

# IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT (UNAUDITED)

The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA, Pub. L. 112-248), IPERIA amends the Improper Payments Information Act of 2002 (IPIA, Pub. L. 107-300) and the Improper Payments Elimination and Recovery Act of 2010 (IPERA, Pub. L. 111-204). It provides guidance on monitoring and reporting improper payments. IPERIA requires agencies to continue their review of programs and activities annually to identify those susceptible to significant improper payments and updates the definition of 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.

In June 2016, with GSA OIG's concurrence, GSA requested OMB's approval to lower the risk of the Utility program payments and remove this program from the annual requirement to estimate improper payments in accordance with OMB M 15-02. OMB approved GSA's request in July 2016.

A qualitative assessment of Utilities payments in FY 2012 deemed Utilities as highly susceptible to improper payments due to the complexities in validating certain components of the utility invoice (i.e. specifically late payments). Subsequent quantitative assessments of Utilities in FY 2013, FY 2014 and FY 2015 have resulted in extremely low error rates and total improper payments, demonstrating that mitigating controls have effectively reduced risk.

GSA reported the following improper error rates and improper payments for Utilities for the past

three years. Per OMB M-15-02, Question 17, these metrics demonstrate a documented minimum of two consecutive years of improper payments where both statutory thresholds were not exceeded.

Fiscal Year	2013	2014	2015
Improper Payment Error Rate	0.06%	0.88%	0.01%
IPERA Error Threshold	1.5%	1.5%	1.5%
Improper Payment \$ (in millions)	\$0.25	\$3.31	\$0.04
IPERA Threshold	\$10 M	\$10 M	\$10 M

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

## 1. Risk Assessment

IPERIA requires that all agencies to conduct a thorough review of their programs and activities that may be susceptible to improper payments annually, and requires that a re-baseline and review assessment be conducted at least once every three years for all programs not currently identified as high-risk. GSA's last review of all programs was conducted in FY 2015. Therefore, GSA was not required to perform a risk assessment in FY 2016.

## 2. Statistical Sampling

For FY 2016, GSA measured, estimated and reported improper payment percentage and dollars for two high risk programs. A stratified sampling design was used to test payments based on FY 2015 disbursements. The design of the statistical sample plans and the extrapolation of sample errors across the payment populations were completed by a statistician.

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-15-02 guidance. Using a stratified random sampling approach, payments were grouped into mutually exclusive "strata," or groups based on total dollars. A stratified sample can provide greater precision than a simple random sample of the same size, once the overall sample size 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 which was 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. Hurricane Sandy Disaster Relief Fund

In accordance with Section 904(b) of the Disaster Relief Act, GSA estimated and measured the use of the funds as it was required to be reported as

"susceptible to significant improper payments" for the purposes of the Improper Payments Information Act (IPIA) of 2002 (IPIA; Public Law 107-300). GSA tested the entire population of FY 2015 payments for the Hurricane Sandy Disaster Relief Fund totaling \$415,856. During the testing process, zero improper payments were identified.

## 4. Improper Payment Reporting

The original risk assessment performed for FY 2012 identified two programs and three activities as susceptible to significant improper payments. In FY 2015, GSA requested and received relief as allowed under OMB M-15-02 from the annual reporting requirements for four programs. These four programs documented at least two consecutive years of improper payments that were below the statutory threshold. This request for relief was submitted to OMB, and subsequently approved for two of the requested programs: Other Sensitive Payments and ITS-Wide Area Network activities. In FY 2016 GSA requested and received relief from OMB for reporting for an additional program: Utilities.

**See Table 1** Improper Payment Reduction Outlook

## 5. Improper Payment Root Cause Categories

The improper payment assessment identified the root cause for improper payments for the Rental of Space, and Purchase Card programs. Rental of space root causes include missing documentation and late submission of supporting documentation. Purchase card root causes include insufficient documentation, documentation not provided, lack of approval, lack of receipt, sales tax paid, vendor not in System for Award management (SAM), convenience fee, and erroneous charge.

**See Table 2** Improper Payment Root Cause Category Matrix

## 6. Corrective Actions

GSA has no programs or activities with improper payments exceeding the statutory thresholds,

and determined to be susceptible to significant improper payments.

### **7. Internal Control Over Payments**

GSA has no programs or activities with improper payments exceeding the statutory thresholds and determined to be susceptible to significant improper payments.

### **8. Accountability**

GSA has no programs or activities with improper payments exceeding the statutory thresholds and determined to be susceptible to significant improper payments.

