

Payment Integrity (Unaudited)

Background

The Payment Integrity Information Act of 2019 updated existing statutes that established requirements for Federal agencies to cut down on improper payments. For implementation, all program outlays fall into one of three possible payment type categories: proper payment, improper payment, or unknown payment.

At a high level, payments are considered proper if they were made to the right recipient for the right amount, whereas improper payments generally include payments made in an incorrect amount or to the wrong recipient. For instance where an agency is unable to determine whether a payment falls into the proper or improper category, that payment is considered an unknown payment. Unknown payments are payments that could be either proper or improper, but cannot be determined due to insufficient or lack of documentation. Unknown payments must be considered as part of the improper payment risk assessment process.

Improper payments further fall into one of two categories: improper payments resulting in a monetary loss or improper payments that do not result in a monetary loss.

The Office of Management and Budget (OMB) requires agencies to report on improper payments. Detailed information on the U.S. General Services Administration's (GSA) payment integrity in this and previous fiscal years can be found on [PaymentAccuracy.gov](https://www.paymentaccuracy.gov). The Federal payment accuracy website features annual improper payment data sets, program scorecards, and frequently asked questions relating to improper payments.

OMB also establishes reporting requirements for programs classified as high-risk or high-priority for improper payment reporting. None of GSA's programs are classified as high-risk or high-priority for improper payment reporting. Therefore, OMB has exempted GSA from high-risk improper payment reporting in FY 2023. In accordance with OMB Circular A-123, Appendix C, GSA assesses the risk of programs on a 3-year cycle.

Payment Recapture Audit Program

The OMB Circular A-123, Appendix C, requires Federal agencies to conduct payment recapture audits for all programs and activities that expend \$1 million or more annually if conducting such an audit is cost effective for the agency. GSA has contracted a payment recapture auditor for this effort. GSA has one program where the recapture audit is required: the Rental of Space program.

The purpose of GSA's payment recapture audit is to identify and recover overpayments for the Rental of Space program. Rent overpayments, rent credits, and real estate tax credits are common sources of overpayments. Root causes for rent-related overpayments include calculation errors, administrative errors, system errors, failure to take the proper rent credits, and failure to terminate the lease in a timely manner. Overpayments for real estate tax credits are caused by the 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 the improper determination of which line items of the tax bill GSA is required to pay.

The FY 2022 Payment Recovery Report did not contain any recommendations, but it did note that the FY 2021 Payment Recovery Report recommendation to improve the Rental of Space program was open and an action plan was in place. In FY 2023, GSA completed all actions in the action plan and fully implemented the recommendation. As part of implementing the action plan, the Public Buildings Service (PBS) provided training to lease acquisition officers; re-sent the PBS leasing alert which addresses the importance of accurate data entry; and met with all leasing directors to further

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discuss the leasing alert. In addition, GSA's financial services provider automated the process of inputting data from the real estate feeder system into the financial management system, eliminating the need for manual intervention and reducing the risk of data entry errors. Because of these efforts, overall rent overpayments have been reduced by 47 percent and real estate tax findings have been reduced by 62 percent.

To further improve the program, GSA reviews the Rental of Space program annually to detect errors, recover overpayments, and identify opportunities for process improvement. This review includes an analysis of leasing contracts, lease amendments, 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. The nature and origin of discrepancies are quantified and identified and GSA establishes claims to recapture overpayments in accordance with the Debt Collection Improvement Act of 1996. GSA also audits its lease files annually to verify that tax bills have been submitted to the agency. If any bills are missing, GSA retrieves the bill and analyzes whether GSA is owed money through the claim process.