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Office of Inspector General
United States Department of State

AUD-FM-IB-23-19

Office of Audits

May 2023

Audit of U.S. Agency for Global Media FY 2022 Compliance With Payment Integrity Requirements

FINANCIAL MANAGEMENT DIVISION

UNCLASSIFIED



HIGHLIGHTS

Office of Inspector General
United States Department of State

AUD-FM-IB-23-19

What OIG Audited

In FY 2022, improper and unknown federal payments government-wide totaled approximately \$247 billion. The Payment Integrity Information Act of 2019 (PIIA) requires Inspectors General to annually determine whether agencies complied with the act and establishes requirements for agencies that are 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 2022. 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 2022; therefore, OIG is not offering any recommendations. USAGM's response to a draft of this report is reprinted in its entirety in Appendix B.

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OFFICE OF AUDITS

FINANCIAL MANAGEMENT DIVISION

Audit of U.S. Agency for Global Media FY 2022

Compliance With Payment Integrity Requirements

What OIG Found

For the FY 2022 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

*Criterion did not apply because no program was determined to be at significant risk for improper payments.

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 2022 financial statement and accompanying materials, 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 2022 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 involving improper and unknown payments determination, the associated estimation methodology, or actions necessary to improve prevention and reduction of improper and unknown payments.

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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 2022. 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 \$247 billion in FY 2022.² 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 reviewing 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 earlier laws.⁶ For example, PIIA requires agencies to publish improper and unknown payments

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

² PaymentAccuracy.gov, The Numbers, 2022 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," page 64 (March 5, 2021).

⁴ Ibid., page 12.

⁵ PIIA, § 3353.

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.

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 (VOA) and the Office of Cuba Broadcasting (OCB). 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 locations. The Department of State also makes payments to overseas vendors on behalf of USAGM. During FY 2022, USAGM reported outlays⁹ totaling approximately \$851 million.

⁷ PIIA, § 3351(2)(A)(i), (ii).

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

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.

AUDIT RESULTS

Finding A: USAGM Complied With PIIA Requirements Though Some Control and Reporting Weaknesses Exist

OIG found that USAGM complied with all applicable PIIA requirements for FY 2022. 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.

Table 1: PIIA Compliance Reporting 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
Voice of America	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Office of Cuba Broadcasting	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 statement.

^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 the accompanying materials to the annual financial statement.

Source: OIG generated based on criteria obtained from OMB Circular A-123, Appendix C, pages 43–49.

With respect to USAGM’s efforts to prevent and reduce improper and unknown payments, including USAGM’s improper and unknown payments determination and associated estimation methodology, OIG did not identify any needed improvements or necessary actions.

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 the agency.¹¹ At a minimum, agencies will provide a link to paymentaccuracy.gov in their Agency Financial Report or Performance and Accountability Report so the reader can access information about agency improper payment risk assessments, recoveries, and other agency-wide reporting requirements.¹²

¹⁰ PIIA, § 3351(2)(A)(i), (ii).

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

¹² Ibid.

USAGM published its FY 2022 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.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.paymentaccuracy.gov), OIG noted some erroneous information presented on [paymentaccuracy.gov](https://www.paymentaccuracy.gov). Specifically:

- USAGM did not disclose one program (i.e., the International Broadcasting Bureau) and the year that the risk assessment for this program was last performed.
- USAGM did not disclose testing results for the OCB risk assessment in FY 2022.
- USAGM reported Overseas Payroll as a program on a 3-year risk assessment cycle and as compliant during the most recent OIG PIIA review; however, it was not identified in a USAGM policy document as a program applicable for risk assessment testing.

OIG concluded that the erroneous information and internal quality control weaknesses do 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 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 When conducting a quantitative risk assessment, the agency should focus on the measurable and

¹³ USAGM, *FY 2022 Performance and Accountability Report* (November 15, 2022), <https://www.usagm.gov/wp-content/uploads/2022/11/USAGM-FY2022-PAR.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 13 (November 8, 2022), 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).

