United States Government Accountability Office

Report to the Ranking Member, Committee on Homeland Security and Governmental Affairs, U.S. Senate

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IMPROPER PAYMENTS

Strategy and Additional Actions Needed to Help Ensure Agencies Use the Do Not Pay Working System as Intended

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Why GAO Did This Study

Improper payments are a long-standing, significant problem in the federal government, estimated at nearly $137 billion in fiscal year 2015. GAO previously reported that one strategy to help prevent improper payments is up-front verification of eligibility through data sharing and matching. Established by OMB in 2011 and hosted by Treasury, the DNP working system is a web-based, centralized data matching service.

GAO was asked to review the DNP working system. This report examines the extent to which (1) OMB and Treasury developed the DNP working system and obtained access to relevant databases, (2) selected agencies used the DNP working system to help review eligibility, and (3) OMB monitored the use of the system. GAO reviewed relevant laws and guidance; interviewed officials at OMB, Treasury, and 10 user agencies selected in part based on size and reported improper payment estimates, including those with the largest reported estimates; and analyzed DNP working system documentation.

What GAO Recommends

Congress should consider amending the Social Security Act to allow SSA to share its full death file through the DNP working system. GAO is making two recommendations to Treasury and seven to OMB, including for OMB to develop and communicate a strategy and guidance and develop monitoring mechanisms. Treasury agreed. OMB agreed with two and agreed or generally agreed with the concepts behind the remaining five. GAO believes that it is important to fully implement all of the recommendations.

View GAO-17-15. For more information, contact Beryl H. Davis at (202) 512-2623 or davisbh@gao.gov.

What GAO Found

The Office of Management and Budget (OMB), in coordination with the Department of the Treasury (Treasury), developed the Do Not Pay (DNP) working system as a data matching service for agencies to use in preventing improper payments, but GAO found that the DNP working system offers either partial or no access to three of the six databases required by the Improper Payments Elimination and Recovery Improvement Act of 2012, as amended. Specifically, the DNP working system offers no access to the Social Security Administration's (SSA) prisoner records and partial access to the Credit Alert Interactive Voice Response System and SSA's death records. The death records offered through the DNP working system do not include state-reported death data. SSA officials stated that sharing its full death file—which includes state-reported death data—would require an amendment to the Social Security Act. Sharing the full death file through the DNP working system would enhance efforts to identify and prevent improper payments.

The 10 agencies GAO reviewed have used the DNP working system in limited ways, in part because of a lack of clear OMB strategy and guidance. The most common way these agencies used the DNP working system is through its payment integration process, whereby Treasury compares disbursements it makes with DNP databases. However, Treasury matches against only two databases, and because the matching is performed simultaneously with disbursement, agencies generally do not receive the results in time to prevent improper payments. Further, because the payment integration process is built into Treasury's payment process, it does not compare payments disbursed through other means, such as payments made by the Defense Finance and Accounting Service ($477 billion in fiscal year 2015). OMB and Treasury guidance do not fully address the limitations of the payment integration process or whether its use is required. Aside from payment integration, 6 of the 10 agencies GAO reviewed used the DNP working system in limited ways, and 9 of the 10 agencies used some of the databases outside the DNP working system. OMB has not developed a strategy or communicated through guidance how it expects agencies to use the DNP working system. As a result, agencies may not effectively and efficiently use the system to help reduce improper payments.

Although OMB collects certain information about the use of the DNP working system, it has not developed monitoring mechanisms, such as goals or performance measures. Reported savings from use of the DNP working system have been minimal. OMB reported that the overall DNP Initiative (which encompasses the DNP working system and other agency-specific efforts) prevented over $2 billion in improper payments in fiscal year 2014, but none of these savings resulted from use of the DNP working system. Further, while OMB has not reported on fiscal year 2015 results, the 24 Chief Financial Officers Act agencies reported about $680,000 in improper payments prevented through use of the system in fiscal year 2015. However, GAO identified instances in which such agency-reported information was not consistent with reports generated by the system. Without monitoring mechanisms and reliable data, OMB cannot effectively evaluate the DNP working system or identify and address performance issues.

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Abbreviations

AFR	agency financial report
CAIVRS	Credit Alert Interactive Voice Response System
CMS	Centers for Medicare & Medicaid Services
DMF	Death Master File
DNP	Do Not Pay
DOJ	Department of Justice
Education	Department of Education
FIPCA	Federal Improper Payments Coordination Act of 2015
GSA	General Services Administration
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IRS	Internal Revenue Service
LEIE	List of Excluded Individuals and Entities
MOU	memorandum of understanding
OIG	Office of Inspector General
OMB	Office of Management and Budget
RRB	Railroad Retirement Board
SAM	System for Award Management
SBA	Small Business Administration
SORN	system of records notice
SSA	Social Security Administration
Treasury	Department of the Treasury
USDA	Department of Agriculture
VA	Department of Veterans Affairs
VBA	Veterans Benefits Administration

October 14, 2016

The Honorable Thomas R. Carper
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

Dear Senator Carper:

Improper payments are a long-standing, widespread, and significant problem in the federal government.[1] In fiscal year 2015 alone, improper payment estimates totaled almost $137 billion government-wide. While strategies for reducing improper payments include both prevention and detection techniques, proactively preventing improper payments avoids the difficulties associated with the "pay and chase" aspects of recovering overpayments.[2] We previously reported that one strategy to help prevent improper payments is up-front verification of eligibility through data sharing and matching, such as use of the Do Not Pay (DNP) working system.[3] Established by the Office of Management and Budget (OMB) and hosted by the Department of the Treasury (Treasury), the DNP working system is a web-based, centralized data matching service that allows agencies to review multiple databases—such as data on deceased individuals and entities barred from receiving federal awards—before making payments.

