

UNCLASSIFIED



OIG

Office of Inspector General

U.S. Department of State • Broadcasting Board of Governors

AUD-FM-IB-18-39

Office of Audits

May 2018

Audit of Broadcasting Board of Governors FY 2017 Compliance With Improper Payments Requirements

FINANCIAL MANAGEMENT DIVISION

UNCLASSIFIED



OIG HIGHLIGHTS

AUD-FM-IB-18-39

UNCLASSIFIED
May 2018
OFFICE OF AUDITS
Financial Management Division

Audit of Broadcasting Board of Governors FY 2017 Compliance With Improper Payments Requirements

What OIG Audited

In FY 2017, improper Federal payments Government-wide totaled approximately \$141 billion. The Improper Payments Information Act (IPIA), as amended, requires Federal agencies to annually identify programs and activities at high risk of improper payments and estimate the amount of improper payments, among other requirements. In addition, Inspectors General are required to annually determine whether agencies are in compliance with improper payments requirements. The Broadcasting Board of Governors (BBG) is an independent Federal agency that supervises all U.S. Government-supported civilian international broadcasting. BBG’s mission is to inform, engage, and connect people around the world in support of freedom and democracy. The BBG Federal broadcasting organizations include the Voice of America and the Office of Cuba Broadcasting, as well as the management and support offices in the International Broadcasting Bureau.

The Office of Inspector General (OIG) conducted this audit to determine whether BBG was in compliance with the IPIA, as amended.

What OIG Recommends

OIG made one recommendation to improve BBG’s process for reporting improper payments information. However, BBG did not agree with OIG’s determination of noncompliance and the recommendation is considered unresolved. BBG’s comments and OIG’s reply follow the recommendation in the Audit Results section of this report. BBG’s response to a draft of this report is reprinted in its entirety in Appendix C.

What OIG Found

BBG did not comply with all IPIA requirements for FY 2017. Specifically, BBG did not publish required information related to estimates, such as current year proper payment amount and percentage and over- and underpayment percentages. This occurred, in part, because BBG had not updated its policies to reflect Office of Management and Budget (OMB) requirements issued in August 2017. Noncompliance with any of the six criteria established in OMB Circular A-123 requires OIG to conclude that BBG is not in compliance with IPIA. As detailed in Table 1, BBG did not comply with one of six criteria established for IPIA.

Table 1: Compliance with Improper Payment Criteria

Improper Payment Criteria	Compliance
Conducted Risk Assessment	Yes
Published PAR	Yes
Published Estimate*	No
Published Corrective Actions*	Yes
Published and Met Reduction Targets*	Yes
Published Error Rate Less Than 10 percent*	Yes

* Required disclosure and testing since domestic payroll was previously identified as a program susceptible to significant improper payments.

Source: OIG created using criteria from OMB Circular A-123, Appendix C.

With respect to the other five IPIA requirements, OIG found that BBG complied with the requirement to perform program-specific risk assessments. Specifically, BBG elected to perform annual risk assessments of all key programs. BBG also performed qualitative risk assessment testing for nine programs and quantitative risk assessment testing for three programs. In addition, BBG published an FY 2017 Performance and Accountability Report (PAR) that included the required, general, improper payments information on its public website. Furthermore, OIG found that BBG complied with other OMB requirements for programs identified as susceptible to significant improper payments. Specifically, BBG implemented corrective action plans, published and met reduction targets, and published in its FY 2017 PAR gross error rate information that was less than 10 percent.