### **9. Agency information systems and other infrastructure**

GSA has no programs or activities with improper payments exceeding the statutory thresholds and determined to be susceptible to significant improper payments.

### **10. Barriers**

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

### **11. Recapture of Improper Payments Reporting**

In FY 2016, The General Services Administration (GSA) Office of the Chief Financial Officer (OCFO) complies with reporting improper payments in compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA), Public Law 111-204. GSA considered all programs and activities that expended \$1 million or more annually for payment recapture audits. GSA focused on reviewing the PBS Rental of Space program based on the risks identified from previous years. This included in-depth reviews of lease contracts and related payments in 5 of 11 regions. Additionally, GSA performed a duplicate payments review for PBS and FAS payments.

GSA establishes claims in accordance with the Debt Collection Improvement Act of 1996 (DCIA). Unsatisfied debt is referred to the Treasury Offset Program for further collection efforts.

**See Table 4** Overpayment Payment Recaptures with and without Payment Recapture Programs

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

**See Table 5** Disposition of Funds Recaptured Through Payment Recapture Audit

### **12. Additional Comments**

The FY 2015 statutory audit of GSA's improper payment reporting identified errors in the reporting process. GSA developed and is executing a corrective action plan to address these concerns. Efforts include implementing a new review process for the preparation of improper payment data, providing training to staff members assigned improper payment reporting responsibilities, and reassigning experienced staff within the Office of Financial Management to provide for continuity within the Internal Controls Division as senior staff members become retirement eligible. GSA efforts highlight its commitment to prioritize its improper payment reduction and recovery efforts. GSA will continue to implement process improvements, and actively address new issues as they are identified.

### **13. Agency Reduction of Improper Payments with the Do Not Pay Initiative**

GSA participates in the continuous monitoring program to review the vendor master database file. When enrolling in Do Not Pay, GSA elected to match against the Death Master File (DMF) and the General Services Administration's Excluded Parties List System (EPLS) database. The enrollment process included evaluating which Do

Not Pay database options were available to GSA to determine which ones would meet our needs based on the types of work GSA does. The Do Not Pay agency coordinator also provided guidance to GSA in making this determination. As other databases become available for Do Not Pay, GSA will work with our agency coordinator to assess if GSA should pursue enrolling for a new database option. The GSA vendor table is transmitted to Do Not Pay on the 10th of every month. GSA extracts the resulting matches and researches them for both the EPLS Private matches Social Security Number and DMF. Vendors that have exclusions are annotated and inactivated in the GSA vendor master database file. No corrections to the SAM/EPLS Private database have been identified by GSA in our review process. Additionally, GSA utilizes the online single search Do Not Pay functionality to check for any matches prior to establishing a new vendor record in the GSA vendor table. Our first vendor file was reviewed as of March 2013.

GSA also receives results for our payments processed on a daily basis from Do Not Pay. These results reflect matches to the SAM Exclusion Records and to Deceased Individuals Records as a result of post payment matching of GSA payments schedules to these databases. The payment matches and exclusion information are reviewed in the Do Not Pay Portal. Once they are reviewed, the payments are adjudicated as proper or improper. The first payment files were reviewed in March 2013. GSA is responsible for, Agency Location codes 47000016, 47000017 and 47000018.

### **Improper Payment Tables**

**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	\$5,745.95	0.12%	\$6.90	\$5,596.30	0.06%	\$3.24	\$2.57	\$0.67	\$5,611.16	0.025%	\$1.40	\$5,626.06	0.01%	\$0.61	\$5,641.00	0.005%	\$0.26
Purchase Cards	\$30.22	6.55%	\$1.98	\$27.05	5.80%	\$1.57	\$1.57	-	\$26.94	5.33%	\$1.44	\$24.08	4.89%	\$1.18	\$21.51	4.49%	\$0.97
Hurricane Sandy	\$0.57	-	-	\$0.42	-	-	-	-	-	-	-	-	-	-	-	-	-
Building Operations-Utilities	\$369.87	0.01%	\$0.04	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$6,146.61</b>	<b>0.15%</b>	<b>\$8.92</b>	<b>\$5,623.77</b>	<b>0.09%</b>	<b>\$4.81</b>	<b>\$4.14</b>	<b>\$0.67</b>	<b>\$5,638.10</b>	<b>0.05%</b>	<b>\$2.84</b>	<b>\$5,650.14</b>	<b>0.03%</b>	<b>\$1.79</b>	<b>\$5,662.51</b>	<b>0.02%</b>	<b>\$1.23</b>

\* GSA tested FY 2015 for improper payments.

