



UNITED STATES DEPARTMENT OF STATE
AND THE BROADCASTING BOARD OF GOVERNORS
OFFICE OF INSPECTOR GENERAL

AUD-FM-IB-14-22

Office of Audits

April 2014

Audit of Broadcasting Board of Governors FY 2013 Compliance With Improper Payments Requirements

~~**IMPORTANT NOTICE:** This report is intended solely for the official use of the Department of State or the Broadcasting Board of Governors, or any agency or organization receiving a copy directly from the Office of Inspector General. No secondary distribution may be made, in whole or in part, outside the Department of State or the Broadcasting Board of Governors, by them or by other agencies or organizations, without prior authorization by the Inspector General. Public availability of the document will be determined by the Inspector General under the U.S. Code, 5 U.S.C. 552. Improper disclosure of this report may result in criminal, civil, or administrative penalties.~~



United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

PREFACE

This report was prepared by the Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended, and Section 209 of the Foreign Service Act of 1980, as amended. It is one of a series of audit, inspection, investigative, and special reports prepared by OIG periodically as part of its responsibility to promote effective management, accountability, and positive change in the Department of State and the Broadcasting Board of Governors.

This report is the result of an assessment of the strengths and weaknesses of the office, post, or function under review. It is based on interviews with employees and officials of relevant agencies and institutions, direct observation, and a review of applicable documents.

The recommendations therein have been developed on the basis of the best knowledge available to OIG and, as appropriate, have been discussed in draft with those responsible for implementation. It is my hope that these recommendations will result in more effective, efficient, and/or economical operations.

I express my appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in blue ink, appearing to read 'N. P. Brown', written in a cursive style.

Norman P. Brown
Assistant Inspector General
for Audits

Acronyms

| | |
|--------|--|
| BBG | Broadcasting Board of Governors |
| IBB | International Broadcasting Bureau |
| IPERA | Improper Payments Elimination and Recovery Act of 2010 |
| IPIA | Improper Payments Information Act of 2002 |
| IPERIA | Improper Payments Elimination and Recovery Improvement Act of 2012 |
| OCB | Office of Cuba Broadcasting |
| OIG | Office of Inspector General |
| OMB | Office of Management and Budget |
| PAR | Performance and Accountability Report |
| RFA | Radio Free Asia |
| VOA | Voice of America |

Table of Contents

| <u>Section</u> | <u>Page</u> |
|---|-------------|
| Executive Summary..... | 1 |
| Background..... | 2 |
| Objective..... | 4 |
| Audit Results | 4 |
| Finding A. BBG Was in Substantial Compliance With IPIA..... | 4 |
| Finding B. Improvements in BBG Efforts To Prevent, Detect, and Recapture Improper Payments Are Needed | 6 |
| Appendices | |
| A. Scope and Methodology | 10 |
| B. BBG Management Response | 12 |
| Major Contributors to This Report | 14 |

UNCLASSIFIED

Executive Summary

Improper Federal payments totaled an estimated \$106 billion in FY 2013. Over the past decade, the Federal Government has implemented safeguards to reduce improper payments. In 2010, the Improper Payments Elimination and Recovery Act¹ (IPERA), which amended the Improper Payments Information Act of 2002² (IPIA), was signed into law. IPERA strengthened IPIA by increasing requirements for identifying and reporting on improper payments. In April 2011, the Office of Management and Budget (OMB) issued guidance to implement IPERA.

IPIA, as amended by IPERA³ requires agencies' Offices of Inspector General (OIG) to annually determine compliance with improper payments requirements.⁴ In accordance with this requirement, OIG conducted an audit of the Broadcasting Board of Governors (BBG) compliance with IPIA.

