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Office of Inspector General
United States Department of State

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Office of Audits

May 2021

Audit of U.S. Agency for Global Media FY 2020 Compliance With Improper Payment Requirements

FINANCIAL MANAGEMENT DIVISION

UNCLASSIFIED



HIGHLIGHTS

Office of Inspector General
United States Department of State

AUD-FM-IB-21-29

What OIG 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.

The Office of Inspector General (OIG) conducted this audit to determine whether the U.S. Agency for Global Media (USAGM) complied with PIIA requirements for FY 2020. As part of this objective, OIG also evaluated USAGM's efforts to prevent and reduce improper payments.

What OIG Recommends

Because OIG concluded that USAGM complied with improper payments requirements for FY 2020, OIG is not offering recommendations as a result of this audit. USAGM's response to a draft of this report is reprinted in its entirety in Appendix B.

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What OIG Found

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

Table 1: Compliance with Improper Payment Criteria

Improper Payment Criteria	Compliance
Published Performance and Accountability Report	Yes
Conducted Risk Assessment	Yes
Published Improper Payment Estimate*	N/A
Published Corrective Action Plans*	N/A
Published and 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: OIG prepared using criteria from Office of Management and Budget Circular A-123, Appendix C.

OIG found that USAGM published on its website the FY 2020 Performance and Accountability Report, which included all applicable payment integrity disclosures, as required by Office of Management and Budget Circular A-136, "Financial Reporting Requirements." In addition, USAGM complied with the requirement to perform program-specific risk assessments. Specifically, USAGM performed quantitative risk assessment testing for 4 programs as part of its 3-year rotational testing approach and performed a qualitative risk assessment for 10 programs. The programs subject to risk assessments during FY 2020 are listed in Tables 1 and 2 of the Audit Results section of this report and were all in compliance with requirements.

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

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OBJECTIVE

The Office of Inspector General (OIG) conducted this audit to determine whether the U.S. Agency for Global Media (USAGM) complied with the Payment Integrity Information Act of 2019 (PIIA)¹ for FY 2020. As part of this objective, OIG also evaluated USAGM'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,
- 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, The Numbers, Payment Accuracy 2020 Dataset, All Program Results Tab, Column AB <https://www.paymentaccuracy.gov/payment-accuracy-the-numbers/>.

³ OMB 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

USAGM Mission and Organization

USAGM, an independent Federal agency, supervises all U.S. Government-supported civilian international broadcasting. USAGM’s mission is to inform, engage, and connect people around the world in support of freedom and democracy. The USAGM Federal broadcasting organizations include the Voice of America and the Office of Cuba Broadcasting. USAGM also oversees four grantee organizations: Radio Free Europe/Radio Liberty, Middle East Broadcasting Networks, Radio Free Asia (RFA), and the Open Technology Fund (OTF). The four grantees receive funding from the Federal Government but are organized and managed as private, nonprofit corporations.

USAGM’s Chief Financial Officer serves as USAGM’s principal financial and budget officer. The Chief Financial Officer is responsible for, among other things, overseeing all financial management activities relating to USAGM programs and operations, establishing effective financial management policies and management controls, and ensuring that USAGM complies with Executive orders and OMB circulars.

Within the Office of the Chief Financial Officer, the Office of Financial Operations is responsible for daily financial operations, accuracy of financial management records, prompt processing of payments, collection of accounts receivable, and facilitation of USAGM’s annual financial statement audit. USAGM makes some purchases and payments at overseas locations. The Department of State also makes payments to overseas vendors on behalf of USAGM. During FY 2020, USAGM reported outlays⁹ totaling approximately \$797 million.

AUDIT RESULTS

Finding A: USAGM Complied With Improper Payment Requirements

OIG found that USAGM complied with all applicable improper payment requirements for FY 2020. Specifically, USAGM reported the required improper payments information in its FY 2020 Performance and Accountability Report (PAR), published the PAR on its public website,¹⁰ and conducted program-specific risk assessments. USAGM was not required to

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 According to the Government Accountability Office, “A Glossary of Terms Used in the Federal Budget Process” (GAO-05-734SP, September 2005), 73, outlays include the issuance of checks, the disbursement of cash, or the electronic transfer of funds made to liquidate a Federal obligation.

¹⁰ <https://www.usagm.gov/wp-content/uploads/2020/11/USAGM-FY2020-PAR.pdf>.

perform additional procedures or make other PAR disclosures because it did not identify any programs at significant risk for improper payments.¹¹ During OIG's evaluation of USAGM's efforts to prevent and reduce improper payments, OIG did not identify any needed improvements in this area (including USAGM's improper payments determination and estimation methodology, as well as actions to improve prevention and reduction).