\*\* GSA received relief from reporting of utilities in FY 2016.

\*\*\* Estimates are based on historic trends

\*\*\*\* FY 2015 AFR table contained erroneous numbers. This year's PY numbers reflect corrections.

**Table 2 Improper Payment Root Cause Category Matrix (\$ in millions)**

Reason for Improper Payment	Rental of Space		Purchase Cards	
	Overpayments	Underpayments	Overpayments	Underpayments
Program Design or Structural Issue	-	-	-	-
Inability to Authenticate Eligibility	-	-	-	-
Failure to Verify:	Death Data	-	-	-
	Financial Data	-	-	-
	Excluded Party Data	-	-	-
	Prisoner Data	-	-	-
	Other Eligibility Data (explain)	-	-	-
Administrative or Process Error Made by:	Federal Agency	-	-	-
	State or Local Agency	-	-	-
	Other Party (e.g., participating lender, health care provider, or any other organization administering Federal dollars)	-	-	-
Medical Necessity	-	-	-	-
Insufficient Documentation to Determine	-		\$0.78	
Other Reason*	\$2.57	\$0.67	\$0.79	-
<b>TOTAL</b>	<b>\$2.57</b>	<b>\$0.67</b>	<b>\$1.57</b>	<b>-</b>

\* Refer to 'Improper Payments Elimination and Recovery Act, Section 5: Improper Payment Root Cause Categories' for Other Reasons.

**Table 3 Example of the Status of Internal Controls**

GSA has no programs or activities with improper payments exceeding the statutory thresholds and determined to be susceptible to significant improper payment. Table 3 is not applicable.

**Table 4 Overpayment Recaptures with and without Recapture Audit Programs (\$ in millions)**

Program or Activity	Overpayments Recaptured through Payment Recapture Audit												Overpayments Re-captured outside of Payment Recapture Audits						
	Contracts			Grants			Benefits			Loans			Other			Total			
	Amount Identified	\$13.29	\$14.13	106.32%	100%	100%	Amount Recovered	-	-	-	-	-	-	-	-	-	Amount Identified	\$43.92	\$43.92
	Amount Recovered	\$14.13	\$14.13	106.32%	100%	100%	Amounts Identified	-	-	-	-	-	-	-	-	-	Amount Recovered	\$32.33	\$32.33
	CY Recovery Rate						CY + 2 Recovery Rate Target	-	-	-	-	-	-	-	-	-			
	CY + 1 Recovery Rate Target						CY + 1 Recovery Rate Target	-	-	-	-	-	-	-	-	-			
	CY + 2 Recovery Rate Target						CY Recovery Rate	-	-	-	-	-	-	-	-	-			
	TOTAL	\$13.29	\$14.13	106.32%	100%	100%	Amount Recovered	-	-	-	-	-	-	-	-	-	Amount Identified	\$43.92	\$43.92

GSA included all recoveries in FY 2016 including those identified in prior fiscal years. This resulted in a recovery percentage of over 100%.

**Table 5 Disposition of Funds Recaptured Through Payment Recapture Audits (\$ in millions)**

Amount Recovered (This amount will be identical to the "Amount Recovered" in Table 4)	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	Other (please explain in footnote or narrative)
Rental of Space	Contract	-	\$2.29	-	\$11.84	-	-	-
<b>TOTAL</b>		-	\$2.29	-	\$11.84	-	-	-

**Table 6 Aging of Outstanding Overpayments Identified in the Payment Recapture Audits (\$ in millions)**

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	Amount Outstanding (0-6 months)	Amount Outstanding (6 months to 1 year)	Amount Outstanding (over 1 year)	Amount determined to not be collectible
Rental of Space	Contract	\$2.84	\$4.60	\$4.45	-
TOTAL		\$2.84	\$4.60	\$4.45	-

**Table 7 Results of the Do Not Pay Initiative in Preventing Improper Payments (\$ in millions)**

	Number (#) of payments reviewed for possible improper payments	Dollars (\$) of payments reviewed for possible improper payments	Number (#) of payments stopped	Dollars (\$) of payments stopped	Number (#) of potential improper payments reviewed and determined accurate	Dollars (\$) of potential improper payments reviewed and determined accurate
Reviews with the Do Not Pay databases	3,025,482	\$19,611.02	-	-	-	-
Review with databases not listed in IPE-RIA as Do Not Pay databases	3,025,482	\$19,611.02	-	-	-	-