OIG found that BBG was in substantial compliance with IPIA requirements. Specifically, BBG conducted an improper payments risk assessment of its programs and made the required improper payments disclosures in its FY 2013 Performance and Accountability Report (PAR).⁵

Although BBG complied with IPIA requirements, OIG found that BBG's improper payments risk assessment identified high improper payment error rates, including a 15.7 percent error rate and a potential \$7.8 million in improper payments for one program. The high error rates occurred primarily because of insufficient or incomplete supporting documentation. These documentation deficiencies prevented BBG from verifying that payments were proper. In addition, BBG did not notify OMB and OIG of its decision not to perform payment recapture audits and provide the analysis used by BBG to reach this decision, as required. BBG planned to make the notifications after it updated the process and risk analysis documentation used to support its cost-benefit analysis. Without the proper notifications, OMB and OIG could not independently assess and validate BBG's determination that payment recapture audits would not be a cost-effective method for identifying and recapturing improper payments.

OIG is recommending that BBG strengthen its controls to ensure that it obtains and maintains sufficient and complete supporting documentation for payments and make the required notifications to OMB and OIG of BBG's decision not to perform payment recapture audits.

In its April 7, 2014 response (see Appendix B) to the draft report, BBG concurred with the two recommendations. Based on the response, OIG considers the two recommendations resolved, pending further action. Management's response and OIG's replies to those responses are included after each recommendation.

¹ Pub. L. No. 111-204.

² Pub. L. No. 107-300.

³ Unless otherwise indicated, the term "IPIA" means "IPIA, as amended by IPERA" in this report.

⁴ Pub. L. No. 111-204 § 3(b).

⁵ Federal agencies may publish their financial statements in either an Annual Financial Report or a Performance Accountability Report. BBG has elected to use the PAR format.

UNCLASSIFIED

Background

Improper Federal payments to individuals, organizations, and contractors totaled an estimated \$106 billion during FY 2013.⁶ Improper payments are payments that should not have been made or that were made in an incorrect amount. Improper payments include overpayments and underpayments, duplicate 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.

Over the past decade, the Federal Government has taken steps to identify and reduce improper payments. For example, IPIA, enacted in 2002, required Federal agencies to annually review programs and activities⁷ to identify programs 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, which amended IPIA, was enacted in an effort to further reduce improper payments. IPERA clarified the programs to be reviewed, added a requirement to perform risk assessments, and expanded improper payments recapture activities. IPERA also required inspectors general to determine whether an agency was in compliance and established additional requirements for agencies deemed noncompliant.

In April 2011, OMB issued guidance for agencies implementing IPERA requirements, as Appendix C, Revised Parts I and II, of OMB Circular A-123, *Management's Responsibility for Internal Control*.⁸ The guidance, among other things, defined the programs and payments that agencies must assess for the risk of improper payments and provided requirements for determining whether the risk of improper payments was significant, for developing an estimate of improper payments, for performing recapture audit activities, and for reporting improper payments activities.

In January 2013, the Improper Payments Elimination and Recovery Improvement Act of 2012⁹ (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, provide guidance to agencies for improving estimates of improper payments, and establish a working system for prepayment and preaward review. IPERIA became applicable in FY 2014 (October 1, 2013).

⁶ Sean Reilly, "Improper payment rate falls again," *Federal Times*, Dec. 31, 2013.

⁷ The term "program and activity" will be referred to in this report as "program."

⁸ OMB Circular A-123, Appendix C, Revised Parts I and II, will be referred to in this report as Circular A-123, Appendix C.

⁹ Pub. L. No. 112-248.

UNCLASSIFIED

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 (VOA) and the Office of Cuba Broadcasting (OCB), as well as the management and support offices in the International Broadcasting Bureau (IBB). BBG also oversees three grantee organizations: Radio Free Europe/Radio Liberty, Radio Free Asia (RFA), and the Middle East Broadcasting Networks. Radio Free Europe/Radio Liberty, RFA, and Middle East Broadcasting Networks 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, liaison with servicing agencies, and facilitation of BBG's annual financial statement audit. The Office of Financial Operations Financial Services Branch processes payments that are initiated by BBG's domestic offices, while the Department of State processes payments initiated by BBG's overseas locations. During FY 2013, BBG reported outlays¹⁰ amounting to approximately \$717 million. Of that amount, payments of approximately \$444 million to private sector vendors and grantees were subject to the improper payments requirements of IPFA.¹¹

Prior OIG Reports

In FY 2013, OIG reported¹² that BBG had implemented all requirements for identifying and reporting data on improper payments. Specifically, BBG performed a risk assessment of improper payments, implemented a payment recapture audit program, and included all required information in its PAR. OIG did not make any recommendations in the report.

