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Office of Inspector General
United States Department of State

AUD-FM-IB-19-28

Office of Audits

May 2019

Audit of United States Agency for Global Media FY 2018 Compliance With Improper Payments Requirements

FINANCIAL MANAGEMENT DIVISION

UNCLASSIFIED



HIGHLIGHTS

Office of Inspector General
United States Department of State

AUD-FM-IB-19-28

What OIG Audited

In FY 2018, improper Federal payments Government-wide totaled approximately \$151 billion. The Improper Payments Elimination and Recovery Act of 2010 (IPERA) requires Inspectors General to annually determine whether agencies were in compliance with improper payment requirements and established additional requirements for agencies that were deemed noncompliant with improper payments requirements.

The United States Agency for Global Media (USAGM) is an independent Federal agency that supervises all U.S. Government-supported civilian international broadcasting. The USAGM Federal broadcasting organizations include the Voice of America, the Office of Cuba Broadcasting, and three grantees—Radio Free Asia, Middle East Broadcasting, and Radio Free Europe/Radio Liberty.

The Office of Inspector General (OIG) conducted this audit to determine whether USAGM was in compliance with IPERA.

What OIG Recommends

Because USAGM was found to be in compliance with improper payments requirements for FY 2018, OIG is not offering recommendations as a result of this audit. USAGM's response to a draft of this report is reprinted in its entirety in Appendix B.

May 2019

OFFICE OF AUDITS

FINANCIAL MANAGEMENT DIVISION

Audit of United States Agency for Global Media FY 2018 Compliance With Improper Payments Requirements

What OIG Found

OIG found that USAGM was in compliance with improper payments requirements for the FY 2018 reporting period, as presented in Table 1.

Table 1: Compliance with Improper Payment Criteria

Improper Payment Criteria	Compliance
Published Performance and Accountability Report	Yes
Conducted Risk Assessment	Yes
Published Improper Payment Estimate*	N/A
Published Corrective Action Plans*	N/A
Published and Met Reduction Targets*	N/A
Reported an Improper Payment Rate Less Than 10 Percent*	N/A

* Criteria did not apply because no program was identified in FY 2018 as being at risk for significant improper payments.

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

OIG found that USAGM published on its website the FY 2018 Performance and Accountability Report, which included all applicable payment integrity disclosures, as required by Office of Management and Budget Circular A-136, "Financial Reporting Requirements." In addition, USAGM complied with the requirement to perform program-specific risk assessments. Specifically, USAGM performed quantitative risk assessment testing for three programs (Middle East Broadcasting Networks, Radio Free Europe/Radio Liberty, and the International Broadcasting Bureau) as part of its rotational testing approach.

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OBJECTIVE

The Office of Inspector General (OIG) conducted this audit to determine whether the United States Agency for Global Media¹ (USAGM) was in compliance with the Improper Payments Elimination and Recovery Act of 2010² (IPERA).

BACKGROUND

According to the Department of the Treasury, improper Federal payments Government-wide totaled approximately \$151 billion in FY 2018. 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 a lack of supporting documentation.

The Federal Government has taken steps to identify and reduce improper payments. In 2002, Congress enacted the Improper Payments Information Act of 2002,³ which required Federal agencies to annually review programs and activities⁴ 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, IPERA⁵ 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 payments requirements and established additional requirements for agencies that were deemed noncompliant.

In January 2013, the Improper Payments Elimination and Recovery Improvement Act of 2012⁶ was enacted. The Improper Payments Elimination and Recovery Improvement Act of 2012 further amended the Improper Payments Information Act by requiring, among other things, that the Office of Management and Budget (OMB) identify high-priority Federal programs for greater levels of oversight and review,⁷ provide guidance to agencies for improving estimates of

¹ In August 2018, the Broadcasting Board of Governors changed its name to the United States Agency for Global Media.

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

³ Improper Payments Information Act of 2002, Public Law 107-300, November 26, 2002.

⁴ The term “program and activity” is referred to in this report as “program.”

⁵ Public Law 111-204, §§ 2 and 3.

⁶ Improper Payments Elimination and Recovery Improvement Act of 2012, Public Law 112-248, §§ 1 through 5, January 10, 2013.

⁷ USAGM does not have any high-priority programs, as identified by OMB.

improper payments, and establish a working system for prepayment and pre-award review. This Act also amended the definition of “payment” to include payments made to employees.

In October 2014, OMB issued guidance for agencies to implement improper payments legislation in 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.” On June 26, 2018, OMB released an updated version of Appendix C, “Requirements for Payment Integrity Improvement,” in an effort “to transform the improper payment compliance framework to create a more unified, comprehensive, and less burdensome set of requirements.” The revised requirements were effective beginning in FY 2018.

