

Improving the Accuracy and Integrity of Federal Payments

Sally Clark Beecroft
Office of Federal Financial Management
Office of Management and Budget
August 31, 2006

There is no kind of dishonesty into which otherwise good people more easily and frequently fall, than that of defrauding the government.

Benjamin Franklin

Where we began...

- OMB Circular A-11, Section 57 identified high risk programs.
- OMB estimated \$35 billion in improper payments based on 2001 data.
- IPIA enacted late 2002.
- Implementation guidance issued to agencies as M-03-13 in May 2003.
- First year of reporting (FY 2004) -- \$45 billion identified.

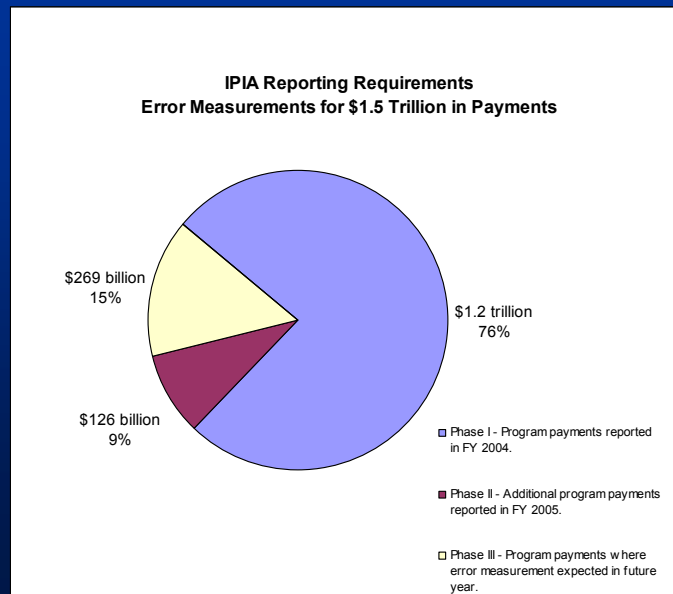
Recent History

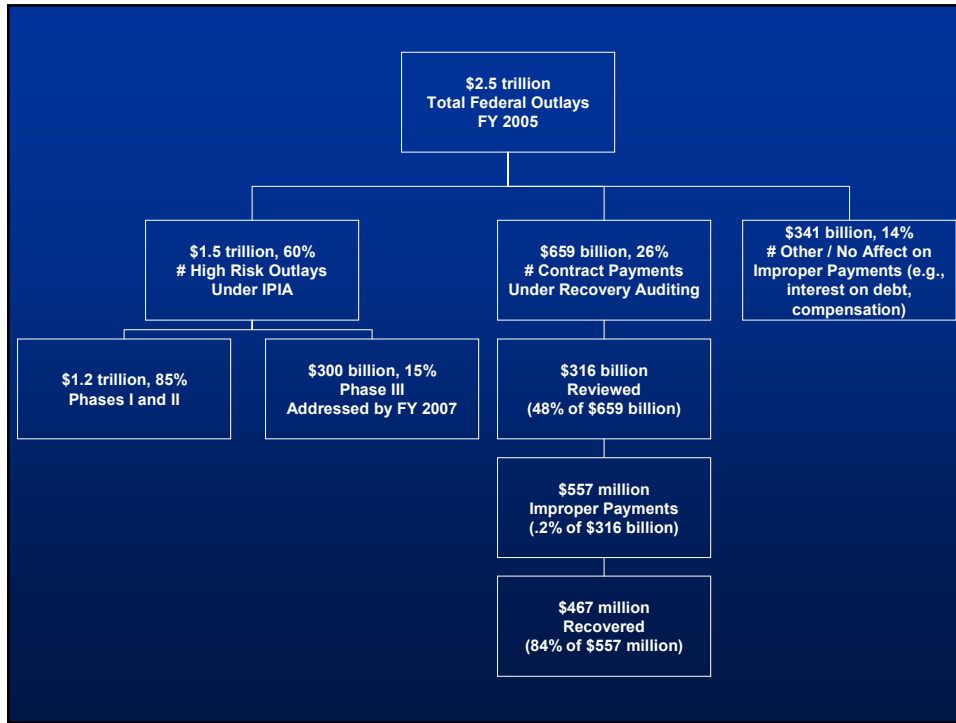
- FY 2005 PARs – 2nd full year reporting of IPIA implementation.
- OMB issued 2nd annual govt-wide report Jan. 2006
- Improper payment total decreased by \$7.8 billion to \$37.3 billion.

