

Calendar No. 694118TH CONGRESS
2D SESSION**S. 2924****[Report No. 118-288]**

To amend title 31, United States Code, to improve the management of improper payments, and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 26 (legislative day, SEPTEMBER 22), 2023

Mr. CARPER (for himself, Mr. BRAUN, and Mr. LANKFORD) introduced the following bill; which was read twice and referred to the Committee on Homeland Security and Governmental Affairs

DECEMBER 12, 2024

Reported by Mr. PETERS, with an amendment and an amendment to the title
[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To amend title 31, United States Code, to improve the management of improper payments, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Safeguarding the
3 Transparency and Efficiency of Payments Act” or the
4 “STEP Act”.

5 **SEC. 2. IMPROPER PAYMENTS.**

6 (a) DEFINITIONS.—

7 (1) IN GENERAL.—Section 3351 of title 31,
8 United States Code, is amended—

9 (A) by redesignating paragraphs (2)
10 through (8) as paragraphs (3) through (9), re-
11 spectively;

12 (B) by inserting after paragraph (1) the
13 following:

14 “(2) CHIEF FINANCIAL OFFICER.—The term
15 ‘chief financial officer’ means—

16 “(A) with respect to an executive agency
17 described in section 901(b), the Chief Financial
18 Officer of the executive agency appointed under
19 such section; and

20 “(B) with respect to an executive agency
21 that is not described in section 901(b), the offi-
22 cial serving as the senior executive responsible
23 for managing the financial activities of the exec-
24 utive agency.”; and

25 (C) in paragraph (3), as so redesignated—

26 (i) in subparagraph (A)—

- 1 (I) in clause (i)—
 2 (aa) by striking “published”
 3 and inserting “included”; and
 4 (bb) by striking “with” and
 5 inserting “in the document con-
 6 taining”; and
 7 (II) in clause (ii), by striking
 8 “statement” and inserting “docu-
 9 ment”;
 10 (ii) in subparagraph (C), by striking
 11 “accompanying materials to” and inserting
 12 “document containing”;
 13 (iii) in subparagraph (D), by striking
 14 “accompanying materials to” and inserting
 15 “document containing”; and
 16 (iv) in subparagraph (E), by striking
 17 “accompanying materials to” and inserting
 18 “document containing”.

19 (2) CONFORMING AMENDMENTS.—Section
 20 3353(a)(4)(B) of title 31, United States Code, is
 21 amended—

- 22 (A) in clause (i), by striking “section
 23 3351(2)(B)” and inserting “section
 24 3351(3)(B)”;

1 (B) in clause (ii), by striking “section
2 3351(2)(C)” and inserting “section
3 3351(3)(C)”;

4 (C) in clause (iii), by striking “section
5 3351(2)(D)” and inserting “section
6 3351(3)(D)”;

7 (D) in clause (vi), by striking “section
8 3351(2)(A)” and inserting “section
9 3351(3)(A)”.

10 (b) ESTIMATES OF IMPROPER PAYMENTS AND RE-

11 PORTS ON ACTIONS TO REDUCE IMPROPER PAYMENTS.—

12 Section 3352 of title 31, United States Code, is amend-
13 ed—

14 (1) in subsection (a)—

15 (A) in paragraph (3)—

16 (i) in subparagraph (B), in the matter
17 preceding clause (i), by striking “para-
18 graph (1)” and inserting “paragraph
19 (1)(B)”;

20 (ii) in subparagraph (C), by striking
21 “paragraph (1)” and inserting “para-
22 graphs (1) and (4)”;

23 (B) by adding at the end the following:

24 “(4) NEW PROGRAMS AND ACTIVITIES.—In ad-
25 dition to the programs and activities identified under

1 paragraph (1)(B), the head of an executive agency
2 shall annually identify as susceptible to significant
3 improper payments any program or activity that—

4 “(A) has or is expected to have outlays ex-
5 ceeding \$100,000,000 in any one of the first 3
6 fiscal years of operation; and

7 “(B) is in the first 4 years of operation.”;

8 (2) in subsection (c)(1)—

9 (A) in the matter preceding subparagraph
10 (A), by striking “subsection (a)(1)” and insert-
11 ing “paragraph (1) or (4) of subsection (a)”;
12 and

13 (B) by striking subparagraphs (A) and (B)
14 and inserting the following:

15 “(A) produce a statistically valid estimate
16 of the improper payments made under the pro-
17 gram or activity, or an estimate of such im-
18 proper payments that is otherwise appropriate
19 using a methodology approved by—

20 “(i) the Director of the Office of Man-
21 agement and Budget; and

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

1 “(B) report the estimates described in sub-
2 paragraph (A) in accordance with subsection
3 (j).”;

4 (3) by adding at the end the following:

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

8 “(1) be included in full in the document con-
9 taining the annual financial statement of the execu-
10 tive agency; and

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

13 “(A) certifying—

14 “(i) the reliability of the executive
15 agency’s identification of programs and ac-
16 tivities that may be susceptible to signifi-
17 cant improper payments under subsection
18 (a); and

19 “(ii) the validity of each estimate of
20 improper payments under subsection (c);
21 and

22 “(B) describing the actions of the chief fi-
23 nancial officer of the executive agency to mon-
24 itor the development and implementation of any

1 corrective action plans reported under sub-
2 section (d).”.