_____ Office of Inspector General _____
U.S. Department of State • Broadcasting Board of Governors

UNCLASSIFIED

CONTENTS

OBJECTIVE.....	1
BACKGROUND	1
BBG Mission and Organization	2
AUDIT RESULTS.....	3
Finding A: BBG Was Not in Compliance With Improper Payments Requirements	3
RECOMMENDATIONS.....	10
APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY	11
Prior Reports.....	12
Work Related to Internal Controls	12
Use of Computer-Processed Data.....	12
APPENDIX B: PRIOR OIG RECOMMENDATIONS.....	13
APPENDIX C: BROADCASTING BOARD OF GOVERNORS RESPONSE.....	14
ABBREVIATIONS	15
OIG AUDIT TEAM MEMBERS.....	16

OBJECTIVE

The Office of Inspector General (OIG) conducted this audit to determine whether the Broadcasting Board of Governors (BBG) was in compliance with the Improper Payments Information Act of 2002¹ (IPIA), as amended. Specifically, OIG determined whether BBG conducted a program-specific risk assessment for all programs covered by the Office of Management and Budget (OMB) requirements and evaluated whether BBG reported the required improper payments information in its FY 2017 Performance and Accountability Report (PAR). In addition, OIG performed procedures to determine whether BBG complied with OMB requirements for testing and reporting programs identified as susceptible to significant improper payments.

BACKGROUND

According to the Department of the Treasury, improper Federal payments Government-wide totaled approximately \$141 billion in FY 2017. 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 lack of supporting documentation.

The Federal Government has taken steps to identify and reduce improper payments. In 2002, Congress enacted IPIA, which required Federal agencies to annually review programs and activities² to identify those that may be susceptible to significant improper payments, estimate the annual amount of improper payments, and report the actions taken to reduce improper payments.

In July 2010, the Improper Payments Elimination and Recovery Act³ (IPERA) clarified the programs to be reviewed and expanded improper payments recapture activities. IPERA also required Inspectors General to annually determine whether agencies were in compliance with improper payment requirements and established additional requirements for agencies that were deemed noncompliant.

¹ Improper Payments Information Act of 2002, Public Law 107-300, §§ 1 and 2, November 26, 2002.

² The term “program and activity” is referred to in this report as “program.”

³ Improper Payments Elimination and Recovery Act of 2010, Public Law 111-204, §§ 2 and 3, July 22, 2010.

In January 2013, the Improper Payments Elimination and Recovery Improvement Act of 2012⁴ (IPERIA) was enacted. IPERIA further amended IPIA by requiring, among other things, that OMB identify high-priority Federal programs for greater levels of oversight and review,⁵ provide guidance to agencies for improving estimates of improper payments, and establish a working system for prepayment and preaward review. IPERIA also amended the definition of “payment” to include payments made to employees.

In October 2014, OMB issued guidance for agencies implementing IPIA, IPERA, and IPERIA requirements as Appendix C, “Requirements for Effective Estimation and Remediation of Improper Payments,” of OMB Circular A-123, “Management’s Responsibility for Enterprise Risk Management and Internal Control.”⁶ Among other things, the guidance defines the programs and payments that agencies must assess for the risk of improper payments, and it provides requirements for determining whether the risk of improper payments is significant, developing an estimate of improper payments, performing recapture audit activities, and reporting improper payments activities.

BBG Mission and Organization

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

BBG’s Chief Financial Officer serves as BBG’s principal financial and budget officer. The Chief Financial Officer is responsible for, among other things, overseeing all financial management activities relating to BBG programs and operations, establishing effective financial management policies and management controls, and ensuring that BBG is in compliance with the requirements of Executive Orders and OMB circulars.

Within the Office of the Chief Financial Officer, the Office of Financial Operations is responsible for the daily financial operations, accuracy of financial management records, prompt processing of payments, collection of accounts receivable, and facilitation of BBG’s annual financial statement audit. The Office of Financial Operations also processes payments initiated by domestic offices, including payments to domestic and overseas vendors, purchase card

⁴ Improper Payments Elimination and Recovery Improvement Act of 2012, Public Law 112-248, § 1 through 5, January 10, 2013.

⁵ BBG does not have any high-priority programs, as identified by OMB.

⁶ OMB Circular A-123 was updated July 15, 2016; however, Appendix C of Circular A-123 (dated October 10, 2014) remains in effect.

payments, and travel reimbursements. The Department of State processes payments initiated by BBG's overseas locations on behalf of BBG. During FY 2017, BBG reported outlays⁷ totaling approximately \$777 million.