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 as well as the management and support offices in the International Broadcasting Bureau (IBB). USAGM also oversees three grantee organizations: Radio Free Europe/Radio Liberty (RFE/RL), Middle East Broadcasting Networks (MBN), and Radio Free Asia. The three 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 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 USAGM’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 payments, and travel reimbursements. The Department of State processes payments initiated by USAGM’s overseas locations on behalf of USAGM. During FY 2018, USAGM reported outlays⁸ totaling approximately \$777 million.

⁸ 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 Was in Compliance With Improper Payments Requirements

OIG found that USAGM complied with all applicable improper payments requirements for FY 2018.⁹ Specifically, USAGM reported the required improper payments information in its FY 2018 Performance and Accountability Report (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 have a program at significant risk for improper payments.¹⁰

Required Improper Payments Information Was Reported

IPERA¹¹ states that for an agency to be in compliance with the act, the agency must publish an Agency Financial Report or PAR¹² 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,¹³ states that most improper payment reporting requirements are met through annual data requests from OMB and an agency's PAR, which is required to be presented in the format provided in OMB Circular A-136, as revised, "Financial Reporting Requirements." USAGM published an FY 2018 PAR that contained the required improper payments information and posted it on its public website. Specifically, USAGM included detailed information on its quantitative risk assessment process and a statement that it has no programs deemed susceptible to significant improper payments. In addition, USAGM included its procedures for recapturing improper payments, programs and amounts in which overpayments were recaptured, and "Do Not Pay" initiative activities. USAGM also included a link to www.paymentaccuracy.gov, which contains additional improper payment information, as required by OMB Circular A-136, as revised. Because USAGM did not have any programs that

⁹ OMB Circular A-123, Appendix C, 49, identifies six criteria or requirements that agencies must meet to be compliant with improper payments requirements: (1) publish a PAR for the most recent fiscal year and post the report and accompanying materials required by OMB to the agency website, (2) conduct a program-specific risk assessment for each program, (3) publish improper payment estimates for all programs identified as susceptible to improper payments, if required, (4) publish programmatic corrective actions plans in the PAR, if required, (5) publish and meet annual reduction targets for each program at risk for improper payments, if required, and (6) report a gross improper payment rate of less than 10 percent for each program for which an improper payment estimate was obtained and published in the PAR. Requirements 3 through 6 apply to agencies that have identified programs susceptible to significant improper payments. USAGM does not have a program susceptible to significant improper payments.

¹⁰ In May 2018, OMB granted USAGM relief from reporting Payroll as a program susceptible to significant improper payments. USAGM first report Payroll as susceptible to significant improper payments in FY 2015. In FY 2016 and FY 2017, USAGM reported improper payments for Payroll below the OMB threshold and therefore qualified for relief.

¹¹ Public Law 111-204, § 3.

¹² Federal agencies may publish their financial statements in either a PAR or an Agency Financial Report. USAGM elected to use the PAR format.

¹³ OMB Circular A-123, Appendix C, 6, "Annual Reporting."

were deemed susceptible to significant improper payments,¹⁴ additional reporting requirements were not applicable.

Program Risk Assessments Were Performed

The Improper Payments Information Act 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 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.¹⁵ Agencies must institute a systematic method of performing the risk assessments. For FY 2018, as in prior years, OMB permitted agencies to use either a qualitative or a quantitative method for conducting risk assessments. Quantitative risk assessments should be based on sampling (statistical or nonstatistical) analysis. Qualitative risk assessments may be conducted in another form, such as a questionnaire, designed to accurately determine whether the program is susceptible to significant improper payments.¹⁶

For programs that an agency initially determines 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.¹⁷ However, agencies are required to consider annually whether significant changes to either legislation or funding would affect each program's risk susceptibility. Prior to FY 2018, USAGM conducted qualitative risk assessments on all its programs every year and quantitative risk assessments on a 3-year rotational basis. In FY 2018, USAGM changed its approach to perform qualitative risk assessments on its programs once every 3 years (the next one is planned to be performed in FY 2020). USAGM continued to perform quantitative risk assessments for its programs in accordance with its 3-year rotational testing approach.

Quantitative Risk Assessments Were Performed

In FY 2018, USAGM performed quantitative risk assessment testing of MBN, RFE/RL, and IBB as part of USAGM's 3-year rotational testing approach. To perform this analysis, USAGM tested a statistical sample of expenditures for the three programs. As detailed in Table 1, USAGM tested 181 payments, approximately 6 percent, of the 2,895 payments made for the 3 programs. The sampled payments amounted to approximately \$262 million, or 97 percent, of the approximately \$271 million in MBN, RFE/RL, and IBB payments.