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[1]Under the Improper Payments Information Act of 2002, as amended, an improper payment is statutorily defined as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts. Office of Management and Budget guidance also instructs agencies to report as improper payments any payment for which insufficient or no documentation was found.

[2]"Pay and chase" refers to the labor-intensive and time-consuming practice of trying to recover overpayments once they have already been made rather than preventing improper payments in the first place.

[3]GAO, *Fiscal Outlook: Addressing Improper Payments and the Tax Gap Would Improve the Government's Fiscal Position*, GAO-16-92T (Washington, D.C.: Oct. 1, 2015).

You asked us to examine the DNP working system. This report examines the extent to which (1) OMB and Treasury developed the DNP working system and obtained access to relevant databases, (2) selected agencies used the DNP working system to help review eligibility, and (3) OMB monitored the use of the DNP working system.

In addition to OMB and Treasury's DNP Business Center, we selected a nongeneralizable sample of 10 agencies and relevant components for review, which are listed in table 1, to get a variety of perspectives on use of the DNP working system. To select these agencies and components, we reviewed (1) fiscal year 2014 budgetary outlays and net cost information to select both large and small agencies and relevant components within these agencies, (2) improper payment estimates reported in fiscal year 2014 to select agencies and components with high improper payment estimates, and (3) information on agencies' capabilities in the DNP working system to select agencies capable of using the different functionalities that the system offers. We also selected the Social Security Administration (SSA) as one of the 10 agencies because, while it is the source of certain data in the DNP working system, the agency does not use the system.

Table 1: List of 10 Agencies and Relevant Components Selected for Review

Agency	Component
Department of Agriculture	Commodity Credit Corporation
	Food and Nutrition Service
	Risk Management Agency
	Rural Development
Department of Health and Human Services	Administration for Children and Families
	Centers for Medicare & Medicaid Services
Department of the Interior	N/A[a]
Department of Labor	Employment and Training Administration
	Office of Workers' Compensation Programs
Department of the Treasury	Internal Revenue Service
	Bureau of Engraving and Printing
Department of Veterans Affairs	Veterans Benefits Administration
	Veterans Health Administration
General Services Administration	N/A[a]
National Science Foundation	N/A[a]

Agency	Component
Railroad Retirement Board	N/A[a]
Social Security Administration	N/A[b]

Legend: N/A = not applicable.

Source: GAO analysis of fiscal year 2014 budgetary outlays, net cost information, and improper payment estimates and information on agencies' use of the Do Not Pay working system. | GAO-17-15

[a]This agency uses the Do Not Pay working system centrally, so we did not select components for review.

[b]This agency does not use the Do Not Pay working system.

To address our objectives, we obtained relevant documentation regarding availability of data through the DNP working system and interviewed staff from OMB and Treasury. We also reviewed relevant OMB and Treasury guidance regarding the DNP working system. We interviewed officials at the 10 agencies we selected and reviewed their policies and procedures for use of the DNP working system. Additionally, we met with officials at shared service providers used by certain of our selected agencies and components. We also reviewed the 10 selected agencies' fiscal year 2015 agency financial reports (AFR) regarding these agencies' reporting on their use of the DNP working system and interviewed OMB staff regarding related monitoring processes. We compared the information we obtained to relevant laws, guidance, and federal internal control standards. Appendix I provides further details on our scope and methodology.

We conducted this performance audit from April 2015 to October 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

June 2010 Presidential Memorandum	In June 2010, the President directed agencies to review their preaward and prepayment procedures and ensure that a thorough review of applicable databases occurs before the release of any federal funds to help verify eligibility and prevent certain improper payments.[4] The Presidential Memorandum listed five databases for review and directed OMB to develop a plan for integrating these databases so that agencies could access them through a single point of entry.[5] In response to the memorandum, OMB and Treasury established the DNP working system in 2011.[6] In April 2012, OMB issued guidance on the DNP working system through OMB Memorandum M-12-11 (M-12-11), which required the chief financial officer of each agency to submit to OMB a plan for using the DNP working system.[7]
Improper Payments Elimination and Recovery Improvement Act of 2012	The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), as amended by the Bipartisan Budget Act of 2013 and the Federal Improper Payments Coordination Act of 2015 (FIPCA), enacted into law elements of the Presidential Memorandum by requiring agencies to ensure that a thorough review of available databases occurs prior to

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[4]Presidential Memorandum for the Heads of Executive Departments and Agencies on Enhancing Payment Accuracy Through a "Do Not Pay List," 75 Fed. Reg. 35953 (June 18, 2010).

[5]The five databases included in the June 2010 Presidential Memorandum were the Social Security Administration's Death Master File, the General Services Administration's Excluded Parties List System, Treasury's Debt Check Database, the Department of Housing and Urban Development's Credit Alert System (or Credit Alert Interactive Voice Response System), and the Department of Health and Human Services' Office of Inspector General's List of Excluded Individuals/Entities. The General Services Administration's Excluded Parties List System is now called the System for Award Management exclusion records.

[6]The DNP working system was originally called the DNP solution.

[7]Office of Management and Budget, *Reducing Improper Payments through the "Do Not Pay List,"* OMB Memorandum No. M-12-11 (Washington, D.C.: Apr. 12, 2012).

the release of federal funds.[8] IPERIA, as amended, requires (1) the DNP working system to include six databases, as well as other databases designated by the Director of OMB in consultation with agencies, and (2) agencies to review—at a minimum—those six databases as appropriate before issuing any payment or award to help verify eligibility.[9] The required databases are listed in table 2.

