

UNCLASSIFIED



Office of Inspector General  
United States Department of State

---

AUD-FM-IB-20-28

Office of Audits

May 2020

# **Audit of U.S. Agency for Global Media FY 2019 Compliance With Improper Payments Requirements**

FINANCIAL MANAGEMENT DIVISION

UNCLASSIFIED



# HIGHLIGHTS

Office of Inspector General  
United States Department of State

AUD-FM-IB-20-28

## What OIG Audited

In FY 2019, improper Federal payments Government-wide totaled approximately \$175 billion. The Improper Payments Elimination and Recovery Act of 2010 (IPERA) requires Inspectors General to annually determine whether agencies complied with improper payment requirements and established additional requirements for agencies that were deemed noncompliant with improper payments requirements.

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

The Office of Inspector General (OIG) conducted this audit to determine whether USAGM complied with IPERA requirements.

## What OIG Recommends

Because USAGM complied with improper payments requirements for FY 2019, 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 2020

OFFICE OF AUDITS

FINANCIAL MANAGEMENT DIVISION

## Audit of U.S. Agency for Global Media FY 2019 Compliance With Improper Payments Requirements

### What OIG Found

For the FY 2019 reporting period, OIG found that USAGM complied with improper payments requirements, 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 2019 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 2019 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 two programs (VOA and OCB) as part of its rotational testing approach.

## CONTENTS

---

OBJECTIVE .....	1
BACKGROUND .....	1
USAGM Mission and Organization .....	2
AUDIT RESULTS .....	2
Finding A: USAGM Complied With Improper Payments Requirements .....	2
APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY .....	5
Data Reliability .....	5
Work Related to Internal Control.....	6
Prior Office of Inspector General Reports.....	6
APPENDIX B: U.S. AGENCY FOR GLOBAL MEDIA RESPONSE.....	7
ABBREVIATIONS .....	8
OIG AUDIT TEAM MEMBERS.....	9

## OBJECTIVE

---

The Office of Inspector General (OIG) conducted this audit to determine whether the U.S. Agency for Global Media (USAGM) was in compliance with the Improper Payments Elimination and Recovery Act of 2010<sup>1</sup> (IPERA).

## BACKGROUND

---

According to the Department of the Treasury, improper Federal payments Government-wide totaled approximately \$175 billion in FY 2019.<sup>2</sup> 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.<sup>3</sup>

The Federal Government has taken steps to identify and reduce improper payments. In 2002, Congress enacted the Improper Payments Information Act of 2002,<sup>4</sup> which required Federal agencies to annually review programs and activities<sup>5</sup> 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, IPERA<sup>6</sup> clarified the programs to be reviewed and expanded improper payments recapture activities. IPERA also required Inspectors General to annually determine whether agencies complied with improper payments requirements and established additional requirements for agencies that were deemed noncompliant.<sup>7</sup>

In January 2013, the Improper Payments Elimination and Recovery Improvement Act of 2012<sup>8</sup> was enacted. The Improper Payments Elimination and Recovery Improvement Act of 2012 further amended the Improper Payments Information Act by requiring, among other things,

---

<sup>1</sup> Improper Payments Elimination and Recovery Act of 2010, Pub. L. 111-204, §§ 2 and 3, July 22, 2010.

<sup>2</sup> PaymentAccuracy.gov, Resources, Annual Improper Payment Datasets, Payment Accuracy 2019 Dataset, <http://www.paymentaccuracy.gov/resources/#data>.

<sup>3</sup> OMB Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control," Appendix C, "Requirements for Payment Integrity Improvement," 8 (June 26, 2018).

<sup>4</sup> Improper Payments Information Act of 2002, Pub. L. 107-300, November 26, 2002.

<sup>5</sup> The term "program and activity" is referred to in this report as "program."

<sup>6</sup> Pub. L. 111-204, §§ 2 and 3.

<sup>7</sup> *Ibid.*, § 3(b).

<sup>8</sup> Improper Payments Elimination and Recovery Improvement Act of 2012, Pub. L. 112-248, §§ 1 through 5, January 10, 2013.

that the Office of Management and Budget (OMB) identify high-priority Federal programs for greater levels of oversight and review, provide guidance to agencies for improving estimates of 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.<sup>9</sup>

On June 26, 2018, OMB released updated guidance for agencies to implement improper payments 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 improper payment compliance framework to create a more unified, comprehensive, and less burdensome set of requirements.”

## **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 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 Department of State processes payments initiated by USAGM’s overseas locations on behalf of USAGM. During FY 2019, USAGM reported outlays<sup>10</sup> totaling approximately \$814 million.

## **AUDIT RESULTS**

---

### **Finding A: USAGM Complied With Improper Payments Requirements**

OIG found that USAGM complied with all applicable improper payments requirements for FY 2019. Specifically, USAGM reported the required improper payments information in its

---

<sup>9</sup> Pub. L. 112-248, § 3(b)(2)(E).

<sup>10</sup> Outlays include the issuance of checks, the disbursement of cash, or the electronic transfer of funds made to liquidate a Federal obligation.

FY 2019 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.<sup>11</sup>

### ***Required Improper Payments Information Was Reported***

IPERA states that, for an agency to be in compliance with the Act, the agency must publish an Agency Financial Report or PAR<sup>12</sup> for the most recent fiscal year and post that report, with the information on improper payments required by OMB, on the agency's website.<sup>13</sup> OMB Circular A-123, Appendix C, 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."<sup>14</sup>

USAGM published an FY 2019 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](http://www.paymentaccuracy.gov), which contains additional improper payment information, as required by OMB Circular A-136, as revised.<sup>15</sup> Because USAGM did not have any programs that were deemed susceptible to significant improper payments, 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.<sup>16</sup> OMB Circular A-

---

<sup>11</sup> OMB Circular A-123, Appendix C, at 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.

