



Office of Inspector General United States Department of State

AUD-FM-IB-22-29

Office of Audits

June 2022

Audit of U.S. Agency for Global Media FY 2021 Compliance With Payment Integrity Requirements

FINANCIAL MANAGEMENT DIVISION

IMPORTANT NOTICE: This report is intended solely for the official use of the Department of State or the U.S. Agency for Global Media, or any agency or organization receiving a copy directly from the Office of Inspector General. No secondary distribution may be made, in whole or in part, outside the Department of State or the U.S. Agency for Global Media, by them or by other agencies or organizations, without prior authorization by the Inspector General. Public availability of the document will be determined by the Inspector General under the U.S. Code, 5 U.S.C. 552. Improper disclosure of this report may result in criminal, civil, or administrative penalties.



HIGHLIGHTS

Office of Inspector General
United States Department of State

AUD-FM-IB-22-29

What OIG Audited

In FY 2021, improper and unknown federal payments government-wide totaled approximately \$281 billion. The Payment Integrity Information Act of 2019 (PIIA) requires Inspectors General to annually determine whether agencies complied with the Act and established requirements for agencies that were deemed noncompliant.

The Office of Inspector General (OIG) conducted this audit to determine whether the U.S. Agency for Global Media (USAGM) complied with PIIA for FY 2021. As part of this objective, OIG also evaluated USAGM's efforts to prevent and reduce improper and unknown payments.

What OIG Recommends

OIG concluded that USAGM complied with payment integrity requirements for FY 2021; therefore, OIG is not offering any recommendations. USAGM's response to a draft of this report is reprinted in its entirety in Appendix B.

June 2022

OFFICE OF AUDITS

FINANCIAL MANAGEMENT DIVISION

Audit of U.S. Agency for Global Media FY 2021 Compliance With Payment Integrity Requirements

What OIG Found

For the FY 2021 reporting period, OIG found that USAGM complied with payment integrity requirements, as presented in Table 1.

Table 1: Compliance With PIIA Criteria

Payment Integrity Criteria	Compliance
Published payment integrity information with the annual financial statement and in accompanying materials	Yes
Posted the annual financial statement and accompanying materials on the agency website	Yes
Conducted risk assessments	Yes
Concluded whether each program is likely to make improper and unknown payments above or below the statutory threshold	Yes
Published improper and unknown payment estimates*	N/A
Published corrective action plans*	N/A
Published reduction targets*	N/A
Demonstrated improvements to payment integrity or reached a tolerable rate*	N/A
Developed a plan to meet reduction target*	N/A
Reported estimate less than 10 percent for each program with a published estimate*	N/A

*Criteria did not apply because no program was identified as high risk.

Source: Prepared by OIG using criteria from Office of Management and Budget Circular A-123, Appendix C.

Specifically, OIG found that USAGM published on its website the FY 2021 financial statements and accompanying material, which included all applicable payment integrity information. In addition, USAGM conducted program-specific risk assessments and made appropriate conclusions related to the risk assessments. The programs subject to risk assessments during FY 2021 were found to be in compliance with PIIA requirements and are presented in Tables 1 and 2 in the Audit Results section of this report.

With respect to USAGM's efforts to prevent and reduce improper and unknown payments, OIG did not identify any needed improvements (including improper and unknown payments determination and estimation methodology, as well as actions to improve prevention and reduction).

CONTENTS

OBJECTIVE 1

BACKGROUND 1

 USAGM Mission and Organization..... 2

AUDIT RESULTS 3

 Finding A: USAGM Complied With PIIA Requirements 3

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY..... 9

 Data Reliability 10

 Work Related to Internal Control 10

 Prior Office of Inspector General Reports 10

APPENDIX B: U.S. AGENCY FOR GLOBAL MEDIA RESPONSE 11

ABBREVIATIONS 12

OIG AUDIT TEAM MEMBERS 13

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 2021. As part of this objective, OIG also evaluated USAGM's efforts to prevent and reduce improper and unknown payments.