AUDIT RESULTS

Finding A: BBG Was Not in Compliance With Improper Payments Requirements

OIG found that BBG did not comply with one of six IPIA requirements for FY 2017.⁸ Specifically, BBG did not publish required information related to estimates, such as current year proper payment amount and percentage and over- and underpayments percentages. This occurred, in part, because BBG had not updated its policies to reflect OMB requirements issued in August 2017.⁹ Noncompliance with any of the six criteria established in OMB Circular A-123 requires OIG to conclude that BBG is not in compliance with IPIA.

With respect to the other five IPIA requirements, OIG found that BBG complied with the requirement to perform program-specific risk assessments on significant programs, including on a program determined to be susceptible to significant improper payments; reported the required, general, improper payments information in its FY 2017 PAR;¹⁰ and published the PAR on its public website. OIG also determined that BBG complied with some of the OMB requirements for programs identified as susceptible to significant improper payments. Specifically, for the one program identified as susceptible to significant improper payments—domestic payroll—OIG found that BBG published a corrective action plan, published and achieved error-rate reduction targets, and published in its FY 2017 PAR gross improper payment rates of less than 10 percent.

Program Risk Assessments Were Performed

IPIA requires agencies to periodically review all programs and identify those that may be susceptible to significant improper payments. OMB Circular A-123, Appendix C, defines

⁷ Outlays include the issuance of checks, the disbursement of cash, or the electronic transfer of funds made to liquidate a Federal obligation.

⁸ OMB Circular A-123, Appendix C, at 39, identifies six criteria or requirements that agencies must meet to be compliant with improper payment requirements: (1) conduct a program-specific risk assessment for each program; (2) publish a PAR for the most recent fiscal year and post the report and accompanying materials required by OMB to the agency website; (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. BBG identified domestic payroll as a program susceptible to significant improper payments in FY 2015.

⁹ OMB Circular A-136, cover.

¹⁰ Federal agencies may publish their financial statements in either a PAR or an Agency Financial Report. BBG elected to use the PAR format.

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 must institute a systematic method of performing the risk assessments. Agencies may perform either a quantitative evaluation methodology based on a statistical sample or a qualitative assessment of risk factors likely to contribute to significant improper payments in performing risk assessments.

For programs that an agency initially determines are not high-risk programs, the agency must conduct a risk assessment 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. BBG's process is to first perform qualitative risk assessment testing followed by quantitative risk assessment testing. BBG chooses to perform qualitative risk assessments for all programs annually and has implemented a 3-year rotational approach for quantitative risk assessments so that each program is tested once every 3 years.

Qualitative Risk Assessments Were Performed

Although not required,¹¹ BBG elected to perform annual qualitative risk assessments as part of its IPIA control procedures. BBG contracted with an independent public accounting firm to perform its annual qualitative testing in FY 2017. BBG identified nine key programs for the qualitative risk assessment testing: Voice of America; International Broadcasting Bureau; Office of Cuba Broadcasting; Radio Free Europe/Radio Liberty; RFA; Middle East Broadcasting Networks; Office of Technology, Services, and Innovation (TSI); domestic payroll; and overseas payroll. BBG's independent public accounting firm ranked each program on a scale of 1 to 5, with 1 defined as "very high risk" and 5 defined as "very low risk," for BBG-categorized risk factors:¹² Operational and Inherent Risk, Complexity, Volume of Payments, Human Capital Risk, Historical Risk, Information Technology Risk, Compliance Risk, and Total Dollar Value. BBG calculated the average rating to arrive at the overall risk for each program. The overall risk for the nine programs ranged from 2.45, moderate risk, to 4.75, very low risk.

¹¹ OMB Circular A-123, Appendix C, at 16-17, states "[f]or programs that are deemed to be low risk of significant improper payments, agencies must perform risk assessments at least once every [3] years thereafter. However, if a low risk program experiences a significant change in legislation and/or a significant increase in its funding level, agencies are required to re-assess the program's risk susceptibility during the next annual cycle, even if it is less than [3] years from the last risk assessment."

