

PAYMENT INTEGRITY (UNAUDITED)

Background

The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) provides guidance on monitoring and reporting improper payments. Improper payments are payments made by the Government to the wrong person, in the wrong amount (either an underpayment or overpayment), for the wrong reason, or where documentation is not sufficient enough to discern whether a payment was proper.

IPERIA requires agencies to review their programs annually to identify programs susceptible to significant improper payments, and to report information on improper payments to the President and Congress. OMB Circular A-136 requires agencies to report information on payment integrity, disclosing proper and improper payments. For more detailed information on improper payments in this and previous fiscal years, visit <https://paymentaccuracy.gov/>. This site includes frequently asked questions relating to improper payments, annual improper payment datasets, and program scorecards.

OMB defines significant improper payments as the total annual improper payments in a program exceeding:

- 1.5 percent of the program's expenses and \$10 million of improper program payments, or
- \$100 million in improper program payments, regardless of percentage.

OMB guidance allows agencies to request relief from improper payment reporting when agency programs no longer meet the criteria to qualify as high-risk. GSA requested and received relief from improper payment reporting for the Rental of Space Program for FY 2019 from OMB.

Based on this reporting relief, GSA is not required to report on the improper payment reduction outlook and improper payment root cause categories for FY 2019.

In accordance with OMB Circular A-123, Appendix C, GSA is required to complete a risk assessment on the Rental of Space program within the next 3 years. An assessment will be conducted in FY 2021.

In FY 2019, GSA complied with IPERIA reporting requirements. This compliance included reporting on the payment recapture audit program. This program is specifically designed to identify overpayments and recapture those funds. GSA also reviewed all new programs greater than \$1 million to determine whether payment recapture audits were necessary. GSA found no overpayments in these programs.

Payment Recapture Audit Program

The Recovery Audit Act requires agencies that award more than \$500 million annually in contracts to establish programs to recover overpayments to contractors. The purpose of the payment recapture audit is to identify and possibly recover overpayments. Payment recapture audits are conducted only when it is determined to be cost effective. For FY 2019, GSA had one program, Rental of Space, where a payment recapture audit was required.

GSA reviews the Rental of Space program annually to detect and recover overpayments or other errors, and identifies opportunities for process improvement. This review includes an analysis of lease contracts, lease agreements, and lease digest actions, as well as the development of a detailed monthly rental schedule from

the beginning of a lease to its most recent payment. The results are compared to actual payments by month, to determine if discrepancies exist. Discrepancies are quantified and identified as to nature and origin.

Rent overpayments, rent credits, and real estate tax credits are sources of overpayments. Root causes for rent-related overpayments include calculation errors, administrative errors, system errors, failure to take the proper rent credits, failure to charge rent on time or at all, and failure to timely terminate the lease. In addition, overpayments for real estate tax credits are caused by failure of the lessor to comply with the lease contract and submit tax bills or refunds, the complexity in determining the base year tax amount, and improperly determining which line items of the tax bill GSA is required to pay.

To address rent-related overpayments, GSA has taken corrective action by providing Lease Payment Audit refresher training. In addition to training, GSA implemented a change from regional to zonal administration of lease payments for taxes and other rent adjustments. Changes include proactive review of each lease annually for compliance with tax clauses and documentation, and systemic corrective action through IT enhancements to provide national consistency and improve accuracy and timeliness.

GSA establishes claims in accordance with the Debt Collection Improvement Act of 1996 and GSA's payment recapture audit identifies claims related to the Rental of Space program.

Table 1 identifies the Rental of Space program with overpayments obtained through payment recapture audits and other programs with overpayments recaptured outside of GSA's payment recapture audit program.

Table 1 Overpayment Payment Recaptures with and without Recapture Audit Programs (Dollars in Millions)

		Overpayments Recaptured through Payment Recapture Audits				Overpayments Recaptured outside of Payment Recapture Audits ³		
Does this include funds recaptured from a High-Priority Program?	Program or Activity	Amount Identified in FY 2019 ¹	Amount Recovered in FY 2019 ²	Recapture Rate in FY 2019 ²	FY 2019 Recapture Rate Target ³	Amount Identified in FY 2019	Amount Recovered in FY 2019 ²	Recapture Rate in FY 2019 ²
N	Rental of Space	\$ 18.92	\$ 16.87	89%	80%	\$ 40.638	\$ 40.908	101%
N	Other ⁴					\$ 10.245	\$ 9.209	90%
	TOTAL	\$ 18.92	\$ 16.87	89%		\$ 50.883	\$ 50.117	98%

1 Our vendor, in addition to performing Payment Recapture Audit on Rental of Space, performed duplicate/erroneous payment data reviews across GSA programs as a whole. The amount identified from these reviews is \$4,020. For simplicity GSA combined this amount with the overall Rental of Space identified amount.

2 Includes both recaptures of overpayments during FY 2019 and overpayments that were reported prior to FY 2019.

3 The amount collected and recapture rate are impacted by the amount identified, as well as successful recapture efforts. A claim can take between 4 and 6 months to fully process after it is submitted. GSA is setting a target rate of 80 percent for FY 2020.

4 Over 97 percent of the \$10.245 million programs under Other relates to the following five program activities: Acquisition Services Fund - Flow Through, Building Operations, Repairs and Alterations, Federal Citizen Services Fund, and Construction and Acquisition of Facilities.