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

¹¹ OMB Circular A-123, Appendix C, defines "payment" as "any payment or transfer of Federal funds to any non-Federal person or entity." Therefore, agencies are not obligated to review intra-governmental transactions and payments to employees unless directed to do so by OMB.

¹² *Audit of Broadcasting Board of Governors FY 2012 Compliance With Improper Payments Requirements* (AUD-FM-IB-13-24, March 2013).

UNCLASSIFIED

Objective

The overall objective of this audit was to determine whether BBG was in compliance with IPIA. To accomplish this objective, OIG

- Evaluated whether BBG had conducted a risk assessment for significant programs.
- Determined whether BBG had reported the required improper payments information in its FY 2013 PAR.

OIG also evaluated BBG's controls for preventing, detecting, and recapturing improper payments.

Audit Results

Finding A. BBG Was in Substantial Compliance With IPIA

OIG found that BBG was in substantial compliance with IPIA requirements. OMB Circular A-123, Appendix C, states that to be in compliance with IPIA, an agency must have conducted a program specific risk assessment for each program, published a PAR, and reported information on its efforts to recapture improper payments.¹³ BBG conducted an improper payments risk assessment of its significant programs and reported the required improper payments information in its FY 2013 PAR.

Program Risk Assessments Were Performed

IPIA requires that agencies use a systematic method to review all programs and identify those programs 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 2.5 percent of program outlays and \$10 million of all program payments made during the fiscal year or (2) \$100 million. Agencies can use either a quantitative evaluation methodology based on a statistical sample or a qualitative assessment of risk factors likely to contribute to significant improper payments. For programs that an agency initially determines are not risk susceptible, the agency must conduct a risk assessment at least once every 3 years thereafter.

During FY 2012, BBG performed an initial risk assessment of its seven programs.¹⁴ Based on the results of its FY 2012 risk assessment, BBG did not identify any programs susceptible to significant improper payments as defined by OMB Circular A-123, Appendix C.

¹³ OMB Circular A-123, Appendix C, includes other requirements for an agency to be in compliance with IPIA. However, these requirements are necessary only for programs identified as susceptible to significant improper payments.

¹⁴ The seven programs identified by BBG were VOA; OCB; Radio Free Europe/Radio Liberty; RFA; Middle East Broadcasting Networks; IBB; and the Office of Technology, Services, and Innovation.

UNCLASSIFIED

Although not required to,¹⁵ BBG elected to perform a risk assessment on its programs again in FY 2013. BBG first performed a qualitative assessment of the seven programs. BBG rated each of the programs on a scale of 1 to 5, with 1 defined as “very high risk” and 5 defined as “very low risk,” for eight risk factors: Operational Risk, Complexity, Volume of Payments, Human Capital Risk, Historical Risk, Information Technology Risk, Compliance Risk, and Total Dollar Value. BBG calculated the average of the eight factor ratings to arrive at the overall risk for the program. The overall risk for the seven programs ranged from 2.88, moderate risk, to 4.89, very low risk.

A BBG contractor then performed quantitative testing of four higher risk programs: RFA, VOA, IBB, and OCB. To perform the quantitative analysis, the contractor tested a statistical sample of expenditures made during FY 2012 for RFA, VOA, and IBB and expenditures made during the first three quarters of FY 2013 for OCB. As detailed below in Table 1, the contractor tested 486 payments in total, less than 1 percent, of the 255,456 payments made for the four programs, but these payments amounted to approximately \$48.7 million, or 38 percent of the approximate \$129 million in payments.

