

Calendar No. 694

118TH CONGRESS }
2d Session }

SENATE

{ REPORT
118-288

SAFEGUARDING THE TRANSPARENCY AND
EFFICIENCY OF PAYMENTS (STEP) ACT

R E P O R T

OF THE

COMMITTEE ON HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

TO ACCOMPANY

S. 2924

TO AMEND TITLE 31, UNITED STATES CODE, TO IMPROVE
THE MANAGEMENT OF IMPROPER PAYMENTS, AND FOR OTHER
PURPOSES



DECEMBER 12, 2024.—Ordered to be printed

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DECEMBER 12, 2024.—Ordered to be printed

Mr. PETERS, from the Committee on Homeland Security and
Governmental Affairs, submitted the following

R E P O R T

[To accompany S. 2924]

[Including cost estimate of the Congressional Budget Office]

The Committee on Homeland Security and Governmental Affairs, to which was referred the bill (S. 2924) to amend title 31, United States Code, to improve the management of improper payments, and for other purposes, having considered the same, reports favorably thereon with an amendment, in the nature of a substitute and an amendment to the title, and recommends that the bill, as amended, do pass.

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I. PURPOSE AND SUMMARY

S. 2924, the *Safeguarding the Transparency and Efficiency of Payments (STEP) Act*, amends title 31, United States Code, to combat and deter improper payments before they occur and increase transparency when payment errors are made. Specifically, the bill designates all new federal programs making more than \$100 million in payments during one fiscal year as “susceptible to significant improper payments” for their initial years of operation, with

risk-based exceptions. Additionally, the bill requires Chief Financial Officers at federal agencies to certify, in the agency's annual financial statement, information on the identification of programs susceptible to significant improper payments and the implementation of corrective action plans. Finally, the bill reinstates an expired requirement that agencies report on certain antifraud controls and fraud risk management efforts.

II. BACKGROUND AND NEED FOR THE LEGISLATION

Improper payments—including overpayments, underpayments, payments to ineligible recipients, and payments that were not properly documented—continue to be a barrier to ensuring efficient and effective use of taxpayer dollars, despite various efforts across the federal government. In fiscal year (FY) 2023, 14 federal agencies reported a total estimated \$236 billion in improper payments across 71 programs. This total included \$175 billion in overpayments, as well as \$11.5 billion in underpayments, \$44.6 billion in unknown payments (which an agency cannot yet determine were improper or is still investigating), and \$4.6 billion in technically improper payments (correct payments that fail to meet technical or procedural requirements). From FY 2003, when Congress first directed agencies to begin reporting improper payments, to FY 2023, improper payments across the federal government totaled approximately \$2.7 trillion. These estimates are likely understated, as federal agencies still face challenges to producing complete and reliable estimates of improper payments.¹

The Payment Integrity Information Act (PIIA) of 2019, which became law in March 2020, modified and restructured existing improper payments laws to help agencies better identify and reduce wasteful improper government payments. Among other provisions, the law required agencies to undertake additional efforts to prevent improper payments before they happen, as well as improve the way agencies identify programs with the highest risk of improper payments.²

The *Safeguarding the Transparency and Efficiency of Payments (STEP) Act* builds on previous legislation including the PIIA, by seeking to further combat and deter improper payments before they occur and increase transparency when payment errors are made. The bill is based in part on recommendations from the Government Accountability Office.³

In an April 2023 hearing before the Senate Committee on Homeland Security and Governmental Affairs, U.S. Comptroller General Gene Dodaro highlighted the importance of legislative changes to mitigate and recover improper payments more efficiently, including requiring new federal programs with outlays over \$100 million to

¹ Government Accountability Office, *Improper Payments: Information on Agencies' Fiscal Year 2023 Estimates* (GAO-24-106927) (Mar. 2024) (www.gao.gov/products/gao-24-106927). See also Office of Management and Budget, *Payment Accuracy.gov* (accessed Oct. 12, 2024) and Office of Management and Budget Memorandum M-21-19 (Mar. 5, 2021) (www.whitehouse.gov/wp-content/uploads/2021/03/M-21-19.pdf).