Table 2: Databases Required to Be Included in the Do Not Pay Working System

Database	Source	Function
System for Award Management exclusion records	GSA	To verify whether individuals or entities are debarred from receiving new federal awards, including contracts, grants, and other financial assistance
Debt Check	Treasury	To verify whether an individual or entity owes delinquent child support or nontax debt to the federal government or participating states
List of Excluded Individuals and Entities	HHS OIG	To verify whether individuals or entities are excluded from participating in federal health care programs
Credit Alert Interactive Voice Response System	Multiple agencies	To verify whether an individual or entity has delinquent federal debt incurred with either HUD, VA, Education, USDA, DOJ, or SBA
SSA's prisoner data	SSA	To verify whether an individual is incarcerated
SSA's death records[a]	SSA	To verify whether a payee is deceased

Legend: DOJ = Department of Justice; Education = Department of Education; GSA = General Services Administration; HHS = Department of Health and Human Services; HUD = Department of Housing and Urban Development; OIG = Office of Inspector General; SBA = Small Business Administration; SSA = Social Security Administration; Treasury = Department of the Treasury; USDA = Department of Agriculture; VA = Department of Veterans Affairs.

Source: GAO analysis of the Improper Payments Elimination and Recovery Improvement Act of 2012, as amended, and Treasury information. | GAO-17-15

[a]The Improper Payments Elimination and Recovery Improvement Act of 2012, as amended, requires the Do Not Pay working system to include the "death records maintained by the Commissioner of Social Security." For purposes of this report, we refer to the "death records maintained by the Commissioner of Social Security" as SSA's death records. SSA shares two sets of death data. SSA shares its full death file with certain agencies that pay federally funded benefits. For other users of its death data, SSA shares the Death Master File. The Death Master File is a subset of the full death file, as it contains about 10 percent fewer death records than the full death file and does not include state-reported death data. The Death Master File is distributed by the Department of Commerce's National Technical Information Service.

[8]IPERIA, Pub. L. No.112-248, 126 Stat. 2390 (Jan. 10, 2013), *codified at* 31 U.S.C. 3321 note, as amended by the Bipartisan Budget Act of 2013, Pub. L. No. 113-67, § 204, 127 Stat. 1165, 1181 (Dec. 26, 2013), and FIPCA, Pub. L. No. 114-109, §§ 2-4,129 Stat. 2225, 2225-27 (Dec. 18, 2015).

[9]IPERIA, as amended, did not change eligibility criteria for any program. Instead, it requires agencies to review certain databases that may help determine eligibility prior to making an award or payment.

GAO-17-15 Do Not Pay Working System

The DNP Initiative and the DNP Working System

In August 2013, OMB issued guidance through OMB Memorandum M-13-20 (M-13-20) to help agencies protect privacy while reducing improper payments with the DNP Initiative.[10] According to OMB, the DNP Initiative encompasses multiple databases and analytics resources to support agencies as they verify entity eligibility for awards or payment. This includes centralized data portals (such as the DNP working system) and agency-specific initiatives that serve particular program needs (such as the Centers for Medicare & Medicaid Services' (CMS) Fraud Prevention System). According to OMB, the DNP working system is one element of the DNP Initiative that agencies can use to meet the requirements set out in IPERIA.

The DNP working system offers user agencies four different functionalities by which they can perform searches of databases at various times during the award or payment process.

- The payment integration functionality matches agency payment files that are sent to Treasury at the time of payment. The payment files are matched against two databases—the Death Master File (DMF) and the System for Award Management (SAM) exclusion records—and matching results are sent back to the agencies.[11] When agencies receive matches through the payment integration functionality, they are required to adjudicate each match (i.e., verify the match to determine whether the corresponding payment is improper) and record the results in the DNP working system.

- The other three functionalities are online single search, batch matching, and continuous monitoring. Through online single search, an agency can match a single entity against the authorized and available databases for that agency in the DNP working system. Batch matching is a similar process in which an agency can match

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[10]Office of Management and Budget, *Protecting Privacy while Reducing Improper Payments with the Do Not Pay Initiative*, OMB Memorandum M-13-20 (Washington, D.C.: Aug. 16, 2013).

[11]As discussed in more detail later in this report, SSA shares two sets of death data. SSA shares its full death file with certain agencies that pay federally funded benefits. For other users of its death data, SSA shares DMF. DMF is a subset of the full death file, as it contains about 10 percent fewer death records than the full death file and does not include state-reported death data. DMF is distributed by the Department of Commerce's National Technical Information Service.

multiple entities against the authorized and available databases at one time. Online single search and batch matching can be conducted either before or after a payment is made, as decided by the agency. Continuous monitoring matches an agency's file of entities against the authorized and available data sources on an ongoing basis whenever the data are updated. For these three functionalities, an agency receives matches through the DNP working system but does not record adjudication results for these matches in the system.

Responsibilities Related to the DNP Initiative and Working System

M-13-20 splits responsibilities related to the DNP Initiative—and the DNP working system—among four entities: (1) OMB, (2) Treasury, (3) original-source agencies, and (4) payment-issuing agencies. These entities' responsibilities include the following.

OMB

OMB is responsible for implementing the DNP Initiative—including establishing a working system for prepayment and preaward review—and providing guidance, oversight, and assistance to agencies. IPERIA requires OMB to submit annual reports to Congress regarding the operation of the DNP Initiative. These reports should include an evaluation of whether it has reduced improper payments or improper awards and provide the frequency of data corrections or identification of incorrect information.

