

Improper Payments Elimination and Recovery Act (Unaudited)

The Improper Payments Elimination and Recovery Act of 2010 (IPERA) increases agency payment recapture efforts by expanding the types of payments to be reviewed and requires agencies to conduct payment recapture audits for each program and activity that expends \$1 million or more annually if conducting such audits would be cost-effective. In addition, agencies continue to be required to review their programs and activities annually to identify those susceptible to significant improper payments. Significant improper payments is defined as gross annual improper payments in a program exceeding both the threshold of 1.5 percent and \$10 million of total program funding, or \$100 million in improper payments regardless of the improper payment percentage.

GSA provides the following improper payment reporting details in accordance with IPERA, OMB Circular A-123, Appendix C, Requirements for Effective Measurement and Remediation of Improper Payments, and OMB Circular A-136, Financial Reporting Requirements.

1. Risk Assessment

In accordance with IPERA and OMB Circular A-123, Appendix C, GSA conducted a risk assessment of all its programs in Fiscal Year (FY) 2012 for FY 2011 payments. The risk assessment identified the following two programs and three activities as susceptible to significant improper payments: Rental of Space and Purchase Card, and three activities Building Operations and Other Payments - Utilities¹, ITS - Wide Area Network (WAN)²; and Other Sensitive Payments³.

In FY 2013, GSA measured and estimated the improper payment rate for each program as required under OMB Circular A-123, Appendix C.

2. Statistical Sampling

For FY 2013 measurement and estimation reporting of programs that are susceptible to significant improper payments, a stratified sampling design was used to test payments based on FY 2012 disbursements. The design of the statistical sample plans and the extrapolation of sample errors across the payment populations were completed by a statistician under contract.

The sampling plan provided an overall estimate of the percentage of improper payment dollars within +/-2.5 percent precision at the 90 percent confidence level, as specified by OMB M-11-16 guidance. An expected error rate of 3 to 10 percent of total payment dollars was used in the sample size calculation.

Using a stratified random sampling approach, payments were grouped into mutually exclusive "strata," or groups based on total dollars. A stratified random sample typically required a smaller sample size than a simple

¹ Utilities is an activity under major program: Building Operations and Other Payments.

² Wide Area Network is an activity under major program: Integrated Technology Services.

³ Other Sensitive Payments are discretionary costs that are determined to be high risk to the agency throughout all programs, which include conferences, speaking honoraria, gifts, training, and membership fees. This was determined based on FY 2012 publicity, including the Western Conference event.

random sample to meet the specified precision goal at any confidence level. Once the overall sample size was determined, the individual sample size per stratum was determined using the Neyman Allocation method.

The following procedure describes the sample selection process:

- Grouped payments into mutually exclusive strata;
- Assigned each payment a random number generated using a seed;
- Sorted the population by stratum and random number within stratum; and
- Selected the number of payments within each stratum (by ordered random numbers) following the sample size design. For the certainty strata, all payments are selected.

To estimate improper payment dollars for the population from the sample data, the

stratum-specific ratio of improper to total payment dollars was calculated.

3. Corrective Actions

GSA determined that none of the programs or activities that produced improper payment estimates in FY 2013 yielded results above the IPERA threshold. However, per OMB M-11-16, GSA is required to report corrective actions for programs and activities that estimate an improper payment amount that exceeds \$10 million. GSA has one program that meets this requirement: Rental of Space.

The root cause of improper payments for the Rental of Space program was due to Administrative and Documentation errors as defined by OMB Circular A-136. GSA further defined this root cause into sub-categories. Corrective actions and target completion date for each sub-category is provided in the following table:

Rental of Space Root Cause: Administrative and Documentation Errors			
Sub-Category	Estimated Improper Payment Amount ⁴	Corrective Action	Target Date
Duplicate Payment	\$11,048,913.88	GSA OCFO has implemented a pre-payment review of all lease payments over \$500K to identify duplicate payments and keying errors.	Complete and implemented in October FY2013
Keying Error	\$15,628,643.97		
Miscalculation of Payment	\$56,201.80		
Lease Digest Not Processed Timely	\$32,811,232.08	GSA is currently evaluating the lease process to further identify root causes of improper payments on a nation-wide basis. The assessment began in FY 2013 and will continue in FY 2014. Based on the assessment, GSA will determine an appropriate corrective action plan that addresses short and long-term efforts to help reduce the improper payment amount.	On-going
		Continue payment recapture audit efforts for the Rental of Space Program on a yearly-basis.	On-going
Total	\$59,544,991.73		

⁴Note: Estimates by detailed root cause were calculated using an allocation methodology, not a statistical estimation.