¹⁴ In FY 2015, USAGM reported Payroll as a program susceptible to significant improper payments. In FY 2016 and FY 2017, USAGM reported improper payments for Payroll below the OMB threshold and therefore qualified for relief. OIG concurred with USAGM's request to OMB to be provided relief from the reporting requirements. OMB granted USAGM relief from reporting the program in May 2018.

¹⁵ OMB Circular A-123, Appendix C, 10.

¹⁶ Ibid, at 12 to 13.

¹⁷ Ibid, at 11.

Table 1. Results of Program Testing by USAGM

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
MBN	15	\$126,398,109	15	\$126,398,109	0	N/A	N/A
RFE/RL	21	128,238,614	21	128,238,614	0	N/A	N/A
IBB	2,859	16,714,729	145	7,373,649	6	\$8,242	0.11
Total	2,895	\$271,351,452	181	\$262,010,372	6	\$8,242	

Source: OIG prepared from data provided by USAGM.

The results of quantitative testing for MBN, RFE/RL, and IBB showed that these programs are not at risk of significant improper payments as they fall below the thresholds defined in OMB Circular A-123, Appendix C.

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

The Improper Payments Elimination and Recovery Act of 2010¹ (IPERA) requires the Office of Inspector General (OIG) to conduct an annual audit of United States Agency for Global Media (USAGM) compliance with improper payments requirements. In accordance with the IPERA requirement, OIG conducted this audit to determine whether USAGM complied with IPERA.

OIG's Office of Audits performed fieldwork from December 2018 to April 2019 at USAGM's Office of Financial Operations in Washington, DC. This work was delayed because of the lapse in OIG's appropriations that occurred from 11:59 p.m. December 21, 2018, through January 25, 2019. 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, information from USAGM's external financial statement auditor, and USAGM 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 USAGM disclosed the required payment integrity information in its FY 2018 Performance and Accountability Report (PAR), published the PAR on its website, and conducted a program-specific risk assessment for programs covered by OMB requirements. To accomplish these objectives, OIG reviewed and assessed policies and procedures and made inquiries with USAGM officials to gain an understanding of USAGM's processes for reporting improper payments 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 improper payments information disclosed in the FY 2018 PAR for sufficiency.

Prior Reports

In May 2018, OIG reported² that USAGM was not in compliance with improper payments requirements. Specifically, USAGM did not publish required information related to estimates, such as current year proper payment amount and percentage as well as over- and underpayment percentages. This occurred, in part, because USAGM had not updated its policies to reflect OMB requirements issued in August 2017. Noncompliance with any of the six criteria established in OMB Circular A-123 requires OIG to conclude that USAGM is not in

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

² OIG, *Audit of Broadcasting Board of Governors FY 2017 Compliance With Improper Payments Requirements* (AUD-FM-IB-18-39, May 2018).

compliance with requirements. OIG made one recommendation to improve USAGM's process for reporting improper payments information, which is now closed.

Work Related to Internal Controls

OIG performed steps to assess the adequacy of internal controls related to the areas audited. Specifically, USAGM officials completed OIG-prepared questionnaires to update USAGM's understanding of the control environment ascertained during its prior year audits and responded to control-related inquiries. OIG obtained and reviewed USAGM's policies and procedures for making payments, performing risk assessments, and reporting improper payments information. 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 USAGM complied with IPERA. More specifically, the data provided evidence that USAGM had taken steps to comply with IPERA. 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. We determined that the data were sufficiently reliable for the purposes of our 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.

APPENDIX B: UNITED STATES AGENCY FOR GLOBAL MEDIA RESPONSE



U.S. AGENCY FOR
GLOBAL MEDIA

UNITED STATES
BROADCASTING
BOARD OF
GOVERNORS

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

May 22, 2019

U.S. Department of State
Office of Inspector General
Norman P. Brown
Assistant Inspector General for Audits
Washington, DC 20520

Dear Mr. Brown:

The U.S. Agency for Global Media (USAGM) has reviewed the draft report of the Audit of USAGM FY 2018 Compliance with Improper Payments Requirements.

USAGM concurs with the OIG draft report that we are in substantial compliance with IPIA requirements. Additionally, we note that all prior year recommendations by the OIG are determined to be closed, therefore USAGM has no current open recommendations.

Thank you for the opportunity to respond to this draft report.

Sincerely,

A handwritten signature in blue ink that reads "John F. Lansing".

John F. Lansing
Chief Executive Officer and Director

ABBREVIATIONS

IBB	International Broadcasting Bureau
IPERA	Improper Payments Elimination and Recovery Act of 2010
MBN	Middle East Broadcasting Networks
OIG	Office of Inspector General
OMB	Office of Management and Budget
PAR	Performance and Accountability Report
RFE/RL	Radio Free Europe/Radio Liberty
USAGM	United States Agency for Global Media

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