Performance and Accountability 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.¹² 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 PAR, which is required to be presented in the format provided in OMB Circular A-136, as revised.¹³

USAGM published its FY 2020 PAR containing the required improper payments information and posted it on its public website. Specifically, USAGM included detailed information on its quantitative and qualitative risk assessment processes and a statement that it has not identified any programs deemed susceptible to significant improper payments. In the PAR, USAGM 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.¹⁴ OIG found that USAGM did not include 1 of 22 required disclosures on the website. Specifically, OIG found that USAGM did not report certain risk assessment information as required by OMB. However, OIG concluded that the missing information was not significant and therefore did not impact OIG's determination of compliance with requirements.¹⁵ In

¹¹ 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 a PAR 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 PAR, 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 PAR. Requirements 3 through 6 apply to agencies that have identified programs susceptible to significant improper payments. USAGM does not have a program susceptible to significant improper payments.

¹² PIIA, § 3351(2)(A)(i) and (ii).

¹³ 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).

¹⁴ "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.

¹⁵ According to the Council of the Inspectors General on Integrity and Efficiency, "Guidance for Payment Integrity Information Act Compliance Reviews," November 2020, 9, OIGs should "use a compliant/noncompliant approach that takes into account whether its current work, prior work, and professional judgment lead the OIG to conclude that it has concerns regarding completeness or inaccuracies that would significantly alter the payment integrity information reported by the agency."

addition, because USAGM 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 dollar amount that may be susceptible to significant improper payments.¹⁶ 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 shall institute a systematic method of performing the risk assessments 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.¹⁷

If an agency initially determines programs 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 perform a program risk assessment when significant changes to either legislation or funding would affect each program's risk susceptibility.¹⁸

USAGM performs quantitative risk assessments for its programs in accordance with its 3-year rotational testing approach. In FY 2020, USAGM performed quantitative risk assessment testing of its Office of Technology, Services, and Innovation (TSI) (TSI), RFA, payroll, and OTF. To perform this analysis, USAGM tested a sample of expenditures for the four programs, as shown in Table 1.

Table 1. Results of USAGM Program Testing

	Number of Payments	Amount of Payments	Number Tested	Amount Tested	Number of Improper Payments	Amount of Improper Payments	Error Rate	Amount of Projected Improper Payments
TSI	3,564	\$74,112,070	145	\$19,962,805	0	\$0	0.00	\$0
RFA	31	45,684,872	31	45,684,872	0	\$0	0.00	\$0
Payroll	35,788	156,175,981	145	657,318	0	\$0	0.00	\$0
OTF	5	9,381,872	5	9,381,872	0	\$0	0.00	\$0

Source: OIG prepared using improper payment testing data provided by USAGM.

¹⁶ PIIA, § 3352.a.1.

¹⁷ OMB Circular A-123, Appendix C, at 10–13.

¹⁸ Ibid., at 11.

USAGM quantitative risk assessments did not identify any improper payments for the four programs tested.

In addition, in FY 2020 USAGM performed a qualitative risk assessment as part of its PIIA control procedures. USAGM identified 10 key programs for the qualitative risk assessment and ranked each program on a scale of 1 to 5, with 1 being “very high risk” and 5 being “very low risk.” The categorized risk factors that USAGM considered for the qualitative risk assessment consist of operational and inherent risk, complexity, volume of payments, human capital risk, historical risk, information technology risk, compliance risk, and total dollar value.¹⁹ USAGM calculated the average rating to arrive at the overall risk for each program. As shown in Table 2, the overall risk for the programs ranged from 2.75, “moderate risk,” to 4.70, “very low risk.”

Table 2. Results of USAGM Qualitative Risk Assessment

Program	Overall Risk Assessment Rating
Voice of America	3.20
International Broadcasting Bureau	3.45
TSI	3.32
Middle East Broadcasting Networks	3.43
Office of Cuba Broadcasting	4.70
RFA	3.65
Radio Free Europe/Radio Liberty	3.43
OTF	2.75
Domestic Payroll	3.23
Overseas Payroll	3.05

Source: OIG prepared using the results of the USAGM qualitative risk assessment.

As a result of risk assessments performed, USAGM did not identify any programs as being at risk for significant improper payments, as defined in OMB Circular A-123, Appendix C.

Evaluation of USAGM Efforts To Prevent and Reduce Improper Payments

OIG evaluated USAGM’s efforts to prevent and reduce improper payments. Through inquiry with USAGM staff and review of USAGM policies and procedures and responses to OMB data calls, OIG found that USAGM is performing procedures to detect and recover improper payments. Specifically, according to USAGM policies and procedures, if improper payments are discovered that result in monetary loss to the government, USAGM takes steps to recover the funds, such as contacting the vendor or employee to explain that an improper payment was made and request that the funds be returned to USAGM. Furthermore, USAGM uses the Department of the Treasury Offset Program to collect overpayments.

¹⁹ For the qualitative risk assessment, USAGM tests the applicable OMB risk factors, as identified in OMB Circular A-123, Appendix C, at 11-12, and includes three additional risks, information technology risk, compliance risk, and total dollar value.

In addition, USAGM uses resources such as Treasury's Do Not Pay Initiative and the General Services Administration's System for Award Management²⁰ to reduce improper payments prior to making a payment or award. USAGM 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.