Treasury

OMB directed Treasury to host the DNP working system. In doing so, Treasury is responsible for developing memorandums of understanding (MOU) with original-source agencies and entering into computer matching agreements with payment-issuing agencies, as appropriate.[12] OMB guidance states that Treasury must also periodically reassess whether all of the data in the DNP working system are relevant and necessary and delete any data that are not. Additionally, Treasury is responsible for preparing and submitting to OMB a written assessment documenting the

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[12]If a computer matching program—defined as a computerized comparison of records for the purpose of establishing or verifying eligibility or recouping payments for a federal benefit program or relating to federal personnel management—is covered by the computer matching provisions of the Privacy Act (5 U.S.C. § 552a), the participating agencies must have a computer matching agreement. Among other things, a computer matching agreement includes the purpose and legal authority for conducting the matching program, a description of the records that will be matched, a justification for the program and the anticipated results, and procedures for verifying information produced in the matching program. 5 U.S.C. § 552(o).

suitability of any commercial databases that could be designated for use in the DNP working system. Further, Treasury is responsible for taking steps to ensure that records in the DNP working system are sufficiently accurate, complete, and up-to-date; coordinating with original-source agencies to allow individuals to request data corrections; and submitting periodic reports to OMB.

Original-Source Agencies

Original-source agencies provide records (e.g., databases) to Treasury for the DNP working system. These agencies are responsible for entering into MOUs with Treasury that describe how Treasury may use the records and provide rules for protecting and correcting the information and for retaining and destroying the records. Additionally, original-source agencies are responsible for ensuring that they have sufficient legal authority and specific designation from OMB (except as provided by law) to share the records and that Treasury has the appropriate level of security controls before providing records to the DNP working system.

Payment-Issuing Agencies

Payment-issuing agencies are responsible for making determinations about the disbursement of payments or awards, consistent with legal authority. In using the DNP working system, these agencies are responsible for ensuring that they only match against data sources that are relevant and necessary for the specific matching purpose. Payment-issuing agencies are responsible for ensuring that they have sufficient legal authority to engage in a matching program and, when appropriate, entering into computer matching agreements with Treasury. Treasury's *Do Not Pay User Guide* states that each agency should verify match results received from the DNP working system against a secondary data source to ensure that match information received from the DNP working system is accurate. M-13-20 states that payment-issuing agencies should comply with all applicable requirements in the Privacy Act, which may include verifying match results and providing individuals an opportunity to contest match results prior to taking adverse action.

OMB and Treasury Have Developed the DNP Working System, but Access to Certain Data Is Limited

Although OMB and Treasury have developed the DNP working system, the system does not offer full access to three of the six databases required by law. For example, the DNP working system offers access to the more limited DMF, but access to SSA's full death file is not available. OMB has not formally evaluated user-agency suggestions for additional databases for the DNP working system, in part because it has not developed a formal process for obtaining the suggestions.

The DNP Working System Offers Either Partial or No Access to Three of the Six Databases Required by Law

The DNP working system offers full access to three of the databases required by IPERIA: the System for Award Management exclusion records, the Debt Check database, and the List of Excluded Individuals and Entities (LEIE). However, it offers either partial or no access to the remaining three: the Credit Alert Interactive Voice Response System, SSA's prisoner data, and SSA's death records.[13] Availability of data through the DNP working system is shown in table 3.

Table 3: Availability of Required Databases through the Do Not Pay Working System

Database	Source	Available through the DNP working system	
		Yes	No
System for Award Management exclusion records	General Services Administration	✓	—
Debt Check	Department of the Treasury	✓	—
List of Excluded Individuals and Entities	Department of Health and Human Services Office of Inspector General	✓	—
Credit Alert Interactive Voice Response System	Department of Agriculture	—	✗
	Department of Education	—	✗

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[13]IPERIA, as amended, requires the DNP working system to include the "death records maintained by the Commissioner of Social Security." For purposes of this report, we refer to the "death records maintained by the Commissioner of Social Security" as SSA's death records. As mentioned previously, SSA shares two sets of death data. SSA shares its full death file with certain agencies that pay federally funded benefits. For other users of its death data, SSA shares DMF. DMF is a subset of the full death file, as it contains about 10 percent fewer death records than the full death file and does not include state-reported death data. DMF is distributed by the Department of Commerce's National Technical Information Service.

Database	Source	Available through the DNP working system	
		Yes	No
	Department of Housing and Urban Development	✓	—
	Department of Justice	✓	—
	Department of Veterans Affairs	✓	—
	Small Business Administration	✓	—
Social Security Administration's (SSA) prisoner data	SSA	—	✗
Database	**Dataset**		
SSA's death records	Full death file	—	✗
	Death Master File[a]	✓	—

Source: GAO analysis of the Do Not Pay working system. | GAO-17-15

Note: The Do Not Pay working system also has access to unrequired databases, such as the System for Award Management entity registration records and Office of Foreign Assets Control data.

[a]SSA's Death Master File does not include state-reported death data.

According to Treasury officials, the process for obtaining access to databases for the DNP working system is extensive and requires coordination with original-source agencies to establish MOUs and to revise system of records notices (SORN) to include routine uses that allow disclosure of the data through the DNP working system.[14] Treasury officials stated that Credit Alert Interactive Voice Response System (CAIVRS) data inputs from the Departments of Agriculture (USDA) and Education (Education) are not currently available through the DNP working system because of delays in negotiating MOUs with these agencies and revising SORNs. As efforts to finalize these documents continue, Treasury officials stated that they estimate that the DNP working system will offer access to CAIVRS data from USDA by the end of fiscal year 2016 and from Education in early fiscal year 2017.