BACKGROUND

According to the Department of the Treasury, improper and unknown federal payments government-wide totaled approximately \$281 billion in FY 2021.² Improper payments are payments that were made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. The term "improper payments" includes:

- Payment to an ineligible recipient.
- Payment for an ineligible good or service.
- Duplicate payments.
- Payments for goods or services not received (except for such payments authorized by law).
- Payments that do not account for credit for applicable discounts.³

If a program cannot discern whether a payment is proper or improper, the payment is considered an unknown payment. If a program is still conducting research or going through the review of a payment at the time that the program must finish its sampling and report its results, the payment will be considered an unknown payment for reporting purposes that year. This is done so that the program does not unintentionally over or under report the payment type results.⁴

The federal government has taken steps to identify and reduce improper payments. For example, on March 2, 2020, Congress enacted PIIA, which sets forth improper payment reporting requirements, including an annual compliance report from OIGs,⁵ that are similar to

¹ PIIA, Public Law 116-117, March 2, 2020, codified at 31 U.S. Code Chapter 33, Subchapter IV, "Improper Payments."

² PaymentAccuracy.gov, The Numbers, 2021 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" 64 (March 5, 2021).

⁴ Ibid., page 12.

⁵ PIIA, § 3353.

earlier laws.⁶ For example, PIIA requires agencies to publish improper and unknown payments information with the agency's financial statements and in the accompanying materials and post the information on the agency's website.⁷

On March 5, 2021, the Office of Management and Budget (OMB) updated guidance for agencies to implement improper payment 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 payment integrity compliance framework and create a more comprehensive and meaningful set of requirements to allow agencies to spend less time complying with low-value activities and more time researching the underlying causes of improper payments, balancing payment integrity risks and controls, and building the capacity to help prevent future improper payments.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, and the Open Technology Fund. 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 performance of 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

⁶ PIIA repealed earlier improper payments laws, including the Improper Payments Information Act of 2002, Public Law 107-300, November 26, 2002; the Improper Payments Elimination and Recovery Act of 2010, Public Law 111-204, July 22, 2010; and the Improper Payments Elimination and Recovery Improvement Act of 2012, Public Law 112-248, January 10, 2013.

⁷ PIIA, § 3351(2)(A)(i), (ii), 31 U.S. Code § 3351(2)(A)(i), (ii).

⁸ OMB Memorandum M-21-19, "Requirements for Payment Integrity Improvement" (March 5, 2021).

locations. The Department of State also makes payments to overseas vendors on behalf of USAGM. During FY 2021, USAGM reported outlays⁹ totaling approximately \$798 million.

AUDIT RESULTS

Finding A: USAGM Complied With PIIA Requirements

OIG found that USAGM complied with all applicable PIIA requirements for FY 2021. Specifically, USAGM:

- Published payment integrity information with the annual financial statement and in the accompanying materials to the annual financial statement.
- Posted the annual financial statement, including a link to the accompanying materials, on the agency website.
- Conducted improper payment risk assessments for required programs.
- Adequately concluded whether each program is likely to make improper and unknown payments above or below statutory thresholds.

USAGM was not required to perform additional procedures or make other disclosures because it did not identify any programs at significant risk for improper payments. Table 1 details whether selected programs were compliant with required criteria.

⁹ According to the Government Accountability Office, *A Glossary of Terms Used in the Federal Budget Process*, page 73 (GAO-05-734SP, September 2005), outlays include the issuance of checks, the disbursement of cash, or the electronic transfer of funds made to liquidate a federal obligation.

Table 1. PIIA Compliance Reporting Table for Selected Programs

Program Name	Criterion 1a ^a	Criterion 1b ^b	Criterion 2a ^c	Criterion 2b ^d	Criterion 3 ^e	Criterion 4 ^f	Criterion 5a ^g	Criterion 5b ^h	Criterion 5c ⁱ	Criterion 6 ^j
International Broadcasting Bureau	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Middle East Broadcasting Networks	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Radio Free Europe/Radio Liberty	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A

^a Published payment integrity information with the annual financial statement and in accompanying materials to the annual financial statement.

^b Posted the annual financial statement and accompanying materials on the agency website.

^c Conducted improper payment risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last 3 years.

^d Adequately concluded whether the program is likely to make improper and unknown payments above or below the statutory threshold.

^e Published improper and unknown payment estimates for programs susceptible to significant improper payments in the accompanying materials to the annual financial statements.

^f 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.

^g Published an improper and unknown payment reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.

^h Demonstrated improvements to payment integrity or reached a tolerable improper and unknown payment rate.

ⁱ Developed a plan to meet the improper and unknown payment reduction target.

^j Reported an improper and unknown payment estimate of less than 10 percent for each program for which an estimate was published in accompanying materials to the annual financial statement.

