



# OIG HIGHLIGHTS

AUD-FM-18-40

UNCLASSIFIED  
May 2018  
OFFICE OF AUDITS  
Financial Management Division

## Audit of Department of State FY 2017 Compliance With Improper Payments Requirements

### What Was Found

Kearney found that the Department was in compliance with improper payments requirements for FY 2017, as presented in Table 1.

### What Was 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.

Acting on behalf of and under the direction of the Office of Inspector General (OIG), the independent public accountant Kearney & Company, P.C. (Kearney), conducted this audit to determine whether the Department of State (Department) was in compliance with IPIA, as amended, for FY 2017.

### What OIG Recommends

In its May 2017 report *Audit of Department of State FY 2016 Compliance With Improper Payments Requirements* (AUD-FM-17-42), OIG made five recommendations to address the deficiencies identified during the audit. At the conclusion of fieldwork for this audit, one recommendation was closed and four recommendations were resolved pending further action. Because the recommendations have not been fully implemented and the related finding in this report has not significantly changed, OIG is not making new recommendations but will continue to track the Department's implementation of the four remaining recommendations through its audit compliance process. The Department's comments are included in this report as Appendix C.

**Table 1: Compliance With Improper Payment Criteria**

Improper Payment Criteria	Compliance
Conducted Risk Assessment	Yes
Published Agency Financial Report	Yes
Published Estimate	Not applicable*
Published Corrective Actions	Not applicable*
Published and Met Reduction Targets	Not applicable*
Published Error Rate Less than 10 percent	Not applicable*

\* These requirements apply only to agencies that have identified programs susceptible to significant improper payments.

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

The Department performed the required program risk assessments in FY 2017. Specifically, the Department evaluated whether each program subject to IPIA had a significant legislative or funding change, identified programs requiring improper payments risk assessments, and performed risk assessments using required criteria (that is, risk factors) defined by Office of Management and Budget (OMB) Circular A-123 for all programs requiring evaluation. Furthermore, the Department also lowered its threshold for programs requiring evaluation from \$100 million to \$10 million, identified programs that fell above the new threshold that were not evaluated in FY 2016, and performed risk assessments using the criteria required by OMB.

In addition, the Department published its FY 2017 Agency Financial Report (AFR) on its website and the AFR included all the required improper payment disclosures. Although the Department included the required disclosures, some optional improper payment information identified outside of the payment recapture process was not included in the AFR. As previously recommended, because much of this information is available and would be beneficial to the users of the AFR, it should be included in the AFR and disclosed, even though it is not required.

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