Additionally, the DNP working system does not offer access to SSA's prisoner data. According to agency officials, Treasury and SSA have negotiated a permanent MOU to allow (1) the Internal Revenue Service (IRS) access to SSA's prisoner data for tax administration through the DNP working system and (2) Treasury access to the data for planning

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[14]SORNs are required by the Privacy Act. 5 U.S.C. § 552a(e)(4). A SORN includes information on the records collected, routine uses of the data, and procedures that individuals can use to review and contest the information, among other things.

and analysis purposes related to the DNP working system.[15] The MOU allows Treasury to evaluate the prisoner data and determine whether it will be useful in the DNP working system, although SSA officials noted that disclosure of the prisoner data to other agencies for matching purposes through the DNP working system will be limited until the relevant SORN is revised to include this matching as a routine use of the prisoner data.[16] Although Treasury continues to work with relevant agencies, until access to all of the required databases is offered, agencies may face a higher risk of not preventing or identifying improper payments, particularly those to prisoners and individuals that are delinquent on federal nontax debt.

Further, Treasury has not obtained SSA's more complete death records for the DNP working system. SSA shares two sets of death data: its full death file and DMF.[17] DMF is a subset of the full death file, as it contains about 10 percent fewer death records than the full death file and does not include state-reported death data.[18] Initially, IPERIA listed DMF as a required database for the DNP working system. FIPCA amended IPERIA by replacing the reference to DMF with "death records maintained by the Commissioner of Social Security." SSA officials stated that the Social Security Act limits sharing of SSA's full death file to federal benefit-paying agencies, which does not include the DNP working system. These officials stated that the Social Security Act would need to be amended to allow the agency to share its full death file with Treasury for the DNP working system. The President's Budget for fiscal year 2017 included a

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[15]A temporary MOU between Treasury, SSA, and IRS was established to allow IRS to receive SSA's prisoner data through the DNP working system to help determine Earned Income Tax Credit eligibility for the 2015 tax year. As of June 2016, IRS officials stated that IRS had not begun using SSA's prisoner data through the DNP working system.

[16]The routine uses specified in the current SORN only allow SSA to share prisoner data with agencies for administration of income-maintenance or health-maintenance programs.

[17]Use of the term "full" is not meant to indicate that a file contains all deaths but rather that a file includes deaths reported by states. SSA does not have a death record for all deceased individuals (e.g., deaths not reported to SSA), and SSA does not guarantee the completeness or accuracy of its death data.

[18]In our November 2013 report, SSA officials indicated that they expected the percentage of state-reported deaths as a proportion of all SSA death records to increase over time. GAO, *Social Security Death Data: Additional Action Needed to Address Data Errors and Federal Agency Access*, GAO-14-46 (Washington, D.C.: Nov. 27, 2013).

proposal for such an amendment, but no amendment providing this authority has been enacted. Consequently, the DNP working system offers access to only DMF and not the full death file.

In November 2013, we reported that SSA's processes for collecting and maintaining death reports could result in untimely or erroneous death information, such as including living individuals or not including deceased individuals.[19] For example, we identified about 500 instances in which death reports submitted to SSA in early 2013 listed dates of death in 2011 or earlier. This is of concern because—if the dates of death are accurate—SSA and other agencies may have been at risk of paying benefits to these individuals for long periods after they died. We also reported that SSA's Office of Inspector General found that data for about 182,000 deceased Supplemental Security Income recipients and about 1.2 million deceased Old Age and Survivors Insurance beneficiaries were not included in SSA's death data. To help improve the accuracy of its death data, we recommended that SSA conduct a risk assessment and assess the feasibility and cost-effectiveness of addressing various types of errors given the risk they pose. We found that since fiscal year 2014, SSA has been taking steps to redesign how the agency processes death reports and compiles data for dissemination. As part of that redesign, SSA completed a risk assessment and a data quality assessment in June 2014. SSA has completed the first two phases of its redesign project and developed a business process description for the third phase. According to SSA, the agency is taking care to ensure that improvements made to the death data processing system are cost-effective. Although we have not assessed the extent to which SSA's efforts have improved the quality of its death data, we are encouraged that SSA plans to continue the redesign project in future years. SSA's efforts will be critical to addressing the risk of errors in its death data. However, it is important to note that SSA does not guarantee the accuracy of the death information it provides to agencies. SSA reported that users of its death data must agree to independently verify the information before taking action based on an individual's death report. Such verification—if completed—should help reduce the effect of erroneous death data.

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[19] GAO-14-46.

While there is a continued need for SSA to address the risk of errors in its death data, sharing the full death file through the DNP working system would provide agencies with additional information and enhance efforts to identify and prevent improper payments to deceased individuals. As we previously reported, because the deaths reported by states are generally more accurate, and these reports are included in the full death file, it is likely that agencies using SSA's full death file would encounter fewer errors than agencies using the DMF.[20]

OMB Has Not Designated Additional Databases for Inclusion in the DNP Working System

IPERIA provides the Director of OMB, in consultation with agencies, the authority to designate additional databases that substantially assist in preventing improper payments. However, OMB has not formally evaluated user agencies' suggestions for additional databases or designated any additional databases to be included in the DNP working system.[21] OMB staff stated that they consulted with data analytic centers regarding potential databases and services, and the President's Budget for fiscal year 2017 included proposals to obtain access to additional databases.[22] Nevertheless, certain user agencies we reviewed identified additional databases that could be beneficial if included in the DNP working system.

OMB has not developed a formal process for user agencies to suggest additional databases to be included in the DNP working system. OMB staff stated that they expect user agencies to suggest additional databases to be included in the DNP working system through their AFRs. However, neither M-13-20 nor OMB Circular No. A-136 financial reporting

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[20]In November 2013, we reported that most states submit death reports through an Electronic Death Registration System. SSA considers these reports to be the most accurate because most states use the systems to verify the name and Social Security Number of each decedent with SSA databases before submitting a death report to SSA. GAO-14-46.