Source: OMB Circular A-123, Appendix C, pages 43-49.

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

USAGM Published Annual Financial Statement and Accompanying Materials

PIIA requires agencies to "[publish] improper payments information with the annual financial statement" and post the financial statement and any accompanying materials required by OMB on the agency's website.¹⁰ OMB Circular A-123, Appendix C, states that agencies should consult OMB Circular A-136 annually to determine which of the payment integrity reporting requirements apply to their agency.¹¹ At a minimum, agencies will provide a link to [paymentaccuracy.gov](https://www.paymentaccuracy.gov) in their Agency Financial Report or Performance and Accountability

¹⁰ PIIA, § 3351(2)(A)(i), (ii), 31 United States Code § 3351(2)(A)(i), (ii).

¹¹ OMB Circular A-123, Appendix C, page 56.

Report so the reader can access information about agency improper payment risk assessments, recoveries, and other agency-wide reporting requirements.¹²

USAGM published its FY 2021 financial statements and accompanying materials containing the required improper payments information and posted the financial statement, which included a link to the accompanying material, on its agency website.¹³ Specifically, in the financial statement, USAGM included a link to [paymentaccuracy.gov](https://www.usagm.gov/paymentaccuracy.gov), which contains additional information related to improper payments, including the amounts of recovered overpayments and “Do Not Pay” initiative activities.¹⁴ Although OIG found that almost all of USAGM’s information was accurate and complete on [paymentaccuracy.gov](https://www.usagm.gov/paymentaccuracy.gov), OIG noted some erroneous information:

- USAGM did not disclose three programs (i.e., Domestic Payroll; Open Technology Fund; and Technology, Services, and Innovation) and the year that the risk assessments for those programs were last performed.
- The Radio Free Asia risk assessment date was reported as 2021, when the actual date of the risk assessment was 2020.
- USAGM did not disclose that the Voice of America and Radio Free Asia risk assessments were not performed in FY 2021.
- USAGM reported that the “Range of transactions involving improper payments prevented in the last year by the Initiative” was 100,000 through 1,000,000 transactions, but it should have been reported as “0.”

OIG concluded that the erroneous information does not significantly alter the payment integrity information reported by USAGM and therefore did not impact OIG’s determination of compliance with requirements.¹⁵ In addition, because USAGM did not identify any programs that were deemed susceptible to significant improper payments, additional reporting requirements were not applicable.

USAGM Performed Program Risk Assessments

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

¹² Ibid.

¹³ USAGM, *FY 2021 Performance and Accountability Report* (November 15, 2021), <https://www.usagm.gov/wp-content/uploads/2021/11/FY-2021-USAGM-PAR-FINAL.pdf>.

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,” page 12 (October 26, 2021), 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 in its financial statement and accompanying materials.”

¹⁶ PIIA, § 3352(a)(1), 31 United States Code § 3352(a)(1).

OMB Circular A-123, Appendix C, defines significant improper payments as annual improper and unknown 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.¹⁷ Agencies should perform a risk assessment, which can be either quantitative or qualitative.¹⁸

Quantitative risk assessments focus on the measurable and often pre-defined data.¹⁹ When conducting a qualitative risk assessment, the agency should ensure that proper consideration has been given to relevant factors that would help prove that the program is likely to be above or below the statutory threshold.²⁰ Risks are scored based on their likelihood of occurring and the impact should they occur.²¹

If an agency initially determines that 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. If a program that is on a 3-year risk assessment cycle experiences a significant change in legislation or significant increases in funding, agencies may need to reassess the program's risk susceptibility during the annual cycle, even if it is less than 3 years from the last risk assessment.²²

USAGM performs quantitative risk assessments²³ for its programs in accordance with its 3-year rotational testing approach. In FY 2021, USAGM performed quantitative risk assessment testing of its International Broadcasting Bureau, Middle East Broadcasting Networks, and Radio Free Europe/Radio Liberty. To perform this analysis, USAGM tested a sample of expenditures for the three programs, as shown in Table 2.

¹⁷ OMB Circular A-123, Appendix C, pages 73-74.

¹⁸ Ibid., page 14.

¹⁹ Ibid., page 71.

²⁰ Ibid., pages 14-15.

²¹ Ibid., page 71.

²² Ibid., page 15.