¹² For the qualitative risk assessment, BBG tests the nine OMB risk factors, as identified in OMB Circular A-123, Appendix C, at 10, and includes two additional risks, Information Technology Risk and Total Dollar Value, as part of its risk assessment.

Quantitative Risk Assessments Were Performed

In addition to the qualitative assessment, the BBG-contracted independent public accounting firm performed quantitative risk assessment testing of RFA and TSI as part of BBG's 3-year rotational testing approach. BBG was also required to perform testing of domestic payroll for FY 2017 because its FY 2015 testing results identified domestic payroll as a program susceptible to significant improper payments. To perform the quantitative analyses, the independent public accounting firm tested a statistical sample of expenditures for the three programs. As detailed in Table 1, the independent public accounting firm tested 343 payments, approximately 0.7 percent, of the 46,491 payments made for the 3 programs. These payments amounted to approximately \$56 million, or 16 percent, of the approximately \$345 million in RFA, TSI, and domestic payroll payments.

Table 1. Results of Program Testing by the BBG-Contracted Independent Public Accounting Firm

Program	Number of Payments	Value of Payments	Number Tested	Value Tested	Number of Improper Payments	Value of Improper Payments	Error Rate Percentage of Improper Payments
RFA	53	\$46,266,784	53	\$46,266,784	1	\$8,000	0.017
TSI	7,089	\$80,293,601	145	\$8,999,660	1	\$312	0.004
Domestic Payroll	39,349	\$218,369,156	145	\$612,239	12	\$1,154	0.188
Total	46,491	\$344,929,541	343	\$55,878,683	14	\$9,466	

Source: OIG prepared from data provided by BBG.

The results of quantitative testing for RFA and TSI showed that these programs are not at risk of significant improper payments as defined in OMB Circular A-123, Appendix C. BBG's testing continued to show that domestic payroll is not at risk of significant improper payments.¹³

General Improper Payments Information Was Reported

IPERA¹⁴ states that for an agency to be in compliance with the act, the agency must publish an Agency Financial Report or PAR¹⁵ for the most recent fiscal year and post that report, with the information on improper payments required by OMB, on the agency's website. OMB Circular A-123, Appendix C,¹⁶ requires agencies to disclose general information relating to improper

¹³ Since domestic payroll was identified in FY 2015 as a program at risk for significant improper payments, BBG was required to substantively test and report the results of the testing in FY 2017. Testing was also performed in FY 2016.

¹⁴ Public Law 111-204, § 3.

¹⁵ BBG chooses to publish an annual PAR rather than an Agency Financial Report, which is permitted by OMB.

¹⁶ OMB Circular A-123, Appendix C, at 16.

payments in their annual PAR in the format provided in OMB Circular A-136, as revised, "Financial Reporting Requirements."¹⁷

BBG published an FY 2017 PAR and posted it on its public website. BBG properly presented all general reporting requirements, including recapture of improper payments reporting, barriers, accountability, agency information systems and other infrastructure, and sampling and estimation.¹⁸ BBG also included a link in its PAR to www.paymentaccuracy.gov that contained additional improper payment information, as required by OMB Circular A-136, as revised.

Some Requirements for Programs Determined To Be at Significant Risk for Improper Payments Were Not Met

If risk assessments identify programs susceptible to significant improper payments, OMB Circular A-123, Appendix C, states that the following fiscal year "[a]ll programs and activities susceptible to significant improper payments shall design and implement appropriate statistical sampling and estimation methods to produce statistically valid improper payment estimates."

Because domestic payroll was identified as a program susceptible to significant improper payments in FY 2015, BBG was required to perform additional procedures in FY 2016 and FY 2017 and include additional information related to the program in its PAR. OIG determined that BBG complied with some of the OMB requirements for programs identified as susceptible to significant improper payments. Specifically, for domestic payroll, OIG found that BBG published a corrective action plan, published and achieved error-rate reduction targets, and published in its FY 2017 PAR gross improper payment rates of less than 10 percent. However, BBG did not publish all required information related to improper payment estimates.