New Implementation Guidance

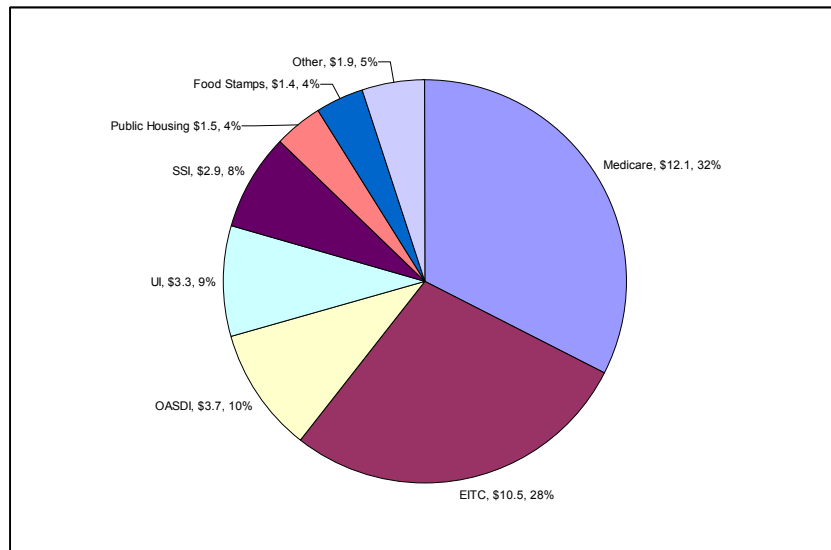
- Appendix C to OMB Circular A-123 issued August 2006, which supersedes M-03-07, M-03-12, and M-03-13.
- Primary changes –
 - Clarification of improper payment definition
 - Provision for acceptable alternative sampling methods
 - Enhanced guidance for Federally-funded, State-administered programs
 - List of best practices
 - Explanation of OMB authority to designate programs as high risk regardless of estimated error rate

FY 2005 PAR Reporting





7 Programs Account for 95% of the Govt-Wide Improper Payment Total



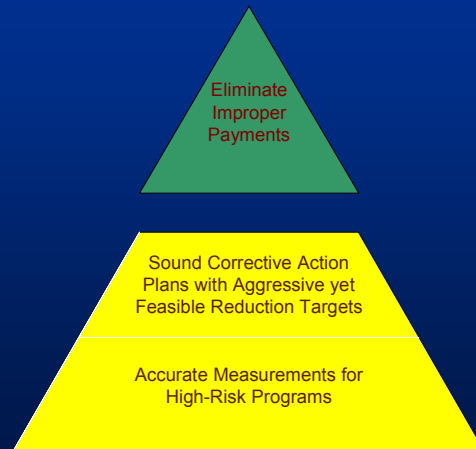
Increased emphasis on recovery auditing (RA)

- Federal agencies with more than \$500 million in contracts per year
- Medicare RA pilots in three states (CA-FL-NY)
- Agencies must justify contract categories they are excluding from recovery auditing
- Increase recoveries while decreasing improper payments
- Possible use of concept to recover improper payments in grant programs

The PMA Initiative *Eliminating Improper Payments*

- 15 agencies involved.
- Getting to yellow – detection and measurement
- Getting to green – reduction and recovery

Our path to success – Improper Payments...



Effective approaches...

- **Data matches** - agencies conduct automated reconciliation/ confirmation between payment recipient reported data and third party sources of data. (HUD, SSA, DOL)
- **Card technology** – agencies reduce IPs at the point in time where payment is received by requiring the recipient to present a card that “holds” information necessary to confirm identity and eligibility. (USDA/Food Stamps and Child Care programs in OK and IL.)
- **Data mining** – agencies implement an automated process for scanning data bases to detect patterns, trends or anomalies to highlight. (HHS/Medicare)

Key challenges remain...

- Measurement strategies for larger and more complex programs
- Tracking payments beyond the primary recipient for grant programs
- Conserving Federal resources as well as avoiding undue burden on recipients
- Identifying/implementing the right corrective actions
- Engaging State government to work with us

How we see the States role in this process...

- Vital
- Collaborative
- Innovative
- Practical and results-oriented

Do States agree with the Federal perspective on their role in this process?

- How can we entice State participation?
- How do we keep the process collaborative?
- What are we missing?
- ?? (you tell us)

The key is to work together...

- Everybody wins
- Everybody learns
- Tax dollars are more wisely used
- Possible program savings realized

Going forward...

- Developing methodologies to measure State-administered programs
 - Evaluating Mitre proof of concept project
 - Collaborating with AGA to work with State programs for implementing error measurements
- Continuing use of Single Audit pilots – DOT/HHS/EPA
- Leveraging private sector solutions to:
 - improve risk management
 - make smarter eligibility decisions
 - increase use of card technology

How do we maintain momentum?

- Keep encouraging further efforts at all levels
- Resist the temptation to rest on our laurels
- Develop workable solutions to reinvest recoveries into program integrity
- Realize that improper payments prevented or recovered translate into serving more eligible citizens

Web Links to Relevant Reference Materials

- www.whitehouse.gov/omb/financial/fia_improper.html
 - Appendix C to OMB Circular A-123
 - 2006 government-wide report on improper payments
- www.gao.gov/cgi-bin/getrpt?gao-02-69-G
 - “Strategies to Manage Improper Payments: Learning from Public and Private Sector Organizations”
- www.cfoc.gov
 - Several documents that discuss methods, practices, and processes, for identifying, preventing, and recovering improper payments

Let us hear from you ...

Sally Clark Beecroft
(202) 395-1040
sbeecroft@omb.eop.gov