Other controls USAGM has implemented include developing its Enterprise Risk Management Profile. Specifically, USAGM documented and is currently implementing risk response mitigation strategies to identify enterprise risks, including evaluating fraud risk, documenting controls in place, and mitigating activities. USAGM uses a risk-based approach to design and implement financial and administrative controls. USAGM has controls in place to address identified fraud risks related to payroll, grants, large procurements, information technology and security, assets, and purchase and travel cards.

²⁰ 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 2019 (PIIA)¹ requires the Office of Inspector General (OIG) to provide an annual report of U.S. Agency for Global Media (USAGM) compliance with improper payments requirements.² In accordance with the PIIA requirement, OIG conducted this audit to determine whether USAGM complied with PIIA. As part of this objective, OIG also evaluated USAGM'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, OIG 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.

OIG's Office of Audits performed fieldwork from January to April 2021. Work was performed remotely due to the COVID-19 pandemic. OIG conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that OIG 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. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

To obtain background information, OIG researched and reviewed legislative requirements related to improper payments and OMB guidance. In addition, OIG reviewed and analyzed prior OIG audit work to identify information relating to improper payments issues that had been reported previously.

During the audit, OIG determined whether USAGM disclosed the required payment integrity information in its FY 2020 Performance and Accountability Report (PAR), published the PAR on

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 2020, 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 Circular A-123, "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 Circular A-136, "Financial Reporting Requirements" (August 27, 2020).

its website, and conducted a program-specific risk assessment for programs in accordance with OMB requirements.⁸ OIG also reviewed and evaluated USAGM Data Call submissions for completeness and accuracy. In addition, OIG reviewed and assessed policies and procedures and made inquiries with USAGM officials to gain an understanding of USAGM's processes for reporting payment integrity information on its website, performing risk assessments, and identifying improper payments. OIG also obtained and reviewed documentation supporting the quantitative and qualitative risk assessment testing that USAGM performed and reviewed the payment integrity information disclosed in the FY 2020 PAR for sufficiency.

Data Reliability

OIG obtained computer-processed data, such as worksheets, to aid in determining whether USAGM complied with PIIA. More specifically, the data provided evidence that USAGM took steps to comply with PIIA. OIG performed tests to validate the completeness and accuracy of amounts on supporting worksheets that were used to report information in the PAR and on www.paymentaccuracy.gov. OIG determined that the data were sufficiently reliable for the purposes of its objective. OIG did not perform tests to validate the worksheet amounts to the underlying financial management system, because such testing was not necessary to accomplish the objective of this audit.

Work Related to Internal Control

During the audit, OIG considered factors, including the subject matter of the project, to determine whether internal control was significant to the audit objective. On the basis of its consideration, OIG determined that internal control was not significant for this audit.

Although internal controls were not significant to the audit objective, OIG performed procedures to gain an understanding of internal controls related to USAGM's improper payment review and reporting processes. Specifically, USAGM officials completed OIG-prepared questionnaires to update OIG's understanding of the control environment ascertained during its prior-year audits and responded to control-related inquiries. OIG also obtained and reviewed USAGM's policies and procedures for making payments, performing risk assessments, and reporting improper payments information.

Prior Office of Inspector General Reports

In May 2020, OIG reported⁹ that USAGM complied with improper payments requirements. Specifically, OIG reported that USAGM published on its website the FY 2019 PAR, which included all applicable payment integrity disclosures, as required. In addition, USAGM complied with the requirement to perform program-specific risk assessments. Specifically, USAGM

⁸ OMB Circular A-136 § II.4.5, "Payment Integrity Information Act Reporting."

⁹ OIG, *Audit of U.S. Agency for Global Media FY 2019 Compliance With Improper Payments Requirements* (AUD-FM-IB-20-28, May 2020).

performed quantitative risk assessment testing for two programs (Voice of America and Office of Cuba Broadcasting) as part of its rotational testing approach.

APPENDIX B: U.S. AGENCY FOR GLOBAL MEDIA RESPONSE



U.S. AGENCY FOR
GLOBAL MEDIA

330 Independence Avenue SW | Washington, DC 20237 | usagm.gov

May 4, 2021

Mr. Norman P. Brown
Assistant Inspector General for Audits
Office of Inspector General
U.S. Department of State

Dear Mr. Brown:

The U.S. Agency for Global Media (USAGM) has reviewed the draft report, entitled *Audit of USAGM FY 2020 Compliance with Improper Payment Requirements*. USAGM was pleased to see that the Office of Inspector General (OIG) found that USAGM complied with applicable payment integrity requirements during fiscal year 2020 and that no recommendations are necessary as a result of this audit. USAGM concurs with the OIG's findings.

Thank you for the opportunity to respond to this draft report, and I appreciate the work of your staff on this audit.

Sincerely,

A handwritten signature in black ink, appearing to read 'Keluo Chao', written in a cursive style.

Kelu Chao
Acting Chief Executive Officer



ABBREVIATIONS

OIG	Office of Inspector General
OMB	Office of Management and Budget
OTF	Open Technology Fund
PAR	Performance and Accountability Report
PIIA	Payment Integrity Information Act of 2019
RFA	Radio Free Asia
TSI	Office of Technology, Services, and Innovation
USAGM	U.S. Agency for Global Media

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