Not All Information Related to Improper Payment Estimates Was Published

OMB Circular A-123, Appendix C, requires agencies with programs susceptible to significant improper payments to publish improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment. OMB Circular A-136 prescribes specific information related to estimates that agencies must report in the PAR for programs susceptible to significant improper payments. These estimates include current year proper and improper payment amounts (including the corresponding percentage for each by program or activity), improper overpayment and underpayment amounts (including the corresponding percentage for each by program or activity), and improper payments made directly by the Government and recipients of Federal money. As shown in Table 2, not all required information was included in the PAR.

¹⁷ OMB Circular A-136, at 108.

¹⁸ The guidance also requires agencies to include certain information in the PAR related to areas identified to be susceptible to significant improper payments. Those disclosures are covered in a subsequent section.

Table 2. Estimation Disclosure Requirements for Programs at Significant Risk for Improper Payments

OMB A-136 Requirement	Disclosed in the PAR
Current year proper and improper payment amounts and percentage	Partial
Improper over payment and under payment amounts and percentage	Partial
Improper payments made directly by the Government and recipients of Federal money	Complete

Source: OIG prepared from data provided by BBG.

OIG determined that BBG did not comply with OMB requirements for reporting payment estimate information for programs identified as susceptible to significant improper payments. Specifically, OIG found that BBG did not report the amount of proper domestic payroll payments and corresponding percentage to the population, as required by OMB A-136. In addition, OIG found that BBG disclosed overpayment and underpayment amounts for domestic payroll in the PAR but did not include the corresponding percentage for each, as required.

BBG officials stated that they believe the total and improper payments disclosures were sufficient to comply with the OMB reporting requirement because users can easily calculate the amount of proper domestic payroll payments using the data included in the PAR. When asked about the missing percentages for overpayments and underpayments, BBG stated that not disclosing this information was simply an oversight. In August 2017, OMB updated the reporting requirements for these topics, adding the requirements to report proper payments and percentages for areas identified as susceptible to significant improper payments, as well as percentages for overpayments and underpayments. It is important to note that these specific disclosures were not included in the FY 2016 OMB reporting requirements and that OIG noted that BBG's policies and procedures had not been updated to reflect the current year OMB guidance. The latest update of BBG's policies and procedures for OMB requirements was in December 2016. As a result, BBG did not comply with all IPIA requirements for FY 2017.

Recommendation 1: OIG recommends that the Broadcasting Board of Governors develop and implement a process to update annually policies related to complying with improper payment requirements to reflect changes to Office of Management and Budget Circular A-136.

Management Response: In response to a draft of this report, BBG disagreed with OIG's finding of non-compliance with a requirement of the Improper Payments Information Act, as amended (see Appendix C for BBG's response to a draft of this report), and did not provide a response to the recommendation. Specifically, BBG stated that, although it did not disclose all required improper payment information, "the omitted items can be calculated from the information disclosed." BBG also opined that the exclusion of the items would not "have resulted in the reader reaching a different conclusion." BBG further stated that it had consulted with the Office of Management and Budget (OMB) and the Council of Inspectors General on Integrity and Efficiency concerning these omissions and "both organizations

deemed the omissions as immaterial and not rising to the level of a non-compliance determination.”

OIG Reply: The OMB guidance is clear as to what information is required to be reported in BBG’s Performance and Accountability Report. For FY 2017 reporting, OMB Circular A-136 was updated to require additional disclosures (which were the items that BBG did not report). These disclosures were added to help users understand and interpret the improper payment data. It is not the responsibility of the user of BBG’s Performance and Accountability Report to manually calculate amounts. Instead it is BBG’s responsibility, as the preparer of the Performance and Accountability Report, to ensure all required information is included. In addition, BBG asserts that OMB and the Council of Inspectors General on Integrity and Efficiency found BBG’s omissions to be “immaterial.” However, neither the law, as amended, nor the OMB guidance states that materiality is a consideration when assessing compliance.