Table 1. Results of Testing the Highest Risk Programs by BBG Contractor

| Program | Total Payments | Total Value of Payments | Sample Tested | Total Value of Sample Tested | Number of Improper Payments | Value of Improper Payments |
|----------------|-----------------------|--------------------------------|----------------------|-------------------------------------|------------------------------------|-----------------------------------|
| RFA | 19 | \$44,737,916 | 19 | \$44,737,916 | 0 | \$0 |
| VOA | 209,538 | 49,539,269 | 145 | 1,769,370 | 34 | 41,610 |
| IBB | 41,585 | 25,468,847 | 177 | 1,786,082 | 50 | 26,447 |
| OCB | 4,314 | 9,393,850 | 145 | 375,285 | 51 | 15,218 |
| Totals | 255,456 | \$129,139,882 | 486 | \$48,668,653 | 135 | \$83,275 |

Source: OIG prepared from data provided by BBG.

Based upon improper payment estimates prepared by BBG’s contractor, BBG identified projected improper payments of \$7.8 million (15.7 percent), \$1.1 million (4.3 percent), and \$382,629 (4.1 percent) for VOA, IBB, and OCB, respectively. This information was reported in BBGs FY 2013 PAR.

Although three of four programs tested—VOA, IBB, and OCB—had error rates greater than 2.5 percent, the dollar amount of projected errors for each program was less than \$10 million. Therefore, based on its qualitative and quantitative risk assessments for FY 2013, BBG did not identify any programs susceptible to significant improper payments as defined by OMB Circular A-123, Appendix C.

¹⁵ Agencies are not required to perform an annual risk assessment for programs deemed not risk susceptible unless the programs experience a significant change in legislation or a significant increase in their funding level.

UNCLASSIFIED

Required Improper Payments Information Was Reported

OMB Circular A-123, Appendix C, requires agencies to disclose specific information relating to improper payments in their annual PAR in the format provided in OMB Circular A-136, Revised, *Financial Reporting Requirements*.

BBG disclosed the required improper payments information in its FY 2013 PAR. Specifically, BBG published an FY 2013 PAR and posted that report on its Web site. In accordance with OMB Circular A-136, BBG included in its PAR a list of its programs and a description of its process to identify programs susceptible to significant improper payments. BBG also completed and presented improper payment reduction and recaptured overpayment tables in accordance with OMB requirements.

Finding B. Improvements in BBG Efforts To Prevent, Detect, and Recapture Improper Payments Are Needed

Although BBG was in substantial compliance with IPPIA, OIG identified two areas in which BBG's efforts to prevent, detect, and recapture improper payments needed improvement. Specifically, despite BBG's controls to prevent improper payments, BBG's improper payments risk assessment identified high improper payment error rates, including a 15.7 percent error rate for one program. The high error rates occurred primarily because payment documentation was insufficient or incomplete. As a result, BBG could not verify that its payments were proper. In addition, BBG did not notify OMB and OIG of its decision not to perform payment recapture audits, as required. Without the proper notifications, OMB and OIG could not independently assess BBG's determination that payment recapture audits would not be cost effective.

High Improper Payment Error Rates Were Identified

OMB Circular A-123, Appendix C, states, "Agencies shall have a cost-effective program of internal control to prevent, detect, and recover overpayments." Prevention activities are designed to prevent improper payments from occurring.

BBG's quantitative risk assessment procedures identified high improper payment error rates. Specifically, the error rate for VOA was 15.7 percent, the error rate for IBB was 4.3 percent, and the error rate for OCB was 4.1 percent. Based on these error rates, BBG estimated potential improper payments of \$7.8 million for VOA,¹⁶ \$1.1 million for IBB, and \$383,000 for OCB.

¹⁶ BBG stated in its *IPPIA Compliance Process* document (p. 4), "The VOA sample error rate was larger than the expected error rate of 3.5%; therefore, the result is not statistically valid. Based on an error rate of 15.72%, the sample size would have to increase from 145 payments to 574."