[21]Per M-13-20, OMB will provide a 30-day public notice and an opportunity for comment prior to designating additional databases.

[22]OMB included a proposal in the fiscal year 2017 Budget of the U.S. Government for agency access to the National Directory of New Hires through the DNP working system. As previously mentioned, the fiscal year 2017 Budget of the U.S. Government also included a proposal to provide SSA authority to disclose its full death file for use in the DNP working system. These proposals have not been implemented.

requirements communicate these expectations.[23] Further, OMB staff acknowledged that some user agencies made suggestions for additional databases through their AFRs but stated that the suggestions were not communicated through "formal requests." OMB guidance does not clarify how agencies should formally suggest additional databases for inclusion in the DNP working system or how OMB should communicate its decisions to agencies. Because a formal process for obtaining suggestions for additional databases—whether from the AFRs or other means—has not been fully developed and communicated, OMB may not be identifying or considering additional relevant databases that could improve the effectiveness of the DNP working system.

Selected Agencies Have Used the DNP Working System in Limited Ways in Part Because of a Lack of Clear Strategy and Guidance

Nine of the 10 agencies we reviewed used the DNP working system's payment integration functionality, despite limitations in its effectiveness and the lack of OMB and Treasury guidance for key aspects of the payment integration process. For example, this process matches against only two databases, and agencies generally receive results after payments are made. Further, certain agencies reported confusion regarding whether they were required to use the payment integration process, especially those agencies with other—and potentially duplicative—data matching processes. Aside from the payment integration process, 6 of the 10 agencies we reviewed used the DNP working system in limited ways, and 9 of the 10 agencies accessed the databases through means other than the DNP working system. OMB staff stated that they expect agencies to leverage the DNP working system to complement existing, non-DNP data matching processes, but OMB guidance does not reflect this approach, and OMB has not developed a strategy for how this should be carried out. The policies and procedures for using the DNP working system at the agencies that we reviewed generally lacked specific processes for (1) determining whether DNP matches were actually improper payments and (2) verifying matches

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[23]M-13-20 states that Treasury is responsible for preparing and submitting to OMB a written assessment to document the suitability of any commercial databases that could be designated for use in the DNP working system. The memorandum does not include any guidance on the responsibility of assessing or providing suggestions for noncommercial databases, but OMB staff stated that they expect Treasury to follow the same process outlined for commercial databases. In July 2016, OMB staff noted that they were in the process of evaluating a formal request from Treasury to designate additional databases for use in the DNP working system.

against a secondary data source. These shortcomings were due in part to unclear and inconsistent guidance from OMB and Treasury.

OMB and Treasury Guidance Does Not Address Key Aspects of the Payment Integration Process

Nine of the 10 agencies we reviewed used DNP's payment integration functionality—despite limitations in its effectiveness—because it is built into Treasury's payment process. In part because OMB and Treasury guidance does not address key aspects of the payment integration process, understanding of the process varied across selected agencies, and in some cases, the process was potentially duplicative of existing agency procedures.

Guidance Does Not Fully Address Limitations of DNP's Payment Integration Process

DNP's payment integration functionality is limited because of the timing of the matching performed and the scope of databases and payments reviewed. Moreover, certain limitations are not fully communicated through existing guidance.

- **Timing of matching.** The payment integration process is not consistent with the requirement in IPERIA to review databases prior to award or payment. While matching is conducted at the time of payment, agencies generally receive the results after payments have been made. As such, use of the payment integration process does not assist agencies in preventing improper payments before they occur.[24] While Treasury's *Do Not Pay Agency Implementation Guide* states that payment integration matching happens at the time of payment, the agencies we reviewed reported inconsistent interpretations of the timing of the process. Because the guide is not clear that the results are generally received after payments have been made, about half of the agencies we reviewed considered the payment integration process to be a prepayment function, whereas others considered it to be a postpayment activity. Further, OMB guidance does not specifically reference the payment integration functionality or its timing.

- **Databases used in matching.** The payment integration process matches against only two databases, DMF and SAM exclusion records. Any other database available through the DNP working
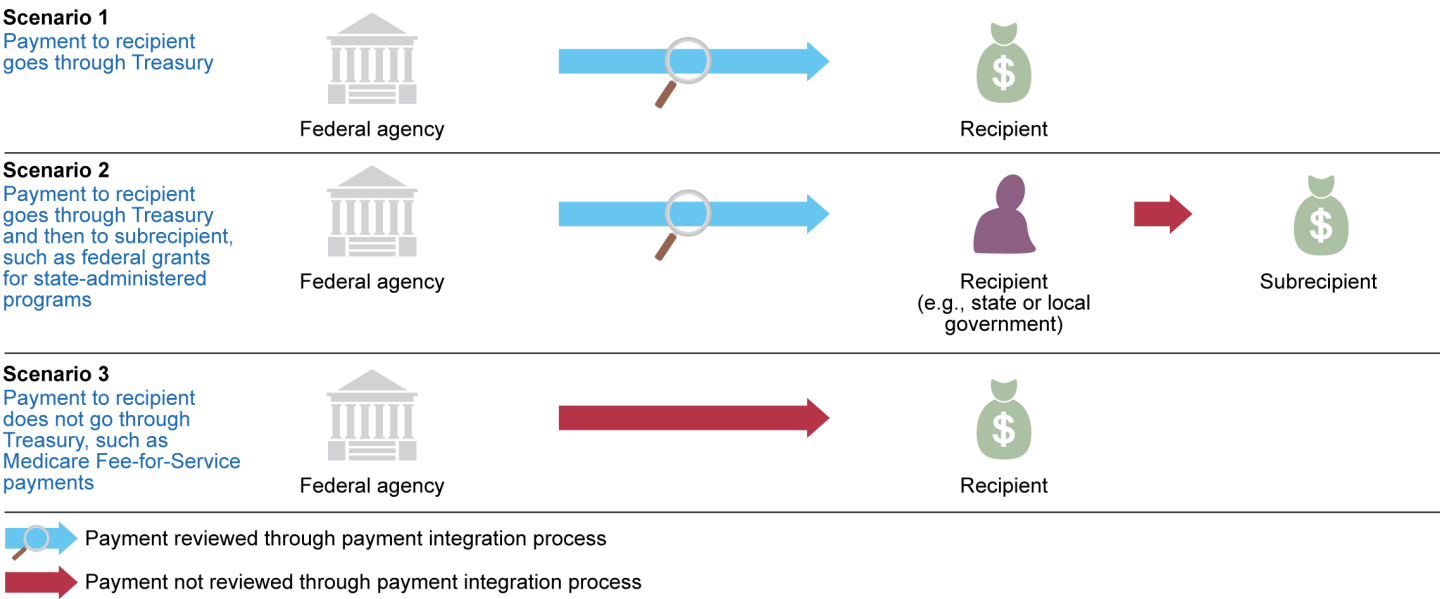
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[24]For recurring payments, use of the payment integration process may help agencies avoid future improper payments, although an initial payment may not be identified as improper until after it has been made.