² Payment Integrity Information Act of 2019, Pub. L. No. 116-117.

³ Government Accountability Office, *Emergency Relief Funds: Significant Improvements are Needed to Ensure Transparency and Accountability for COVID-19 and Beyond* (GAO-22-105715) (Mar. 2022) (www.gao.gov/products/gao-22-105715).

be automatically designated as susceptible to improper payments, and improving agency internal controls.⁴

The STEP Act would designate all new federal programs making more than \$100 million in payments in one fiscal year, during their first four years of operation, as “susceptible to significant improper payments,” unless a risk assessment is conducted indicating risk below statutory thresholds. This requirement is meant to increase scrutiny on new programs that disburse significant payments. The bill also reinstates a requirement that agencies report on their antifraud controls and fraud risk management efforts in their annual financial reports for the next 10 years. This requirement was enacted in the Fraud Reduction and Data Analytics Act of 2015, but lapsed in 2020.⁵ This reporting is meant to increase congressional oversight to better ensure fraud prevention, while not increasing reporting burdens on agencies.⁶

III. LEGISLATIVE HISTORY

Senator Tom Carper (D–DE) introduced S. 2924, the Safeguarding the Transparency and Efficiency of Payments Act, on September 26, 2023, with original cosponsor Senator Mike Braun (R–IN). Senator James Lankford (R–OK) joined as a cosponsor on June 11, 2024. The bill was referred to the Committee on Homeland Security and Governmental Affairs.

The Committee considered S. 2924 at a business meeting on September 25, 2024. At the business meeting, Senator Carper offered a substitute amendment, as well as a modification to that amendment. The Carper substitute amendment, as modified, added a risk-based exception for designating new programs and activities susceptible to significant improper payments. It also modified the bill’s reporting requirements to avoid duplicative reporting on financial and administrative controls between agency financial reports and PIIA reports. Finally, the Carper substitute amendment, as modified, incorporated language specifying that no additional funds are authorized to be appropriated to carry out this Act. The Committee adopted the modification to the Carper substitute amendment, and the Carper substitute amendment as modified, by unanimous consent, with Senators Peters, Carper, Hassan, Rosen, Blumenthal, Butler, Paul, Lankford, and Hawley present. Senator Carper also offered an amendment to modify the bill’s long title. The Committee adopted the amendment by unanimous consent, with Senators Peters, Carper, Hassan, Rosen, Blumenthal, Butler, Paul, Lankford, and Hawley present.

The bill, as amended by the Carper substitute amendment, as modified, and the Carper title amendment, was ordered reported favorably by roll call vote of 9 yeas to 0 nays, with Senators Peters, Carper, Hassan, Rosen, Blumenthal, Butler, Paul, Lankford, and

⁴ Senate Committee on Homeland Security and Governmental Affairs, Testimony Submitted for the Record of Eugene L. Dodaro, Comptroller General of the United States, Hearing on GAO’s 2023 High Risk List: Recommendations for Reducing Waste, Fraud, and Abuse, 118th Cong. (Apr. 20, 2023) (S. Hrg. 118–67). See also Government Accountability Office, *High-Risk Series: Efforts Made to Achieve Progress Need to be Maintained and Expanded to Fully Address All Areas* (GAO–23–106674) (Apr. 2023) (www.gao.gov/products/gao-23-106674).

⁵ Pub. L. No. 114–186.

⁶ *Supra* note 3. See also, Government Accountability Office, *Fraud Risk Management: Key Areas for Federal Agency and Congressional Action* (GAO–23–106567) (Apr. 2023) (www.gao.gov/assets/820/819002.pdf).