The Payment Recapture Audit for the Rental of Space program is funded through a revolving fund. Recaptured funds are credited back to their original purpose. Table 2 shows the disposition of funds recaptured for the Rental of Space program.

Table 2 Disposition of Funds Recaptured Through Payment Recapture Audit Programs (Dollars in Millions)

Program or Activity	Amount Recaptured	Agency Expenses to Administer the Program	Payment Recapture Audit Fees ¹	Financial Management Improvement Activities	Original Purpose	Office of Inspector General	Returned to Treasury	Other
Rental of Space	\$16.87	NA	\$3.07	NA	\$13.80	NA	NA	NA
TOTAL	\$16.87	NA	\$3.07	NA	\$13.80	NA	NA	NA

¹ Fees based on invoices submitted by Payment Recapture Audit firm in FY 2019.

The aging of an overpayment begins on the date when the GSA contracting officer or representative approves the accompanying claim form, rather than the date the overpayment is established in the accounting system. Aged debt is referred to the Treasury Offset Program for further collection efforts. Uncollectible accounts are written off in accordance with the Accounts Receivable Policy Handbook, CFO P 4253.1, Chapter 4, Servicing Non-Federal Accounts Receivable.

The outstanding overpayments identified in the payment recapture audit in FY 2019 are in Table 3.

Table 3 Aging of Outstanding Overpayments Identified in the Payment Recapture Audit Programs¹ (Dollars in Millions)

Program or Activity	Amount Outstanding (0 – 6 months)	Amount Outstanding (6 months to 1 year)	Amount Outstanding (over 1 year)	Amount determined to not be collectable ²
Rental of Space ³	\$ 4.78	\$.07	\$1.12	\$3.97
TOTAL	\$4.78	\$.07	\$1.12	\$3.97

¹ If GSA reported aging of outstanding overpayments based on the date a receivable claim is established in the accounting system, the aging amounts would be as follows:

Amount Outstanding (0-6 months): \$2.64 million
 Amount Outstanding (6 months to 1 year): \$.07 million
 Amount Outstanding (over 1 year): \$1.10 million
 Amount Determined not to be Collectible: \$3.97 million

² Uncollectible accounts are written off based on the Accounts Receivable Policy Handbook, CFO P 4253.1B, as amended, Chapter 4, Servicing Non-Federal Accounts Receivable. GSA writes off claims with a remaining principal balance under \$100 at 120 days old; claims above \$100 are written off after they have been referred to Treasury for collection for 60 days. Amount determined to not be collectible is cumulative, based on OMB Town Hall Guidance, and includes all current and prior amounts determined to not be collectible dating back to October 2010.

³ The percent breakdown of the total overpayments identified from recapture audits but not recaptured is as follows:

Amount Outstanding (0-6 months): 48.07 percent
 Amount Outstanding (6 months to 1 year): 0.66 percent
 Amount Outstanding (over 1 year): 11.27 percent
 Amount Determined not to be Collectible: 40.00 percent

Note: The percentages are based on full numbers and not the rounded outstanding dollar amounts listed hereon.

Payment Recapture Cost-effective Analysis for New Programs over \$1 million dollars

Each year, GSA identifies new programs with expenditures greater than \$1 million in order to identify risk for improper payments. In FY 2019, there were three new programs identified:

The Common Acquisition Platform program. This program aims to provide acquisition professionals with a more integrated, more comprehensive suite of knowledge and data, as well as a more robust toolset of systems to support enhanced execution;

The Civilian Board of Contract Appeals (CBCA) direct program activity. CBCA was established in 2007 to hear and decide contract disputes between Government contractors and civilian executive agencies under the provisions of the Contract Disputes Act; and

The Disaster Emergency Funds program, which represents the Public Buildings Service's supplemental disaster relief funds for Hurricanes Harvey, Irma, and Maria.

GSA's monitoring reports show no overpayments for any of these programs. Based on the FY 2018 cost-effective analysis approach, a payment recapture audit is not required in FY 2019 as monitoring reports show no overpayments in any of the programs.

Do Not Pay Initiative

Do Not Pay (DNP) is a Treasury service that allows agencies to check against multiple databases to verify a recipient's eligibility for payment.

When enrolling in DNP, GSA elected to compare its vendors to the Social Security Administration's Death Master File (DMF) and the General Services Administration's Excluded Parties List in the System for Award Management (SAM). To detect and prevent improper payments, the GSA list of vendors is compared to the SAM exclusion listing and the DMF once a month. Debarred vendors are annotated and deactivated in the GSA vendor master database file.

Additionally, GSA uses online single search DNP functionality to check for any matches prior to establishing a new vendor record. GSA also receives results for payments processed on a daily basis from DNP. These results reflect matches to the SAM Exclusion Records and DMF as a result of post-payment matching of GSA payments schedules to these databases.

The payment matches and exclusion information are reviewed in the DNP portal. The SAM Data Universal Numbering System registrations interface directly into GSA's accounting vendor database ensuring vendors with debarments do not receive improper payments.

Once reviewed, the payments are adjudicated as proper or improper. GSA's items to adjudicate monthly in DNP are very low. GSA's reduction in improper payments is mostly attributable to GSA's PBS National Office of Leasing and OCFO's collaboration and coordination.