OIG considers the recommendation unresolved and maintains that BBG needs to implement a process to update annually policies related to complying with improper payment. This recommendation will be considered resolved when BBG takes action to implement it or provides an acceptable alternative that fulfills the intent of the recommendation. This recommendation will be closed when OIG receives and accepts documentation demonstrating that BBG has implemented a process to update annually policies related to complying with improper payment requirements to reflect changes to OMB Circular A-136 or has provided evidence that OMB has waived the disclosure requirements for reporting payment estimate information for programs identified as susceptible to significant improper payments.

Corrective Action Plan Was Published

OMB Circular A-136 requires agencies with programs susceptible to significant improper payments to publish programmatic corrective actions plans in the PAR. When developing corrective action plans, OMB Circular A-123, Appendix C, states that agencies shall identify the reasons their programs and activities are at risk of improper payments and put in place a corrective action plan to reduce them. OMB Circular A-136 requires agencies to identify the root cause for overpayments and underpayments for all programs susceptible to significant improper payments in the PAR. Also, OMB Circular A-136 requires agencies to describe the corrective action plans for each type of root cause identified and include actions taken or planned, completion dates, and results.

OIG found that BBG prepared plans to reduce the improper payments in the domestic payroll program and published the plans and tables in the FY 2017 PAR. BBG published the table “Improper Payment Root Cause Category Matrix,” which identified “administrative or process error made by Federal agency” as the reason for the improper payments. Specifically, in its PAR, BBG identified timekeeper data entry errors of approved and certified timesheets in the payroll processing system as the root cause of improper payments, as well as erroneous entries of time

by employees into WebTA.¹⁹ BBG developed corrective actions to address these issues, including implementation of an automated interface between WebTA and the payroll processing system, Defense Civilian Payroll System, to address timekeeper data entry errors and additional training for employees entering time into WebTA. BBG stated in its PAR that “to address timekeeper data entry errors, on June 24, 2017, BBG implemented an automated interface file which extracts certified payroll information from WebTA and interfaces it directly into the Defense Civilian Payroll System.”

Annual Reduction Targets Were Published and Met

OMB Circular A-123, Appendix C, requires agencies with programs susceptible to significant improper payments to publish and meet annual error rate reduction targets for each program at risk for improper payments. To meet and reduce improper payments, agencies are supposed to set and publish reduction targets for future improper payment levels and a timeline within which the targets will be reached. Reduction targets must be approved by the Director of OMB.

For FY 2017, BBG was required to meet the stated error rate reduction targets that were established for domestic payroll payments in FY 2016. BBG set a target to reduce the domestic payroll improper payments by 25 percent, an actual error rate of 0.21 percent in FY 2017, and an additional 50 percent in FY 2018. After FY 2018, BBG aimed to have a zero-percent improper payment rate. The Director of OMB approved²⁰ BBG’s reduction targets, which were presented in the “Improper Payment Reduction Outlook” table in the PAR. BBG exceeded the reduction target of 0.21 percent for FY 2017 by reporting an error rate of 0.19 percent based on the results of quantitative testing.

Gross Improper Payment Rate Was Published

OMB Circular A-123, Appendix C, requires agencies to 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.²¹ BBG published in its PAR a rate of 0.19 percent for domestic payroll, which is far less than the 10-percent rate established by OMB.

¹⁹ WebTA is BBG’s electronic time and attendance tracking system.

²⁰ OMB Circular A-123, Appendix C, at 15, states that the reduction target approval process takes place during OMB review and approval of an agency’s draft PAR.

²¹ OMB Circular A-123, Appendix C, at 39.

RECOMMENDATIONS

Recommendation 1: OIG recommends that the Broadcasting Board of Governors develop and implement a process to update annually policies related to complying with improper payment requirements to reflect changes to Office of Management and Budget Circular A-136.

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

The Improper Payments Elimination and Recovery Act of 2010¹ (IPERA), which amended the Improper Payments Information Act of 2002² (IPIA), requires the Office of Inspector General (OIG) to conduct an annual audit of the Broadcasting Board of Governors (BBG) compliance with improper payments requirements. In accordance with the IPERA requirement, OIG performed this audit to determine whether BBG was in compliance with IPIA, as amended.

