

Improving the Accuracy and Integrity of Federal Payments

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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.

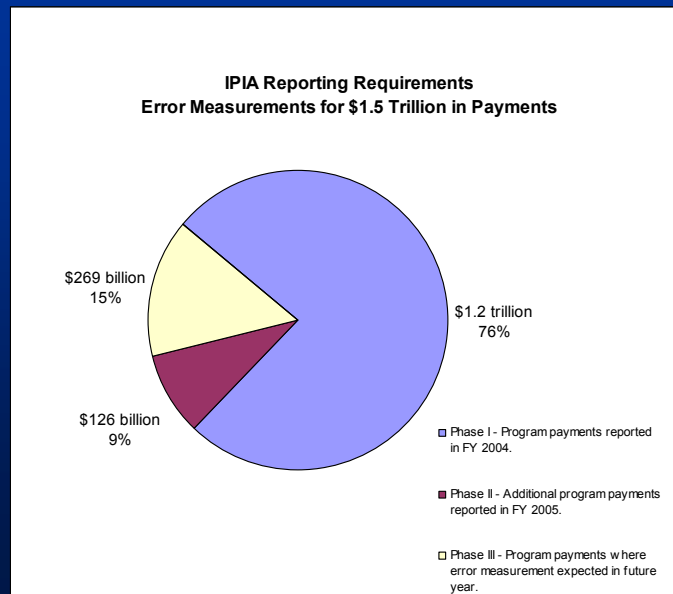
Recent History

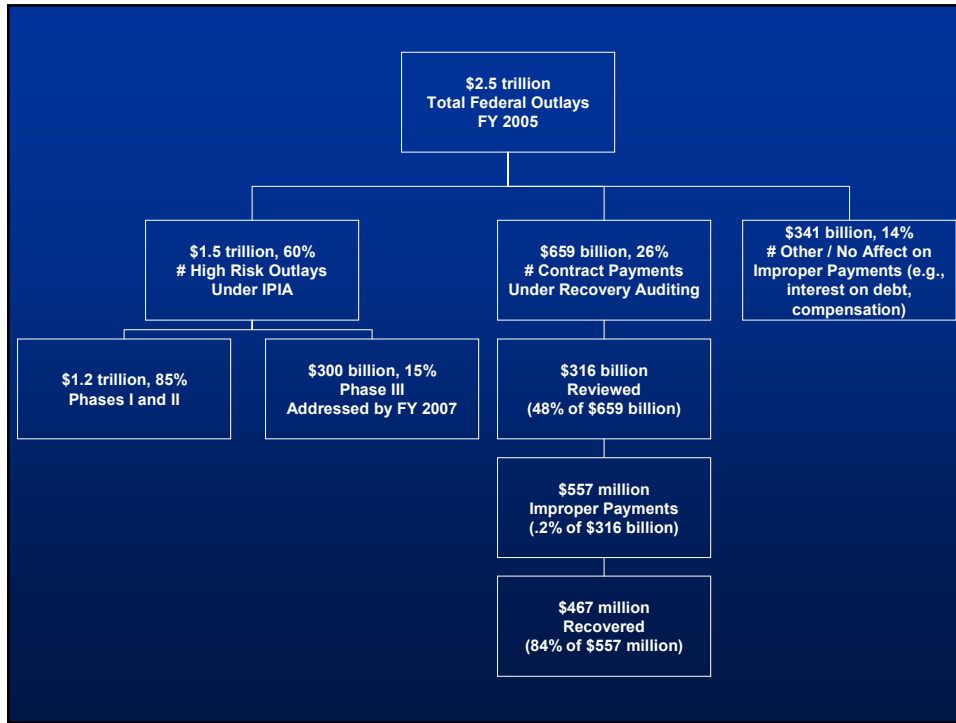
- FY 2005 PARs – 2nd full year reporting of IPIA implementation.
- OMB issued 2nd annual govt-wide report Jan. 2006
- Improper payment total decreased by \$7.8 billion to \$37.3 billion.

New Implementation Guidance

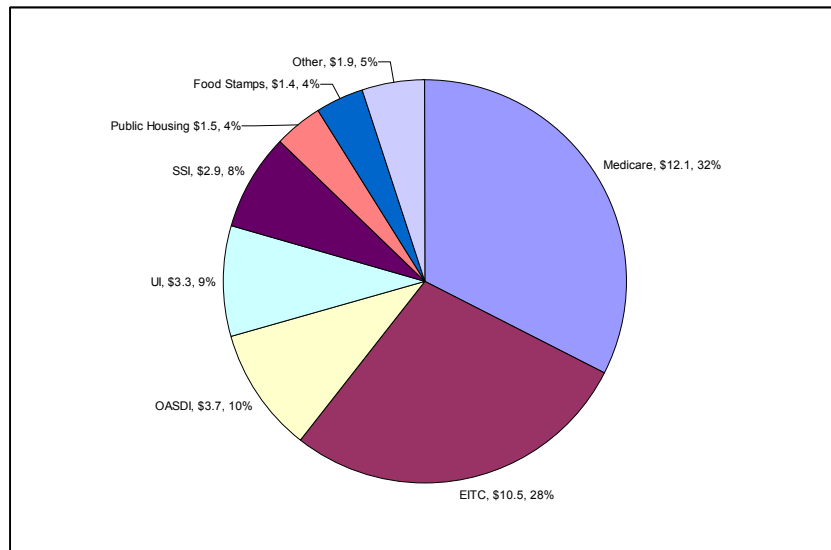
- Appendix C to OMB Circular A-123 issued August 2006, which supersedes M-03-07, M-03-12, and M-03-13.
- Primary changes –
 - Clarification of improper payment definition
 - Provision for acceptable alternative sampling methods
 - Enhanced guidance for Federally-funded, State-administered programs
 - 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



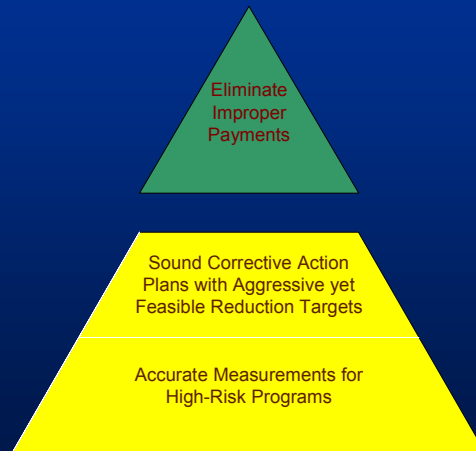
Increased emphasis on recovery auditing (RA)

- 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 ...

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