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

¹⁸ *Ibid.*, page 14.

often predefined data such as the improper payment and unknown payment amount.¹⁹ When conducting a qualitative risk assessment, the agency should consider relevant risk factors using a predefined scale 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 performed a quantitative risk assessment²³ for its programs in accordance with its 3-year rotational testing approach. In FY 2022, USAGM performed quantitative risk assessment testing of VOA and OCB. To perform this analysis, USAGM tested a sample of expenditures for the two programs, as shown in Table 2.

¹⁹ Ibid., page 71.

²⁰ Ibid., pages 14–15.

²¹ Ibid., page 71.

²² Ibid., pages 14–15.

²³ USAGM, "Processes for Monitoring Improper Payments," page 2 (June 30, 2022).

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
Voice of America	9,935	\$85,155,071	149	\$50,600,111	0	\$0	0.00	\$0
Office of Cuba Broadcasting	782	\$4,186,898	109	\$2,588,713	7	\$4,752	0.18	\$7,686

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

USAGM’s quantitative risk assessments did not identify any improper payments during VOA testing; however, it did identify seven improper payments during OCB testing. These monetary and technical errors resulted in an improper payment amount of \$4,752 and an error rate of 0.18 percent. Projected to the population of all OCB payments, this resulted in a projected improper payment amount of \$7,686, which is below OMB thresholds of both 1.5 percent of program outlays and \$10 million of all program payments.

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. However, OIG noted that USAGM did not project the OCB error amount to the population, as required by USAGM, “Processes for Monitoring Improper Payments.”²⁴

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, as well as responses to the OMB data call, OIG found that USAGM was performing procedures to detect and recover improper payments. Specifically, USAGM was following its policies and procedures that state that 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 Management²⁵ to reduce

²⁴ Ibid., page 6.

²⁵ 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.

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 Framework. 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 2022. As part of this objective, OIG also evaluated USAGM's efforts to prevent and reduce improper and unknown payments.

OIG conducted this audit from January to March 2023. 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 (1) published payment integrity information with the annual financial statement and in the accompanying materials to the annual financial statement; (2) posted the annual financial statement, including a link to the accompanying materials, on the agency website; (3) conducted improper payment risk assessments for required programs; and (4) adequately concluded whether each program is likely to make improper and unknown payments above or below the statutory thresholds.³ 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 2022 financial statement and accompanying materials for completeness and accuracy.

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

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

² PIIA, § 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).

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 audit 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 engagement, to determine whether internal control was significant to the audit objective. On the basis of this consideration, OIG determined that internal control was not significant to the audit objective of determining whether USAGM complied with PIIA for FY 2022. Nonetheless, 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 gained during its prior-year audits and made control-related inquiries to USAGM officials. 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 June 2022, OIG reported⁴ that USAGM complied with all applicable improper payments requirements for FY 2021. Specifically, USAGM reported the required improper payments information in its FY 2021 Performance and Accountability Report, published the report on its public website, and conducted program-specific risk assessments. USAGM was not required to perform additional procedures or make other Performance and Accountability Report 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 or actions necessary to improve prevention and reduction of improper and unknown payments.

⁴ OIG, *Audit of U.S. Agency for Global Media FY 2021 Compliance With Payment Integrity Requirements* (AUD-FM-IB-22-29, June 2022).

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



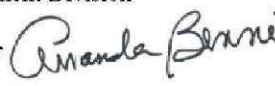
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GLOBAL MEDIA

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

May 4, 2023

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TO: OIG – Sherry Fullwood, Director, Financial Management Division

FROM: USAGM – Amanda Bennett, Chief Executive Officer 

SUBJECT: Response to Draft OIG Report *Audit of U.S. Agency for Global Media FY 2022
Compliance With Payment Integrity Requirements*

Thank you for the opportunity to respond to the Office of Inspector General's (OIG) draft report titled, *Audit of U.S. Agency for Global Media FY 2022 Compliance With Payment Integrity Requirements*.

The U.S. Agency for Global Media (USAGM) appreciates the thoroughness of the report and the highly professional work of OIG staff during this audit. USAGM was pleased to see that the OIG found that USAGM complied with applicable payment integrity requirements during fiscal year 2022 and that no recommendations are necessary as a result of this audit. USAGM concurs with the OIG's findings.

I look forward to a positive and productive relationship with OIG.



ABBREVIATIONS

OCB	Office of Cuba Broadcasting
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
VOA	Voice of America

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