UNCLASSIFIED

BBG had implemented controls to prevent improper payments. For example, BBG's Manual of Operations and Administration required, among other things, that the program office receiving the goods or services stamp the invoice to certify receipt. The program office administrative officer must then certify funds availability, the obligation document number, the obligation line number, the dollar amount, and the receiving official's signature and telephone number. In addition, the payment office must audit the invoice "to ensure that there is a valid obligation for the payment, it is a proper invoice, the required invoice stamp is completed and signed, and supporting documentation is attached to the invoice."

Despite these controls, BBG's analysis of the improper payments identified during the quantitative risk assessment indicated that the majority of the payments were identified as improper because of insufficient or incomplete supporting documentation. Specifically, BBG did not have complete documentation to support some payments, and the documentation that was available did not have the required signatures or dates.

The lack of sufficient and complete documentation prevented BBG from verifying that the payments were proper and, if the payments were overpayments, from taking appropriate actions to recover the improper payments. In addition, VOA's improper payment error rate of 15.7 percent was significantly above OMB's 2.5 percent threshold, and the projected improper payments of \$7.8 million, although below the \$10 million threshold, were significant enough to be of concern. If the deficiencies in payment documentation are not addressed and estimated improper payments increase, BBG will be required to identify VOA as a program susceptible to improper payments, which would trigger additional corrective actions and reporting under IPIA.

Recommendation 1. OIG recommends that the Broadcasting Board of Governors (BBG) develop and implement a methodology to strengthen its controls to ensure that BBG obtains and maintains sufficient and complete supporting documentation for payments.

Management Response: BBG concurs with the recommendation, stating that "planning is underway to address the issues of concern" by improving documentation, process enhancement, and/or additional oversight. BBG will implement "a Corrective Action Plan to begin remediation of improper payments discovered during audit."

OIG Reply: OIG considers the recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that BBG has designed and implemented controls to reduce the risk of improper payment, as demonstrated by the results of internal and external payments controls testing.

Required Notifications Were Not Made

IPIA requires agencies to conduct recovery audits (also known as "recapture audits") for each program that expends \$1 million or more annually if conducting such audits would be cost effective. OMB Circular A-123, Appendix C, defines a payment recapture audit as "a review and analysis" of records, supporting documentation, and other information supporting payments that is specifically designed to identify overpayments. Agencies may exclude payments from

UNCLASSIFIED

payment recapture audit activities if the agency determines that payment recapture audits are not a cost-effective method for identifying and recapturing improper payments. However, if agencies decide to exclude payments from programs expending \$1 million or more from payment recapture audits, agencies must notify OMB and OIG and include any analysis used to reach that decision.

BBG stated that it did not perform payment recapture audit activities in FY 2013.¹⁷ BBG contracted with a certified public accounting firm to perform recapture audit services and to be compensated on a contingency-fee basis. BBG reported that the contractor had performed data mining to identify potential high-risk payments. However, the amounts of the payments identified were too immaterial to warrant further research, and the contractor determined that it would not be cost effective for BBG to pursue a recapture audit process.

BBG appropriately described in its PAR its justification for not conducting a payment recapture audit. However, BBG did not, as required, notify OMB and OIG of its decision and provide the analysis used to reach this decision. BBG stated that it would notify OMB and OIG of its decision not to perform recapture audits in FY 2013, as required, and would provide documentation to support this decision.

Without the required notifications, neither OMB nor OIG could independently assess and validate BBG's determination that payment recapture audits would not be a cost-effective method for BBG to identify and recapture improper payments.

Recommendation 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.

Management Response: BBG concurs with the recommendation, stating that it is currently preparing its submission to OMB and OIG.

OIG Reply: OIG considers the recommendation resolved. This recommendation can be closed when BBG provides notification and supporting documentation to OIG and provides evidence that this information was also provided to OMB.

¹⁷ Although BBG stated that it had not performed payment recapture audits, OIG noted that the payment testing performed during the quantitative risk assessment process met the OMB definition of a payment recapture audit. Specifically, the testing included a review of payment records and other supporting documentation. In addition, although the testing was performed to identify all types of improper payments, the contractor specifically identified overpayments during this testing. However, this assessment was not performed on three of BBG's seven programs.