OIG's Office of Audits performed fieldwork from January to March 2018 at BBG's Office of Financial Operations in Washington, DC. 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, Office of Management and Budget (OMB) guidance, a Government Accountability Office report³ related to improper payments, information from BBG's external financial statement auditor, and BBG policies. 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 BBG conducted a program-specific risk assessment for all programs covered by OMB requirements, evaluated whether BBG reported the required improper payments information in its FY 2017 Performance and Accountability Report (PAR), and performed procedures to determine whether BBG complied with OMB requirements for testing and reporting the program identified as susceptible to significant improper payments. To accomplish these objectives, OIG made inquiries with BBG officials to gain an understanding of BBG's processes for performing its risk assessment, identifying improper payments, and reporting improper payments information on its website. OIG reviewed and assessed BBG's policies and procedures for making payments, performing the risk assessment, conducting payment reviews, and reporting improper payments information in the PAR. OIG also obtained and reviewed documentation supporting the qualitative and quantitative risk assessment testing that was performed, reviewed the improper payments information disclosed in the FY 2017 PAR for sufficiency, and assessed BBG procedures to determine whether it was in compliance with OMB requirements for testing and reporting programs identified as susceptible to significant improper payments.

¹ Improper Payments Elimination and Recovery Act of 2010, Public Law 111-204, §§ 2 and 3, July 22, 2010.

² Improper Payments Information Act of 2002, Public Law 107-300, §§ 1 and 2, November 26, 2002.

³ GAO, *Improper Payments: Strategy and Additional Actions Needed to Help Ensure Agencies Use the Do Not Pay Working System as Intended* (GAO-17-15, October 2016).

Prior Reports

In May 2017, OIG reported⁴ that BBG was in compliance with IPIA requirements. Specifically, BBG performed risk assessments for each of its programs. BBG published required IPIA information in its FY 2016 PAR and posted the report on its public website. Because BBG was found to be in compliance with improper payment requirements for FY 2016, OIG did not offer any recommendations.⁵

Work Related to Internal Controls

OIG performed steps to assess the adequacy of internal controls related to the areas audited. Specifically, BBG officials completed OIG-prepared questionnaires to update BBG's understanding of the control environment ascertained during its prior year audits and responded to controls-related inquiries with BBG management. OIG obtained and reviewed BBG's policies and procedures for making payments, performing risk assessments, and reporting improper payments information. The control deficiency that was identified regarding BBG's not publishing required information related to estimates, such as current year proper payment rates and percentages for over- and underpayments, is presented in the Audit Results section of this report. OIG did not perform sample testing of these controls because it was beyond the scope of this audit.

Use of Computer-Processed Data

OIG obtained computer-processed data, such as worksheets, to aid in determining whether BBG had complied with IPIA. More specifically, the data provided evidence that BBG had taken steps to comply with IPIA. OIG performed tests to validate completeness and accuracy of amounts on supporting worksheets that were used to report information in the PAR and on www.paymentaccuracy.gov. A minor discrepancy was found in the validation steps, but OIG concluded the worksheets to be sufficiently reliable for the published results. 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.

⁴ OIG, *Audit of Broadcasting Board of Governors FY 2016 Compliance With Improper Payments Requirements* (AUD-FM-IB-17-40, May 2017).

⁵ See Appendix B: Prior OIG Recommendations for additional details.

APPENDIX B: PRIOR OIG RECOMMENDATIONS

Table B.1 presents the status of the Office of Inspector General (OIG) recommendations from audits of the Broadcasting Board of Governors compliance with improper payment requirements for FYs 2013 through 2016.