Hawley voting in the affirmative. Senators Sinema, Ossoff, Johnson, Romney, Scott, and Marshall voted yea by proxy, for the record only.

Consistent with Committee Rule 3(G), the Committee reports the bill with a technical amendment by mutual agreement of the Chairman and Ranking Member.

IV. SECTION-BY-SECTION ANALYSIS OF THE BILL, AS REPORTED

Section 1. Short title

This section establishes the short title of the bill as the “Safeguarding the Transparency and Efficiency of Payments Act” or the “STEP Act.”

Section 2. Improper payments

This section amends several sections in title 31, United States Code, pertaining to improper payments:

Subsection (a) defines the term “Chief Financial Officer” (CFO) and includes several conforming amendments.

Subsection (b) amends the Payment Integrity Information Act of 2019 (31 U.S.C. § 3352, specifically) to designate as “susceptible to significant improper payments” any new federal program that is in its first four years of operation and has outlays exceeding \$100 million in any one of its first three years of operation. This requirement does not apply if the relevant executive agency conducts a risk assessment and concludes the program or activity is not susceptible to significant improper payments. This subsection also requires agency CFOs to: (1) submit a statement in agencies’ annual financial reports certifying the reliability of improper payments risk assessments, and describing the actions of the CFO to monitor the development and implementation of any corrective action plans; and (2) approve agency methodologies for producing improper payment estimates.

Subsection (c) amends the Payment Integrity Information Act of 2019 (31 U.S.C. § 3357, specifically) to reinstate the requirement that agencies report on their antifraud controls and fraud risk management efforts in their annual financial reports, extending it for the next 10 years after the bill’s enactment.

Section 3. No additional funds

This section specifies that no additional funds are authorized to be appropriated to carry out this Act or the amendments made by it. This section also amends the bill’s long title.

V. EVALUATION OF REGULATORY IMPACT

Pursuant to the requirements of paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee has considered the regulatory impact of this bill and determined that the bill will have no regulatory impact within the meaning of the rules. The Committee agrees with the Congressional Budget Office’s statement that the bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

VI. CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

SUMMARY ESTIMATES OF LEGISLATION ORDERED REPORTED

The Congressional Budget Act of 1974 requires the Congressional Budget Office, to the extent practicable, to prepare estimates of the budgetary effects of legislation ordered reported by Congressional authorizing committees. In order to provide the Congress with as much information as possible, the attached table summarizes information about the estimated direct spending and revenue effects of some of the legislation that has been ordered reported by the Senate Committee on Homeland Security and Governmental Affairs during the 118th Congress. The legislation listed in this table generally would have small effects, if any, on direct spending or revenues, CBO estimates. Where possible, the table also provides information about the legislation's estimated effects on spending subject to appropriation and on intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act.

ESTIMATED BUDGETARY EFFECTS AND MANDATES INFORMATION

Bill number	Title	Status	Last action	Budget function	Direct spending, 2025-2034	Revenues, 2025-2034	Spending subject to appropriation, 2025-2029	Pay-as-you-go procedures apply?	Budgetary effects after 2034	Mandates	Contacts
S. 2924 STEP Act	Ordered reported	09/25/24	800	Between zero and \$500,000	0	Not Estimated	Yes	No	No	Kelly Durand

S. 2924 would require federal agencies to report to the Congress on the susceptibility to improper payments of programs that have spent more than \$100 million in one of the first three years of operation; agencies also would report annually on remedial actions for improper payments. Enacting S. 2924 could affect direct spending by some agencies that are allowed to use fees, receipts from the sale of goods, and other collections to cover operating costs. CBO estimates that any net changes in direct spending by those agencies would be negligible because most of them can adjust amounts collected to reflect changes in operating costs. CBO estimates that enacting S. 2924 would have no effect on revenues. CBO has not estimated the bill's effects on spending subject to appropriation. The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

VII. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

UNITED STATES CODE

* * * * *

TITLE 31—MONEY AND FINANCE

* * * * *

Subtitle III—Financial Management

* * * * *

CHAPTER 33—DEPOSITING, KEEPING, AND PAYING MONEY

* * * * *

Subchapter IV—Improper Payments

* * * * *

SEC. 3351. DEFINITIONS.