3 (c) FINANCIAL AND ADMINISTRATIVE CONTROLS RE-
4 LATING TO FRAUD AND IMPROPER PAYMENTS.—Section
5 3357 of title 31, United States Code, is amended by strik-
6 ing subsection (d) and inserting the following:

7 “(d) REPORTS.—For each fiscal year beginning in
8 the first fiscal year after the date of enactment of the
9 Safeguarding the Transparency and Efficiency of Pay-
10 ments Act, and in each of the following 9 fiscal years, the
11 head of each agency shall submit to Congress, in the re-
12 port containing the annual financial statement of the
13 agency, a report—

14 “(1) on the progress of the agency in—

15 “(A) implementing—

16 “(i) the financial and administrative
17 controls required to be established under
18 subsection (c)(1);

19 “(ii) the fraud risk principles in the
20 Standards for Internal Control in the Fed-
21 eral Government of the Government Ac-
22 countability Office; and

23 “(iii) Circular A-123 of the Office of
24 Management and Budget with respect to

1 the leading practices for managing fraud
2 risk;

3 “(B) identifying fraud risks and
4 vulnerabilities, including with respect to payroll,
5 beneficiary payments, grants, large contracts,
6 and purchase and travel cards; and

7 “(C) establishing strategies, procedures,
8 and other steps to curb fraud; and

9 “(2) that includes, as defined by the leading
10 practices identified in the report published by the
11 Government Accountability Office on July 28, 2015,
12 entitled ‘Framework for Managing Fraud Risks in
13 Federal Programs’—

14 “(A) an identification of—

15 “(i) each dedicated entity that leads
16 the fraud risk management activities of the
17 agency and the roles of each such entity;

18 “(ii) the responsibilities of each entity
19 described in clause (i);

20 “(iii) each program and operation of
21 the agency for which each entity described
22 in clause (i) is responsible;

23 “(iv) the capacity of the entity de-
24 scribed in clause (i), including any limita-

1 tions, to strategically manage the fraud
2 risks of the agency;

3 “~~(v)~~ any program or operation of the
4 agency for which there is not a dedicated
5 entity that leads fraud risk management
6 activities; and

7 “~~(vi)~~ if applicable, a detailed justifica-
8 tion for not having a dedicated entity, as
9 described in clause ~~(v)~~;

10 “~~(B)~~ the status of the fraud risk profiles
11 for each program and operation of the agency,
12 including the date of the last update and date
13 of the next planned update of those fraud risk
14 profiles;

15 “~~(C)~~ with respect to each program or oper-
16 ation of the agency for which there is not a
17 fraud risk profile, an identification of that pro-
18 gram or operation and a detailed justification
19 for not having a fraud risk profile for the pro-
20 gram or operation;

21 “~~(D)~~ the status of the antifraud strategies
22 for each program and operation of the agency,
23 including the date of the last update and the
24 date of the next planned update of those anti-
25 fraud strategies; and

1 “(E) with respect to each program or oper-
 2 ation of the agency for which there is not an
 3 antifraud strategy, an identification of that pro-
 4 gram or operation and a detailed justification
 5 for not having an antifraud strategy for the
 6 program or operation.”.

7 **SECTION 1. SHORT TITLE.**

8 *This Act may be cited as the “Safeguarding the Trans-*
 9 *parency and Efficiency of Payments Act” or the “STEP*
 10 *Act”.*

11 **SEC. 2. IMPROPER PAYMENTS.**

12 (a) *DEFINITIONS.—*

13 (1) *IN GENERAL.—Section 3351 of title 31,*
 14 *United States Code, is amended—*

15 (A) *by redesignating paragraphs (2)*
 16 *through (8) as paragraphs (3) through (9), re-*
 17 *spectively; and*

18 (B) *by inserting after paragraph (1) the fol-*
 19 *lowing:*

20 “(2) *CHIEF FINANCIAL OFFICER.—The term*
 21 *‘chief financial officer’ means—*

22 (A) *with respect to an executive agency de-*
 23 *scribed in section 901(b), the Chief Financial Of-*
 24 *ficer of the executive agency appointed under*
 25 *such section; and*

1 “(B) with respect to an executive agency
2 that is not described in section 901(b), the offi-
3 cial serving as the senior executive responsible
4 for managing the financial activities of the exec-
5 utive agency.”.

6 (2) CONFORMING AMENDMENTS.—Section
7 3353(a)(4)(B) of title 31, United States Code, is
8 amended—

9 (A) in clause (i), by striking “section
10 3351(2)(B)” and inserting “section 3351(3)(B)”;

11 (B) in clause (ii), by striking “section
12 3351(2)(C)” and inserting “section 3351(3)(C)”;

13 (C) in clause (iii), by striking “section
14 3351(2)(D)” and inserting “section 3351(3)(D)”;

15 and

16 (D) in clause (vi), by striking “section
17 3351(2)(A)” and inserting “section 3351(3)(A)”.

