

Improper Payments Elimination and Recovery Act (Unaudited)

Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA, Pub. L. 112-248). IPERIA amends the Improper Payments Information Act of 2002 (Pub. L. 107-300) and the Improper Payments Elimination and Recovery Act of 2010 (IPERA, Pub. L. 111-204), provide guidance on monitoring and reporting improper payments. IPERA 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 2015, GSA requested OMB's approval to lower the risk of the ITS-Wide Area Network (WAN) program and Other Sensitive Payments (OSP) and remove these programs from the annual requirement to estimate improper payments in accordance with OMB M 15-02. GSA OCFO received GSA OIG concurrence for removal of the two requested programs.

A qualitative assessment of ITS-WAN payments in FY 2012 deemed ITS-WAN as highly susceptible to improper payments due to the complexities associated with the sub-program's payment process and invoice validation, the high volume of contract modifications, and the associated expertise required to validate payments. Subsequent quantitative assessments of ITS-WAN in FY 2013 and FY 2014 have resulted in extremely low error rates and total improper payments, demonstrating that mitigating controls have effectively reduced risk.

Fiscal Year	2013	2014
Improper Payment Error Rate	0.00%	0.00%
IPERA Error Threshold	1.50%	1.50%
Improper Payment \$	\$0.00	\$0.00
IPERA Threshold	\$10 million	\$10 million

In response to the publicized events at the 2010 Western Region Conference, OCFO qualitatively determined that GSA had a high risk for improper payments of discretionary

costs, defined as funds available for use at the discretion of management. These OSPs, are discretionary costs related to conferences, travel, speaking honoraria, gifts, training, and membership fees.

GSA reported the following improper error rates and improper payments for OSP for the past two 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
Improper Payment Error Rate	1.67%	0.09%
IPERA Error Threshold	1.50%	1.50%
Improper Payment \$	\$0.30 million	\$0.01 million
IPERA Threshold	\$10 million	\$10 million

OMB approved GSA's request in July 2015.

GSA provides the following improper payment reporting details in accordance with IPERA, 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

IPERA requires that all agencies 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 2012. Therefore, GSA was required to perform an assessment in FY 2015. For FY 2015, GSA performed a risk assessment for the following 12 programs:

- AAS
- ASF Overhead
- Building Operations
- New Construction and Major Renovations and Alterations
- GS&S
- Integrated Award Environment

- ITS
- Minor Renovations and Alterations
- Other Funds and General Management & Administration
- RWA
- Rental of Space
- TMVCS

GSA's process to assess each program used a questionnaire focused on the OMB risk factors that affect the likelihood of improper payments within the program. These factors included:

- **Age of Program** - Whether the program or activity reviewed is new to the agency or an older program with more mature internal controls
- **Complexity of Program** - Program complexity in determining the correct payment amount and the length of the program
- **Volume of Payments** - Volume of payment transactions
- **Nature and Eligibility Decision of Payments** - Complexity and subjectivity of payment approval process and whether payment eligibility decisions are made outside of the agency
- **Recent Program Changes** - Recent major changes in program funding, authorities, practices or procedures
- **Human Capital** - Experience, training, and size of payment staff; ability of staff to handle peak payment requirements; level of management oversight, and monitoring against fraudulent activity
- **Nature of Operating Environment** - Existence of factors which allow for loosening of controls; any known instances of fraud
- **Prior Audit Findings** - Significant deficiencies in the audit reports of the agency including but not limited to prior improper payment work, the agency Inspector General or the GAO or other relevant management findings
- **Payment Processing Controls** - Adequacy of the design and operating effectiveness of existing payment processing controls
- **Quality of Internal Monitoring Controls** - Adequacy of the design and operating effectiveness of monitoring controls
- **Shared Services** - Assessment risk factor to address GSA's recently implemented Shared Services agreement with USDA

The risk factors assessed are consistent with OMB Circular A-123, Appendix C risk factors that must be addressed at a minimum for the qualitative assessment.

Each of the risk factors was weighted to provide the ability to emphasize or de-emphasize a risk condition, depending on its relevance and significance to a particular type of program. Each weighted risk factor

was combined to calculate an overall risk score. Based on the risk assessment performed, GSA concludes there are no new programs identified as susceptible to improper payments.

2. Statistical Sampling

For FY 2015, GSA measured, estimated and reported improper payment percentage and dollars for three high risk programs. A stratified sampling design was used to test payments based on FY 2014 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.