In this subchapter:

(1) * * *

(2) *CHIEF FINANCIAL OFFICER.*—*The term ‘chief financial officer’ means—*(A) *with respect to an executive agency described in section 901(b), the Chief Financial Officer of the executive agency appointed under such section; and*(B) *with respect to an executive agency that is not described in section 901(b), the official serving as the senior executive responsible for managing the financial activities of the executive agency.*

[(2)] (3) * * *

[(3)] (4) * * *

[(4)] (5) * * *

[(5)] (6) * * *

[(6)] (7) * * *

[(7)] (8) * * *

[(8)] (9) * * *

* * * * *

SEC. 3352. ESTIMATES OF IMPROPER PAYMENTS AND REPORTS ON ACTIONS TO REDUCE IMPROPER PAYMENTS.

(a) * * *

(1) * * *

(2) * * *

(3) **RISK ASSESSMENTS.**—

(A) * * *

(B) SCOPE.—In conducting a review under **¶** paragraph (1)(B), the head of each executive agency shall take into account those risk factors that are likely to contribute to a susceptibility to significant improper payments, such as—

- (i) * * *
- (ii) * * *
- (iii) * * *
- (iv) * * *
- (v) * * *
- (vi) * * *
- (vii) * * *
- (viii) * * *
- (ix) * * *
- (x) * * *
- (xi) * * *

(C) ANNUAL REPORT.—Each executive agency shall publish an annual report that includes—

(i) a listing of each program or activity identified under **¶** paragraphs (1) and (4), including the date on which the program or activity was most recently assessed for risk under **¶** paragraphs (1) and (4); and

(ii) a listing of any program or activity for which the executive agency makes any substantial changes to the methodologies of the reviews conducted under **¶** paragraphs (1) and (4).

(4) NEW PROGRAMS AND ACTIVITIES.—*In addition to the programs and activities identified under paragraph (1)(B) and subject to paragraph (5), the head of an executive agency shall annually identify as susceptible to significant improper payments any program or activity that—*

(A) *has or is expected to have outlays exceeding \$100,000,000 in any one of the first 3 fiscal years of operation; and*

(B) *is in the first 4 years of operation.*

(5) EXCEPTION.—*Paragraph (4) shall not apply with respect to any program or activity that the head of the relevant executive agency concludes, based on the results of a review conducted under paragraph (1), is not susceptible to significant improper payments.*

(b) * * *

(c) ESTIMATION OF IMPROPER PAYMENTS.—

(1) ESTIMATION.—With respect to each program and activity identified under **¶** subsection (a)(1) *paragraph (1) or (4) of subsection (a)*, the head of the relevant executive agency shall—

¶(A) produce a statistically valid estimate, or an estimate that is otherwise appropriate using a methodology approved by the Director of the Office of Management and Budget, of the improper payments made under the program or activity; and

¶(B) include the estimates described in subparagraph (A) in the accompanying materials to the annual financial

statement of the executive agency and as required in applicable guidance of the Office of Management and Budget.】

(A) produce a statistically valid estimate of the improper payments made under the program or activity, or an estimate of such improper payments that is otherwise appropriate using a methodology approved by—

(i) the Director of the Office of Management and Budget; and

(ii) the chief financial officer of the executive agency; and

(B) report the estimates described in subparagraph (A) in accordance with subsection (j).