Table B.1: Prior OIG Recommendations – FYs 2013 through 2016

Report Number	Fiscal Year	Number	Recommendation	Status
AUD-FM-IB-14-22	2013	1	OIG recommends that the Broadcasting Board of Governors develop and implement a methodology to strengthen its controls to ensure that BBG obtains and maintains sufficient and complete supporting documentation for payments.	Closed; Reissued in FY 2014
		2	OIG recommends that the Broadcasting Board of Governors notify the Office of Management and Budget and OIG of its determination that performing payment recapture audits for its programs in FY 2013 was not cost effective and provide the cost-benefit analysis supporting this determination.	Closed
AUD-FM-IB-15-30	2014	1	OIG recommends that the Broadcasting Board of Governors develop and implement a methodology to strengthen its controls to ensure that BBG obtains and maintains sufficient and complete supporting documentation for payments.	Closed
AUD-FM-IB-16-39	2015		<i>OIG did not make any recommendations in this report.</i>	Not Applicable
AUD-FM-IB-17-40	2016		<i>OIG did not make any recommendations in this report.</i>	Not Applicable

Source: OIG-prepared from findings and recommendations in OIG audit reports issued between FY 2013 and FY 2016.

APPENDIX C: BROADCASTING BOARD OF GOVERNORS RESPONSE



**BROADCASTING BOARD OF GOVERNORS
UNITED STATES OF AMERICA**

April 25, 2018

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

Dear Mr. Brown:

The Improper Payments Information Act (IPIA) requires agencies to report on compliance with improper payment requirements, including any highly susceptible programs. As required, the Broadcasting Board of Governors (BBG) performed the assessment and reported our results in our Performance Accountability Report (PAR). In FY 2015 during the IPIA review, domestic payroll was determined to be a highly susceptible program. BBG analyzed and diligently worked towards changing our domestic payroll process and strengthening our internal controls. We addressed this issue with a two-phased approach of converting the agency's time and attendance from a paper-based to an automated payroll system, as well as developing an automated, electronic interface into the payroll processing system. To accomplish both processes the agency performed a significant amount of payroll training at all levels: employees, supervisors and timekeepers. We are very proud that in less than two years we have achieved an error rate less than 1% in over and underpayments of domestic payroll.

We thank the Department of State Office of Inspector General for performing the audit of BBG's FY 2017 Compliance with IPIA, and we appreciate the opportunity to respond to their report. BBG does not agree with the determination that we did not comply with the published estimates criteria for FY2017. BBG agrees that we did not disclose the total improper payments amount or percentage, as well as the percentages related to the over and underpayments amount, however, the omitted elements can be calculated from the information disclosed in the publication. None of the omitted elements are estimates per se nor would inclusion of them have resulted in the reader reaching a different conclusion of the improper payment review.

BBG consulted the respective authoritative body of both the Office of Management and Budget (OMB) and the Council of Inspectors General on Integrity and Efficiency (CIGIE) concerning these omissions. Both organizations deemed the omissions as immaterial and not rising to the level of a non-compliance determination.

BBG is of the opinion that a non-compliance determination, especially in the criteria of published estimates, is misleading to the reader.

Sincerely,

Grant K. Turner
Chief Financial Officer

ABBREVIATIONS

BBG	Broadcasting Board of Governors
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act of 2002
OIG	The Office of the Inspector General
OMB	Office of Management and Budget
PAR	Performance and Accountability Report
RFA	Radio Free Asia
TSI	Office of Technology, Services, and Innovation

OIG AUDIT TEAM MEMBERS

Beverly J.C. O'Neill, Director
Division of Financial Management
Office of Audits

Todd Jones, Audit Manager
Division of Financial Management
Office of Audits

Margery Karlin, Senior Auditor
Division of Financial Management
Office of Audits

UNCLASSIFIED



HELP FIGHT

FRAUD. WASTE. ABUSE.

1-800-409-9926

[OIG.state.gov/HOTLINE](https://oig.state.gov/HOTLINE)

If you fear reprisal, contact the
OIG Whistleblower Ombudsman
to learn more about your rights:

WPEAOmbuds@stateoig.gov

oig.state.gov

Office of Inspector General • U.S. Department of State
P.O. Box 9778 • Arlington, VA 22219

UNCLASSIFIED