18 (b) *ESTIMATES OF IMPROPER PAYMENTS AND RE-*
19 *PORTS ON ACTIONS TO REDUCE IMPROPER PAYMENTS.*—
20 *Section 3352 of title 31, United States Code, is amended—*

21 (1) in subsection (a)—

22 (A) in paragraph (3)—

23 (i) in subparagraph (B), in the matter
24 preceding clause (i), by striking “paragraph

25 (1)” and inserting “paragraph (1)(B)”; and

1 (ii) in subparagraph (C), by striking
2 “paragraph (1)” each place it appears and
3 inserting “paragraphs (1) and (4)”; and
4 (B) by adding at the end the following:

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

11 “(A) has or is expected to have outlays ex-
12 ceeding \$100,000,000 in any one of the first 3
13 fiscal years of operation; and

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

15 “(5) *EXCEPTION.*—Paragraph (4) shall not
16 apply with respect to any program or activity that
17 the head of the relevant executive agency concludes,
18 based on the results of a review conducted under
19 paragraph (1), is not susceptible to significant im-
20 proper payments.”;

21 (2) in subsection (c)(1)—

22 (A) in the matter preceding subparagraph
23 (A), by striking “subsection (a)(1)” and insert-
24 ing “paragraph (1) or (4) of subsection (a)”; and

1 (B) by striking subparagraphs (A) and (B)
2 and inserting the following:

3 “(A) produce a statistically valid estimate
4 of the improper payments made under the pro-
5 gram or activity, or an estimate of such im-
6 proper payments that is otherwise appropriate
7 using a methodology approved by—

8 “(i) the Director of the Office of Man-
9 agement and Budget; and

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

12 “(B) report the estimates described in sub-
13 paragraph (A) in accordance with subsection
14 (j).”; and

15 (3) by adding at the end the following:

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

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

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

1 “(A) certifying the reliability of the execu-
 2 tive agency’s identification of programs and ac-
 3 tivities that may be susceptible to significant im-
 4 proper payments under subsection (a); and

5 “(B) describing the actions of the chief fi-
 6 nancial officer of the executive agency to monitor
 7 the development and implementation of any cor-
 8 rective action plans reported under subsection
 9 (d).”.

10 (c) *FINANCIAL AND ADMINISTRATIVE CONTROLS RE-*
 11 *LATING TO FRAUD AND IMPROPER PAYMENTS.*—Section
 12 *3357 of title 31, United States Code, is amended by striking*
 13 *subsection (d) and inserting the following:*

14 “(d) *REPORTS.*—

15 “(1) *IN GENERAL.*—For each fiscal year begin-
 16 ning in the first fiscal year after the date of enact-
 17 ment of the *Safeguarding the Transparency and Effi-*
 18 *ciency of Payments Act*, and in each of the following
 19 9 fiscal years, the head of each agency shall submit
 20 to Congress, in the report containing the annual fi-
 21 nancial statement of the agency, a report—

22 “(A) on the progress of the agency in—

23 “(i) implementing—

1 “(I) the financial and adminis-
2 trative controls required to be estab-
3 lished under subsection (c)(1);

4 “(II) the fraud risk principles in
5 the Standards for Internal Control in
6 the Federal Government of the Govern-
7 ment Accountability Office; and

8 “(III) Circular A-123 of the Of-
9 fice of Management and Budget with
10 respect to the leading practices for
11 managing fraud risk;

12 “(ii) identifying fraud risks and
13 vulnerabilities, including with respect to
14 payroll, beneficiary payments, grants, large
15 contracts, and purchase and travel cards;
16 and

17 “(iii) establishing strategies, proce-
18 dures, and other steps to curb fraud; and

19 “(B) that includes information on the status
20 of implementing each of the 11 leading practices
21 identified in the report published by the Govern-
22 ment Accountability Office on July 28, 2015, en-
23 titled ‘Framework for Managing Fraud Risks in
24 Federal Programs’.

1 “(2) *INFORMATION IN REPORT.*—*If the annual*
2 *financial statement of an agency, or an alternative*
3 *report of the agency included in the annual financial*
4 *statement, includes information that fulfills the re-*
5 *quirements of this subsection, the head of the agency*
6 *may include a brief statement to that effect in the fi-*
7 *nancial statement or alternative report without dupli-*
8 *cating the information required under this subsection*
9 *in a separate or standalone report.”.*

10 **SEC. 3. NO ADDITIONAL FUNDS.**

11 *No additional funds are authorized to be appropriated*
12 *for the purpose of carrying out this Act or the amendments*
13 *made by this Act.*

Amend the title so as to read: “A bill to amend title 31, United States Code, to improve the prevention of improper payments, and for other purposes.”.

Calendar No. 694

118TH CONGRESS
2^D SESSION

S. 2924

[Report No. 118-288]

A BILL

To amend title 31, United States Code, to improve the management of improper payments, and for other purposes.

DECEMBER 12, 2024

Reported with an amendment and an amendment to the title