(d) * * *

(e) * * *

(f) * * *

(g) * * *

(h) * * *

(i) * * *

(j) ANNUAL REPORTS.—Any annual report required to be made by the head of an executive agency under this section shall—

(1) be included in the materials accompanying the annual financial statement of the executive agency and, as required, in applicable guidance of the Office of Management and Budget; and

(2) include a statement by the chief financial officer of the executive agency—

(A) certifying the reliability of the executive agency’s identification of programs and activities that may be susceptible to significant improper payments under subsection (a); and

(B) describing the actions of the chief financial officer of the executive agency to monitor the development and implementation of any corrective action plans reported under subsection (d).

* * * * *

SEC. 3353. COMPLIANCE.

(a) * * *

(1) * * *

(2) * * *

(3) * * *

(4) * * *

(A) * * *

(B) to evaluate—

(i) for compliance with the requirement described in 【section 3351(2)(B)】 section 3351(3)(B), the risk assessment methodology of the executive agency, including whether the audits, examinations, and legal actions of the Inspector General indicate a higher risk of improper payments or actual improper payments that were not included in the risk assessments of the executive agency conducted under section 3352(a);

(ii) for compliance with the requirement described in 【section 3351(2)(C)】 section 3351(3)(C), the accuracy of the rate estimates and whether the sampling and esti-

mation plan used is appropriate given program characteristics;

(iii) for compliance with the requirement described in **section 3351(2)(D)** *section 3351(3)(D)*, the corrective action plans and whether the plans are adequate and focused on the true causes of improper payments, including whether the corrective action plans are—

(I) * * *

(II) * * *

(III) * * *

(iv) * * *

(v) * * *

(vi) whether an executive agency has published an annual financial statement in accordance with the requirement described in **section 3351(2)(A)** *section 3351(3)(A)*.

* * * * *

SEC. 3357. FINANCIAL AND ADMINISTRATIVE CONTROLS RELATING TO FRAUD AND IMPROPER PAYMENTS.

(a) * * *

(b) * * *

(c) * * *

[(d) REPORT.—For each of fiscal years 2019 and 2020, each agency shall submit to Congress, as part of the annual financial report of the agency, a report of the agency on—

[(1) implementing—

[(A) the financial and administrative controls described in subsection (b);

[(B) the fraud risk principle in the Standards for Internal Control in the Federal Government published by the Government Accountability Office (commonly known as the “Green Book”); and

[(C) Office of Management and Budget Circular A–123, or any successor thereto, with respect to the leading practices for managing fraud risk;

[(2) identifying risks and vulnerabilities to fraud, including with respect to payroll, beneficiary payments, grants, large contracts, and purchase and travel cards; and

[(3) establishing strategies, procedures, and other steps to curb fraud.]

(d) REPORTS.—

(1) IN GENERAL.—For each fiscal year beginning in the first fiscal year after the date of enactment of the Safeguarding the Transparency and Efficiency of Payments Act, and in each of the following 9 fiscal years, the head of each agency shall submit to Congress, in the report containing the annual financial statement of the agency, a report—

(A) on the progress of the agency in—

(i) implementing—

(I) the financial and administrative controls required to be established under subsection (c)(1);

(II) the fraud risk principles in the Standards for Internal Control in the Federal Government of the Government Accountability Office; and

(III) Circular A-123 of the Office of Management and Budget with respect to the leading practices for managing fraud risk;

(ii) identifying fraud risks and vulnerabilities, including with respect to payroll, beneficiary payments, grants, large contracts, and purchase and travel cards; and

(iii) establishing strategies, procedures, and other steps to curb fraud; and

(B) that includes information on the status of implementing each of the 11 leading practices identified in the report published by the Government Accountability Office on July 28, 2015, entitled 'Framework for Managing Fraud Risks in Federal Programs'.

(2) INFORMATION IN REPORT.—If the annual financial statement of an agency, or an alternative report of the agency included in the annual financial statement, includes information that fulfills the requirements of this subsection, the head of the agency may include a brief statement to that effect in the financial statement or alternative report without duplicating the information required under this subsection in a separate or standalone report.

* * * * *