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). For FY 2014 GSA had \$11,434.00 in obligations and \$569,131 in outlays. In FY 2015 GSA had \$415,856 in outlays. Due to the immateriality of the amounts GSA did not test these transactions.

3. Improper Payment Reporting

The original risk assessment performed for FY 2012 identified two programs and three activities as susceptible to significant improper payments. In June, 2015, GSA requested relief as allowed under OMB M-15-02 from the annual reporting requirements for four programs. These four programs have 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.

See **Table 1** Improper Payment Reduction Outlook on page 116.

4. Improper Payment Root Cause Categories

The improper payment assessment identified the root cause for improper payments for the Rental of Space, Building Operations - Utilities and Purchase Card programs as Administrative and Documentation errors made by the agency and insufficient documentation to determine proper payment.

See **Table 2** Improper Payment Root Cause Category Matrix on page 116.

5. Corrective Actions

GSA has no programs or activities with improper payments exceeding the statutory thresholds¹ and determined to be susceptible to significant improper payments.

6. 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.

7. Accountability

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

8. 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.

9. Barriers

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

10. Recapture of Improper Payments Reporting

In FY 2015, 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 6 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. Unsatisfied debt is referred to the Treasury Offset Program for further collection efforts. Last year's statutory OIG audit identified differences in the FY 2014 AFR reporting.²

See **Table 3** Improper Payment Recaptures with and without Audit programs on page 117.

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

See **Table 4** Disposition of Funds Recaptured Through Payment Recapture Audits on page 117.

GSA starts aging overpayments when they are detected, that is, certified by the program office and approved by the Payment Recapture Program Manager.

See **Table 5** Aging of Outstanding Overpayments Identified in the Payment Recapture Audits on page 118.

¹Statutory threshold is defined in OMB Circular A-123 Appendix C Part I.A.9 Step1 as gross annual improper payments in the program exceeding (1) both 1.5 percent of program outlays and \$10,000,000 of all program or activity payments made during the fiscal year reported or (2) \$100,000,000

²OIG Report can be found at the GSA OIG website.

11. Additional Comments

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

12. 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.

See **Table 6** Results of the Do Not Pay Initiative in Preventing Improper Payment on page 118.

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	\$5,591.77	0.68%	\$38.02	\$5,745.95	0.12%	\$6.90	\$2.65	\$4.22	\$5,550.00	0.119%	\$6.60	\$5,725.00	0.118%	\$6.76	\$5,724.00	0.117%	\$6.70
Building Operations-Utilities	\$376.86	0.88%	\$3.32	\$369.87	0.01%	\$0.04	\$0.00	\$0.02	\$354.00	0.009%	\$0.03	\$354.00	0.008%	\$0.03	\$354.00	0.007%	\$0.02
Purchase Cards	\$33.88	8.68%	\$2.94	\$30.22*	6.55%	\$1.98	\$1.98	\$0.00	\$27.03	6.50%	\$1.76	\$27.03	6.45%	\$1.74	\$27.03	6.40%	\$1.73
TOTAL	\$575,133.51	0.01%	\$44.28	\$422,002.04	0.00%	\$8.92	\$4.63	\$4.24	\$5,931.03	0.14%	\$8.39	\$6,106.03	0.14%	\$8.53	\$6,105.03	0.14%	\$8.45

* Purchase Cards CY Outlays are based on FY 2014 payments

** Amounts for Hurricane Sandy are immaterial and therefore not reported on this table.

Table 2 Improper Payment Root Cause Category Matrix

Reason for Improper Payment		Rental of Space		Building Operations- Utilities		Purchase Cards	
		Overpayments	Underpayments	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	\$2.01	\$4.22		\$0.02	\$0.70	
	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		\$0.64				\$1.28	
Other Reason (a) (explain)							
Other Reason (b) (explain)							
TOTAL		\$2.65	\$4.22		\$0.02	\$1.98	

Table 5 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	\$7.79	\$5.38	\$1.15	-

Table 6 Results of the Do Not Pay Initiative in Preventing Improper Payments (\$ in millions)

Program or Activity	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 IPERIA specified databases	3,175,074	\$19,358.62	0	\$0.00	0	\$0.00
Review with databases not listed in IPERIA	3,175,074	\$19,358.62	0	\$0.00	0	\$0.00