4. Improper Payment Reporting

The risk assessment identified two programs and three activities as susceptible to significant improper payments. Estimation and measurement of improper payments for these programs and activities yielded results above the IPERA significant improper payment threshold. The results of the estimation are provided in Table 1.

[See Table 1 Improper Payment Reduction Outlook on Page 103]

5. Recapture of Improper Payments Reporting

In FY 2013, GSA considered all programs and activities that expended \$1 million or more annually for payment recapture audits. However, GSA focused on reviewing the Public Buildings Service (PBS) Rental of Space program based on the existing improper payment risk identified from previous years. This included in-depth reviews of lease contracts and related payments in five of 11 regions. Furthermore, GSA initiated payment recapture audit efforts for the Federal Acquisition Service (FAS) regional telecommunication and supply contracts. No improper claims were identified for the regional telecommunication contracts under review and results of the supply contracts audit remain in-process at the end of the fiscal year.

GSA establishes claims in accordance with the Debt Collection Improvement Act. Unsatisfied debt is referred to the Treasury Offset Program for further collection efforts. Current and prior-year results of the Payment Recapture Audit program are presented in Table 2.

[See Table 2 Payment Recapture Audit Reporting on Page 103]

GSA is required to establish annual targets to drive annual payment recovery performance. The existing collection process poses an

inherent challenge in recovering the total amount of identified claims in the current FY.

[See Table 3 Payment Recapture Audit Targets on Page 103]

Table 4 provides the aging schedule of the amount of outstanding overpayments identified through the payment recapture audit (i.e., overpayments that have been identified but not recovered). GSA starts aging of an overpayment the time the overpayment is detected, that is, certified by the program office and approved by the Payment Recapture Program Manager.

[See Table 4 Aging of Outstanding Overpayments on Page 104]

GSA's payment recapture audit identified claims related to the rental of space program. This program is funded through the Federal Buildings Fund, a revolving fund. Therefore, funds recaptured are credited back to their original purpose. Table 5 provides a summary of GSA's disposition of funds.

[See Table 5 Disposition of Recaptured Funds on Page 104]

GSA identifies and recovers improper payments through other post-payment reviews performed by the program offices and the Finance Centers. A summary of this effort is provided in Table 6.

[See Table 6 Overpayments Recaptured Outside of Payment Recapture Audits on Page 104]

6. Accountability

GSA has identified internal control deficiencies that contributed to improper payment occurrences. OCFO will be assisting program offices to develop and track action steps with milestones to remediate these internal control deficiencies in FY 2014.

7. Agency Information Systems and Other Infrastructure

Through the IPERA risk assessment and payment recapture efforts, GSA identified internal control issues that contributed to improper payments. Based on these efforts, GSA has implemented recommendations to address root causes. Furthermore, GSA is conducting a process evaluation on a nation-wide basis to identify inconsistencies across regions and areas for standardization.

8. Barriers

GSA has not identified any statutory or regulatory barriers, which may limit GSA's ability to implement corrective actions to reduce improper payments.

9. Additional Comments

GSA continues to highly prioritize its improper payment reduction and recovery efforts. Process improvement efforts are ongoing and GSA continues to make additional improvements as issues are identified.