²³ USAGM did not perform qualitative risk assessment testing in FY 2021, but it has performed this testing in prior years. Agencies have the option of performing qualitative or quantitative testing. In prior years, USAGM chose to perform both types of testing, but decided to focus on quantitative testing in FY 2021.

Table 2. Results of USAGM Program Testing

Program	Payments	Amount of Payments	Number Tested	Amount Tested	Number of Improper Payments	Amount of Improper Payments	Error Rate	Amount of Projected Improper Payments
International Broadcasting Bureau	855	\$9,084,325	148	\$4,199,617	0	\$0	0.00	\$0
Radio Free Europe/Radio Liberty	14	136,116,641	14	136,116,641	0	\$0	0.00	\$0
Middle East Broadcasting Networks	9	130,671,384	9	130,671,384	0	\$0	0.00	\$0

Source: Prepared by OIG using payment integrity testing data provided by USAGM.

USAGM's quantitative risk assessments did not identify any improper payments for the three programs tested.

OIG analyzed USAGM risk assessment methodology and determined that USAGM performed risk assessments in compliance with its policies and that the risk assessments adequately concluded whether the programs were likely to make improper and unknown payments above or below the statutory threshold.

USAGM Efforts To Prevent and Reduce Improper and Unknown Payments

OIG evaluated USAGM's efforts to prevent and reduce improper and unknown payments. Through inquiries with USAGM staff and review of USAGM policies and procedures and responses to the OMB data call, 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 can use the Department of the Treasury Offset Program to collect overpayments if needed.

In addition, USAGM 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. 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.

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.

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.

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 for FY 2021. As part of this objective, OIG also evaluated USAGM's efforts to prevent and reduce improper and unknown payments.

OIG conducted this audit from February to April 2022. 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 payment integrity and Office of Management and Budget (OMB) guidance. In addition, OIG reviewed and analyzed prior OIG audit work to identify information relating to payment integrity issues that had been reported previously.

During the audit, OIG determined whether USAGM published payment integrity information with the annual financial statement and in the accompanying materials to the annual financial statement; posted the annual financial statement, including a link to the accompanying materials, on the agency website; conducted improper payment risk assessments for required programs; and adequately concluded whether each program is likely to make improper and unknown payments above or below the statutory thresholds.³ OIG also reviewed and evaluated the USAGM Data Call submission 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 risk assessment testing that USAGM performed and reviewed the payment integrity information disclosed in the FY 2021 financial statement and accompanying materials for completeness and accuracy.

¹ PIIA, Public Law 116-117, March 2, 2020, codified at 31 United States Code Chapter 33, Subchapter IV, "Improper Payments."

² PIIA, § 3353, 31 United States Code § 3353.

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," pages 43-44 (March 5, 2021).

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 on 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 payment integrity review and reporting processes. Specifically, USAGM officials completed an OIG-prepared questionnaire 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 payment integrity information.

Prior Office of Inspector General Reports

In May 2021, OIG reported⁴ that USAGM complied with all applicable improper payments' requirements for FY 2020. Specifically, USAGM reported the required improper payments information in its FY 2020 PAR, published the PAR on its public website, and conducted program-specific risk assessments. USAGM was not required to perform additional procedures or make other PAR disclosures because it did not identify any programs at significant risk for improper payments. 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.

⁴ OIG, *Audit of U.S. Agency for Global Media FY 2020 Compliance With Improper Payment Requirements* (AUD-FM-IB-21-29, May 2021).

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



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

May 26, 2022

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 2021 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 2021 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 blue ink, appearing to read "Grant Turner".

Grant Turner
Chief Financial Officer



ABBREVIATIONS

OIG	Office of Inspector General
OMB	Office of Management and Budget
PIIA	Payment Integrity Information Act of 2019
USAGM	U.S. Agency for Global Media

OIG AUDIT TEAM MEMBERS

Sherry Fullwood, Division Director
Financial Management Division
Office of Audits

Todd Jones, Audit Manager
Financial Management Division
Office of Audits

Margery Karlin, Senior Auditor
Financial Management Division
Office of Audits



HELP FIGHT FRAUD, WASTE, AND ABUSE

1-800-409-9926

[Stateoig.gov/HOTLINE](https://stateoig.gov/HOTLINE)

If you fear reprisal, contact the
OIG Whistleblower Coordinator to learn more about your rights.

WPEAOmbuds@stateoig.gov