payment requirements. To expedite the audit process, Kearney leveraged the results of its FY 2020 audit of the Department's financial statements and audits of the Department's FY 2011-2019 compliance with improper payment requirements to confirm its understanding of the nature and profile of Department operation, regulatory requirements, and supporting information systems and controls.

Kearney conducted virtual process walkthroughs and interviews with Department officials to obtain a sufficient understanding of the steps taken by the Department to assess the risk of improper payments, the Department's process of identifying significant improper payments, and the process of reporting improper payments information. Consistent with the fieldwork standards for performance audits, Kearney established performance criteria and identified sources of audit evidence to complete the testing phase.

During the testing phase, Kearney obtained and reviewed documentation supporting the Department's FY 2020 risk assessments and Agency Financial Report (AFR) disclosures. The criteria determined in the planning phase served as a basis for assessing the Department's compliance with improper payment requirements. The testing phase included procedures to assess the Department's reporting process and the AFR disclosure. Specifically, Kearney performed procedures to ensure the completeness of the Department's listing of programs and activities subject to improper payment requirements. Kearney also evaluated the Department's risk assessment process for compliance with improper payment requirements as well as reasonableness and objectivity. Finally, Kearney evaluated the Department's FY 2020 AFR disclosures against improper payment requirements⁸ to determine whether all required disclosures were made.

Data Reliability

Kearney obtained computer-processed data from the Bureau of the Comptroller and Global Financial Services, Office of Management Controls, to aid in determining whether the Department complied with improper payment requirements. More specifically, the data provided evidence that the Department had taken steps to comply with improper payment requirements. Kearney did not perform tests to validate the data because such testing was not necessary to accomplish the audit objective. However, Kearney assessed the data provided as sufficiently reliable on the basis of its understanding of the financial information gained during the audit of the Department's FY 2020 financial statements. Kearney's assessment was also based on a comparison of the programs and activities that the Department used as its baseline for performing risk assessments with a universe of FY 2019 expenditure transactions that Kearney obtained from the Global Financial Management System, the Department's core financial system.

⁸ OMB Circular A-136, at § II.4.5, "Payment Integrity Information Act Reporting" (August 27, 2020).

Work Related to Internal Control

During the audit, Kearney considered a number of factors, including the subject matter of the project, to determine whether internal control was significant to the audit objective. Kearney then determined that internal control was not significant for this audit. Although internal control was not significant to the audit objective, Kearney performed procedures to gain an understanding of internal controls related to the Department's improper payment reporting processes. Specifically, Kearney obtained and reviewed the Department's policies and procedures for making payments, performing risk assessments, and reporting improper payments information.

Sampling Methodology

The Department tracks payments and other transactions related to its programs, using various accounting codes in its financial management systems. The Department identified eight programs that required improper payment risk assessments in FY 2020.⁹ Kearney tested the Department's risk assessment process for all eight programs, as shown in Table A.1.

Table A.1: Programs Selected for Testing

Program Name	FY 2019 Dollar Value
Voluntary Contributions	\$3,411,725,204
Assessed Contributions	\$2,558,076,031
Diplomatic and Support Programs	\$639,683,429
Diplomatic and Consular Programs, Security – Afghanistan, Pakistan Programs	\$944,839,117
Bureau of Overseas Buildings Operations, International Security Programs	\$685,313,846
Bureau of International Narcotics and Law Enforcement Affairs, Embassy Operations Programs	\$511,401,107
Peacekeeping Operations, Peace-Keeping Operations Programs	\$244,768,893
Bureau of Overseas Buildings Operations, Construction	\$1,082,948,188
Total	\$10,078,755,815

Source: Generated by Kearney from data provided by the Department.

Prior Office of Inspector General Reports

In May 2020, OIG reported¹⁰ that the Department complied with improper payment requirements. Specifically, the Department performed required risk assessments. In addition, the Department published its AFR for FY 2019 with the disclosures required by OMB, as well as additional optional disclosures, and posted the AFR on its website. However, Kearney found that the Department misapplied its scoring methodology for one risk factor and did not

⁹ Because of the timing of FY 2020 risk assessments, the programs are grouped on the basis of FY 2019 financial data.

¹⁰ OIG, *Audit of Department of State FY 2019 Compliance With Improper Payments Requirements* (AUD-FM-20-31, May 2020).

evaluate all OIG reports during its risk assessment process. As of the date of this report, the one recommendation from the prior OIG audit report was closed.

APPENDIX B: BUREAU OF THE COMPTROLLER AND GLOBAL FINANCIAL SERVICES RESPONSE



*United States Department of State
Comptroller
Washington, DC 20520*

APR 28 2021

UNCLASSIFIED
MEMORANDUM

TO: OIG – Diana Shaw, Acting

FROM: CGFS – Jeffrey C. Mounts *Jeffrey C. Mounts*

SUBJECT: Response to Draft OIG Report – Audit of Department of State FY 2020 Compliance with Improper Payments Requirements (AUD-FM-21-XX, April 2021)

Thank you for the opportunity to comment on the Office of Inspector General's (OIG) Draft Report titled Audit of Department of State FY 2020 Compliance with Improper Payments Requirements (AUD-FM-21-XX, April 2021).

The Department, and the Bureau of the Comptroller of Global Financial Services' Office of Management Controls (CGFS/MC) in particular, has made significant efforts to comply with all requirements and guidance for the Payment Integrity Information Act (PIIA). As reflected in the report, we are pleased that our program is "compliant" with PIIA.

We recognize that the PIIA and related guidance has raised the bar on transparently accounting for and preventing improper payments for all Agencies, including the Department. We look forward to working with both the OIG and the Independent Auditor on further enhancements to our existing programs in the coming year. If you have any questions, please contact Carole Clay, Director of Management Controls at (202) 663-2084.

ABBREVIATIONS

AFR	Agency Financial Report
CGFS	Bureau of the Comptroller and Global Financial Services
MC	Office of Management Controls
OIG	Office of Inspector General
OMB	Office of Management and Budget
PIIA	Payment Integrity Information Act of 2019

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