Table 1 Improper Payment Reduction Outlook (in millions)

Program or Activity	PY Outlays	PY IP%	PY IP\$	CY Outlays	CY IP%	CY IP\$	CY Over Payment \$	CY Under Payment \$	CY+1 Est. Outlays	CY+1 IP%	CY+1 IP\$	CY+2 Est. Outlays	CY+2 IP%	CY+2 IP\$	CY+3 Est. Outlays	CY+3 IP%	CY+3 IP\$
Rental of Space	N/A	N/A	N/A	\$5,556	1.07%	\$59.55	\$29	\$30.6	\$5,593	1.02%	\$57	\$5,593	1%	\$56	\$5,593	1%	\$56
Building Operations - Utilities	N/A	N/A	N/A	\$400	0.06%	\$0.25	\$-	\$0.249	\$383	0%	\$-	\$383	0%	0	\$383	0%	\$-
Integrated Technology Service - Wide Area Network	N/A	N/A	N/A	\$753	0%	\$-	\$-	\$-	\$743	0%	\$-	\$743	0%	\$-	\$743	0%	\$-
Purchase Cards	N/A	N/A	N/A	\$54.9	7.79%	\$4.28	\$4.28	\$0.00	\$34	7.3%	\$2.3	\$34	6.8%	\$2.3	\$34	6.2%	\$2.1
Other Sensitive Payments	N/A	N/A	N/A	\$17.7	1.67%	\$0.30	\$0.29	\$0.01	\$18	1.5%	\$2.7	\$18	1.3%	\$0.23	\$18	1.1%	\$0.20

Table 2 Payment Recapture Audit Reporting

Type of Payment (contract, grant, benefit, loan, or other)	Amount Subject to Review for CY Reporting	Actual Amount Reviewed and Reported (CY)	Amount Identified for Recovery (CY)	% of Amount Recovered out of (CY)	Amount Outstanding (CY)	% of Amount Outstanding out of (CY)	Amount Determined Not to be Collectable (CY)	% of Amount Determined Not to be Collectable out of (CY)	Amount Identified for Recovery (PYs)	Amounts Recovered (PYs)	Cumulative Amounts Identified for Recovery (CY + PYs)	Cumulative Amounts Recovered (CY + PYs)	Cumulative Amounts Outstanding (CY+PYs)	Cumulative Amounts Determined Not to be Collectable (CY+PYs)
Rental of Space	\$3,206,976,558	\$3,206,976,558	\$9,085,958	49%	\$4,437,802	49%	\$173,296	2%	\$108,862,792	\$81,777,989	\$117,948,750	\$86,252,849	\$30,856,517	\$839,384
Regional Telecommunications	\$630,000	\$630,000	\$0	0%	\$-	0%	\$-	0%	\$-	\$-	\$-	\$-	\$-	\$-
Supply	\$1,777,294	\$1,777,294	\$0	0%	\$-	0%	\$-	0%	\$-	\$-	\$-	\$-	\$-	\$-

Table 3 Payment Recapture Audit Targets

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	CY		CY + 1		CY + 2		CY + 3	
		Amount Identified	Amount Recovered	Recovery Rate (Amount Recovered / Amount Identified)	Recovery Rate Target	Recovery Rate Target	Recovery Rate Target	Recovery Rate Target	
Rental of Space	Contract	\$9,085,958	\$4,474,860	49%	50%	55%	60%		

Table 4 Aging of Outstanding Overpayments

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	CY Amount Out- standing	CY Amount Out- standing	CY Amount Out- standing
		(0 – 6 months)	(6 months to 1 year)	(over 1 year)
Rental of Space	Contract	\$4,024,700	\$413,102	--

Table 5 Disposition of Recaptured Funds

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Financial Management Improvement Activities	Original Purpose	Office of Inspector General	Returned to Treasury
Rental of Space	Contract	\$-	\$-	\$-	\$ 4,474,860	\$-	\$-

Table 6 Overpayments Recaptured Outside of Payment Recapture Audits

Source of Recovery	Amount Identified (CY)	Amount Recovered (CY)	Amount Identified (PY)	Amount Recovered (PY)	Cumulative Amount Identified (CY+PYs)	Cumulative Amount Recovered (CY+PYs)
OCFO Identified	\$31,607,265	\$31,111,530	\$38,218,665	\$37,389,991	\$69,825,930	\$68,501,521