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

<sup>13</sup> Pub. L. 111-204, § 3(a)(3)(A).

<sup>14</sup> OMB Circular A-123, Appendix C, at 6, "Annual Reporting." OMB Circular A-136, "Financial Reporting Requirements," § II.4.5 ("Payment Integrity") (June 28, 2019).

<sup>15</sup> *Ibid.*, at 106.

<sup>16</sup> Pub. L. 107-300, § 2(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. Agencies should institute a systematic method of performing the risk assessments by conducting either a quantitative or qualitative risk assessment. 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.<sup>17</sup>

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.<sup>18</sup> However, agencies are required to consider annually whether significant changes to either legislation or funding would affect each program’s risk susceptibility. In FY 2018, USAGM established an 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 performs quantitative risk assessments for its programs in accordance with its 3-year rotational testing approach.

*Quantitative Risk Assessments Were Performed*

In FY 2019, USAGM performed quantitative risk assessment testing of VOA and OCB as part of USAGM’s 3-year rotational testing approach. To perform this analysis, USAGM tested a statistical sample of expenditures for the two programs, as shown in Table 1.

**Table 1. Results of Program Testing by USAGM**

	Payments	Value of Payments	Value of Payments Tested	Value Tested	Improper Payments	Value of Improper Payments	Error Rate	Value of Projected Improper Payments
VOA	14,375	\$98,264,301	145	\$48,169,878	21	\$1,103,161	2.29	\$2,250,252
OCB	1,051	10,702,272	145	8,091,442	47	201,540	2.49	266,487

**Source:** OIG prepared using improper payment testing data provided by USAGM.

Although the results of quantitative testing showed that VOA and OCB incurred more than 1.5 percent of program outlays in improper payments at 2.29 percent and 2.49 percent, respectively, both programs were below \$10 million of improper payments when the error rate was projected across the value of all payments in FY 2019. As a result, USAGM did not identify either program as being at risk of significant improper payments because the programs fall below the thresholds defined in OMB Circular A-123, Appendix C.

<sup>17</sup> OMB Circular A-123, Appendix C, at 10–13.

<sup>18</sup> Ibid., at 11.

## APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

---

The Improper Payments Elimination and Recovery Act of 2010<sup>1</sup> (IPERA) requires the Office of Inspector General (OIG) to conduct an annual audit of U.S. 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 January to March 2020 at USAGM'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, 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 2019 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 make these determinations, 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 2019 PAR for sufficiency.

### **Data Reliability**

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 the completeness and accuracy of amounts on supporting worksheets that were used to report information in the PAR and on [www.paymentaccuracy.gov](http://www.paymentaccuracy.gov). OIG determined that the data were sufficiently reliable for the purposes of its objective. OIG did not perform tests to validate the worksheet amounts to the underlying financial management system because such testing was not necessary to accomplish the objective of this audit.

---

<sup>1</sup> Improper Payments Elimination and Recovery Act of 2010, Pub. L. 111-204, §§ 2 and 3, July 22, 2010.



## **Work Related to Internal Control**

During the audit, OIG considered factors, including the subject matter under audit, to determine whether internal control was significant to the audit objective, which was to determine whether USAGM complied with improper payment requirements for FY 2019. On the basis of its consideration, OIG determined that internal control was not significant for this audit.

Although internal controls were not significant to the audit objective, OIG performed procedures to gain an understanding of internal controls related to USAGM's improper payment reporting processes. Specifically, USAGM officials completed OIG-prepared questionnaires to update OIG's understanding of the control environment ascertained during its prior-year audits and responded to control-related inquiries. OIG also obtained and reviewed USAGM's policies and procedures for making payments, performing risk assessments, and reporting improper payments information.

## **Prior Office of Inspector General Reports**

In May 2019, OIG reported<sup>2</sup> that USAGM complied with improper payments requirements. Specifically, OIG reported that USAGM published on its website the FY 2018 PAR, which included all applicable payment integrity disclosures, as required by OMB 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.

---

<sup>2</sup> OIG, *Audit of United States Agency for Global Media FY 2018 Compliance With Improper Payments Requirements* (AUD-FM-IB-19-28, May 2019).

## APPENDIX B: U.S. 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](http://usagm.gov)

April 21, 2020

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

Dear Mr. Brown:

The U.S. Agency for Global Media (USAGM) has reviewed the draft report of the *Audit of USAGM FY 2019 Compliance with Improper Payments Requirements*. USAGM concurs with the Office of Inspector General draft report that we complied with applicable improper payments requirements during FY 2019 and that no recommendations are necessary as a result of this audit.

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

Sincerely,

A handwritten signature in black ink that reads "Grant K. Turner".

Grant K. Turner  
Chief Executive Officer and Director



PUBLIC SERVICE MEDIA

## ABBREVIATIONS

---

IPERA	Improper Payments Elimination and Recovery Act of 2010
OCB	Office of Cuba Broadcasting
OIG	Office of Inspector General
OMB	Office of Management and Budget
PAR	Performance and Accountability Report
USAGM	U.S. Agency for Global Media
VOA	Voice of America

## OIG AUDIT TEAM MEMBERS

---

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

Todd Jones, Audit Manager  
Financial Management Division  
Office of Audits

Margery Karlin, Senior Auditor  
Financial Management Division  
Office of Audits

UNCLASSIFIED



## **HELP FIGHT** FRAUD, WASTE, AND ABUSE

1-800-409-9926

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

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

[WPEAOmbuds@stateoig.gov](mailto:WPEAOmbuds@stateoig.gov)

UNCLASSIFIED