system must be accessed outside of the payment integration process. Some agencies we reviewed did not know which databases were included in the payment integration process, which may be a result of unclear guidance. While agency officials confirmed that it was their understanding that the objective of the process is to match against only DMF and SAM exclusion records, Treasury's *Do Not Pay Agency Implementation Guide* states that the objective of the payment integration process is to match all payment files against the data sources identified in IPERIA. The guide does not acknowledge that the process matches payments against only two of the data sources identified in IPERIA, DMF and SAM exclusion records.

- **Payments reviewed.** Because the payment integration functionality is part of Treasury's payment issuance process, payments that are made through other means—such as non-Treasury disbursing offices or contractors—are not automatically matched. Examples of these types of payments include Department of Defense payments disbursed through the Defense Finance and Accounting Service ($477 billion in fiscal year 2015) and Medicare Fee-for-Service payments ($351 billion in calendar year 2014). Further, certain federal payments flow through various entities—such as state or local governments—before ultimately being spent for their intended purposes. For example, benefits for USDA's Supplemental Nutrition Assistance Program are funded by the federal government, but states are responsible for determining individual and household eligibility for the program, calculating the amount of monthly benefits, and issuing benefits on an electric benefit transfer card. In these cases, only the payment from the federal agency to the first recipient is matched against DMF and SAM exclusion records, and subsequent payments—those to the ultimate recipients, for example—are not matched through DNP's payment integration process, though they may go through other agency-specific reviews. Figure 1 illustrates the payments reviewed through the payment integration process.

Figure 1: Payments Reviewed through Do Not Pay's Payment Integration Process

Scenario 1
Payment to recipient goes through Treasury

Federal agency → Recipient

Scenario 2
Payment to recipient goes through Treasury and then to subrecipient, such as federal grants for state-administered programs

Federal agency → Recipient (e.g., state or local government) → Subrecipient

Scenario 3
Payment to recipient does not go through Treasury, such as Medicare Fee-for-Service payments

Federal agency → Recipient

Payment reviewed through payment integration process

Payment not reviewed through payment integration process

Source: GAO analysis of documentation from the Department of the Treasury. | GAO-17-15

Note: Payments that are not reviewed through Do Not Pay's payment integration process may undergo other agency-specific reviews prior to disbursement.

Standards for Internal Control in the Federal Government states that management should externally communicate the necessary quality information to achieve the entity's objectives.[25] Without clear guidance on the limitations of the payment integration functionality, there is an increased risk that agencies will not use the DNP working system effectively to reduce improper payments.

Guidance Unclear as to Whether Use of the Payment Integration Process Is Required

Eight of the 10 agencies we reviewed considered use of the payment integration functionality required because it is built into Treasury's payment process, though neither OMB nor Treasury guidance sets out this requirement. OMB staff stated that they do not consider use of the process to be a requirement. However, OMB's actions (as noted below) could give the opposite impression.

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[25]GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: September 2014).

- Two agencies we reviewed—SSA and IRS—requested and received permission exempting them from using the payment integration functionality for at least some of their payments. For example, OMB specifically determined that SSA is not required to use the payment integration functionality because it is the source agency for two relevant databases (death and prisoner data) and has access to SAM exclusion data and the Department of Health and Human Services' Office of Inspector General's LEIE outside of the DNP working system. Similarly, IRS officials stated that they worked with OMB to receive permission exempting IRS from using the payment integration process for its tax refunds given its existing data matching processes and confidentiality restrictions. Had the payment integration functionality been clearly optional, explicit OMB exemptions would not be necessary.

- Two other agencies we reviewed—the Railroad Retirement Board (RRB) and the Department of Veterans Affairs' (VA) Veterans Benefits Administration (VBA)—had procedures to review SSA's full death file for certain programs prior to implementation of the DNP working system. Officials at these agencies stated that they requested an exemption from OMB from the payment integration process—which they considered duplicative of their existing procedures—but were denied. OMB staff stated that they did not recall these agencies' requests but that they would be willing to work with them to avoid duplication.

Standards for Internal Control in the Federal Government states that management should externally communicate the necessary quality information to achieve the entity's objectives.[26] Given the limitations of the payment integration functionality, clear guidance is critical to help ensure that agencies fully understand the process and whether its use is required. Without clear guidance on whether the payment integration process is required, there is an increased risk that agencies may not effectively or efficiently use the DNP working system to reduce improper payments.