UNCLASSIFIED

List of Recommendations

Recommendation 1. OIG recommends that the Broadcasting Board of Governors (BBG) develop and implement a methodology to strengthen its controls to ensure that BBG obtains and maintains sufficient and complete supporting documentation for payments.

Recommendation 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.

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 by IPERA.

OIG's Office of Audits performed fieldwork from January to March 2014 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 for the audit, OIG researched and reviewed legislative requirements related to improper payments, Office of Management and Budget guidance, 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 evaluated whether BBG had conducted a risk assessment for significant programs; determined whether BBG had disclosed the required improper payments information in its FY 2013 Performance and Accountability Report (PAR); and evaluated BBG's controls for preventing, detecting, and recapturing improper payments. To accomplish these objectives, OIG interviewed BBG officials to gain an understanding of BBG's processes for performing its risk assessment, identifying improper payments, and reporting improper payments information. OIG assessed BBG's policies and procedures for making payments, performing the risk assessment, conducting payment reviews, and reporting improper payments information. OIG also obtained and reviewed the documentation supporting the risk assessments and payment reviews that were performed and reviewed the improper payments information disclosed in the FY 2013 PAR.

¹ Pub. L. No. 111-204.

² Pub. L. No. 107-300.

UNCLASSIFIED

Work Related to Internal Controls

OIG performed steps to assess the adequacy of internal controls related to the areas audited. Specifically, OIG assessed the controls contained in BBG's policies and procedures for making payments, performing risk assessments, and reporting improper payments information. However, OIG did not perform 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 spreadsheets, 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, however, did not perform tests to validate the spreadsheet amounts because such testing was not necessary to accomplish the audit objectives.

Broadcasting Board of Governors

INTERNATIONAL BROADCASTING BUREAU



April 7, 2014

Mr. Norman Brown
Assistant Inspector General
Office of Inspector General
Department of State

Dear Mr. Brown:

We have received and reviewed the findings and recommendations contained in the draft report of the Audit of Broadcasting Board of Governors FY 2013 Compliance with Improper Payments Requirements. Overall we agree with the findings and recommendations, and are currently working to resolve these issues. In the enclosed, please find responses to each of the issues identified by the Office of Inspector General (OIG).

Thank you for the opportunity to respond to this Audit Report. We take these recommendations seriously, and will monitor the progress of each remediation. If you have any questions, please feel free to contact me at (202) – 203-[REDACTED] ⁽⁶⁾

Cordially,

Leslie Hyland
Chief Financial Officer

Enclosure: As Stated

Draft Audit of Broadcasting Board of Governors FY 2013 Compliance with Improper Payments Requirements
BBG Responses to Audit Recommendations

Recommendation 1: OIG recommends that the Broadcasting Board of Governors (BBG) develop and implement a methodology to strengthen its controls to ensure that BBG obtains and maintains sufficient and complete supporting documentation for payments.

BBG Response: The BBG concurs with this recommendation. In collaboration with other departments within the agency and by incorporating best practices, planning is underway to address the issues of concern after evaluating the specific areas that require improved documentation, process enhancement, and/or additional oversight. Once these areas of weakness are determined, management will create and implement a Corrective Action Plan (CAP) to begin the remediation of improper payments discovered during the audit.

Recommendation 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 was not cost effective and provide the cost-benefit analysis supporting this determination.

BBG Response: The BBG concurs with this recommendation and is currently preparing its submission to the Office of Management and Budget (OMB) and Office of Inspector General (OIG) to present the results of our cost benefit analysis as required.

Major Contributors to This Report

Gayle Voshell, 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



**FRAUD, WASTE, ABUSE,
OR MISMANAGEMENT
OF FEDERAL PROGRAMS
HURTS EVERYONE.**

CONTACT THE
OFFICE OF INSPECTOR GENERAL
HOTLINE
TO REPORT ILLEGAL
OR WASTEFUL ACTIVITIES:

202-647-3320

800-409-9926

oighotline@state.gov

oig.state.gov

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

UNCLASSIFIED