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[26]GAO-14-704G.

Aside from Payment Integration, Use of the DNP Working System at Selected Agencies Is Limited

Only 6 of the 10 agencies we reviewed used the DNP working system for purposes outside of payment integration, and their uses of the system were limited to certain programs or databases and often were not part of payment or award eligibility determinations.[27] Two of the agencies we reviewed—the National Science Foundation and USDA—used the DNP working system on a preaward or prepayment basis for certain types of payments.

- Officials at the National Science Foundation stated that the agency uses the DNP working system to review grant proposals against SAM (both exclusion records and entity registration records) and LEIE simultaneously, streamlining and automating a process that was previously performed manually for one application at a time.

- USDA officials stated that the Commodity Credit Corporation and Risk Management Agency use the DNP working system on a preaward or prepayment basis for certain payments. According to officials, the Commodity Credit Corporation uses the DNP working system to review secure payments against DMF and SAM exclusion records. Similarly, the Risk Management Agency uses the DNP working system to review payments for reinsurance funds to entities other than approved insurance providers against DMF.

The other four agencies use the DNP working system to periodically review certain of their databases, though the reviews are not necessarily tied to a payment or award. For example:

- CMS officials reported using the working system to review provider enrollment information from its Provider Enrollment, Chain and Ownership System against SAM exclusion records on a monthly basis.[28]

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[27]The DNP working system is currently available to federal executive branch agencies. In December 2015, FIPCA expanded access to federal judicial and legislative branch agencies; states; and contractors, subcontractors and agents of a state. OMB is currently developing guidance for implementing the expanded access.

[28]The Provider Enrollment, Chain and Ownership System is a centralized database designed to contain medical providers' and suppliers' enrollment information. CMS requires prospective medical providers and suppliers to use the system, and enrollment allows them to bill for services provided to Medicare beneficiaries.

- Officials at the General Services Administration reported using the DNP working system to review its vendor database against SAM exclusion records on a monthly basis.

While some of the agencies we reviewed used the DNP working system for purposes beyond payment integration, 9 of the 10 agencies we reviewed accessed certain IPERIA-specified databases outside of the DNP working system. For example:

- Most agencies reported that they use SAM exclusion records when awarding contracts, as required by the Federal Acquisition Regulation. These agencies generally accessed SAM exclusion records through SAM.gov or by using systems integrated with SAM data.

- As previously noted, RRB and VBA reported that they use SSA's full death file outside of the DNP working system. For example, VBA reported matching its Compensation and Pension programs' master records against SSA's full death file on a weekly basis, while RRB reported matching its master benefit payment file against SSA's full death file on a monthly basis.

- Officials at the Veterans Health Administration reported that it reviews LEIE outside of the DNP working system when adding non-VA medical providers to its vendor database.

Agencies are using the DNP working system in limited ways in part because of a lack of OMB strategy and guidance. OMB has not developed or documented a strategy for how it expects agencies to use the DNP working system. Instead, OMB staff informed us that OMB expects agencies to determine how best to use the DNP working system to complement existing data matching processes. According to M-13-20, OMB is responsible for providing agencies guidance on the DNP Initiative, but key aspects of OMB's stated approach are not addressed by its existing guidance.[29] Specifically, the memorandum does not indicate that agencies should determine how to use the DNP working system or whether agencies should consider using the system to streamline existing data matching processes. Because the DNP working system offers a single point of access to multiple databases, agencies may be able to

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[29]As discussed earlier, the DNP Initiative includes the DNP working system and other agency-specific efforts to prevent improper payments.

streamline existing processes by using the DNP working system rather than accessing these databases separately.

While it required agencies to develop plans for using the DNP working system through M-12-11 in 2012, OMB has not followed up with agencies to determine whether the plans were implemented or updated as the capabilities of the DNP working system evolved. Further, OMB guidance does not address other key aspects of the program, including how agencies should demonstrate that their data matching processes meet the requirements of IPERIA, whether agencies can decide on their own which specific databases to use, or how agencies should use the specific data matching functionalities offered through the DNP working system. *Standards for Internal Control in the Federal Government* states that management should externally communicate the necessary quality information to achieve the entity's objectives.[30] Without a strategy communicated through guidance, agencies may not effectively use the DNP working system to help prevent improper payments and, when possible, streamline data matching processes.

Selected Agencies Had Limited Policies and Procedures for Using the DNP Working System

Most of the agencies we reviewed did not have documented policies and procedures for determining whether a DNP match represented an improper payment (i.e., the adjudication process), including verifying a DNP match against a secondary data source and providing individuals an opportunity to contest the matching results prior to taking adverse action. OMB and Treasury guidance is inconsistent and unclear regarding agencies' responsibilities for verifying DNP matches. M-13-20 provides requirements for agencies conducting matching programs under the Privacy Act, which include verifying matches and providing individuals an opportunity to contest. However, agencies we reviewed did not consider the majority of their matching through the DNP working system to meet the definition of a matching program per the Privacy Act, and M-13-20 does not state what is required if an agency concludes that its use of the DNP working system does not constitute a matching program.

In contrast to OMB guidance, *Treasury's Do Not Pay User Guide* states that agencies should verify all DNP matches against a secondary source.

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[30]GAO-14-704G.

However, aside from Treasury's Quick Reference Card for SAM, neither OMB nor Treasury guidance explains how an agency should verify a DNP match, including the use of a secondary source. *Standards for Internal Control in the Federal Government* states that management should externally communicate the necessary quality information to achieve the entity's objectives.[31] Without clear and consistent guidance, agencies may not effectively develop and document processes to help ensure that DNP matches are accurate and that, when appropriate, individuals are given an opportunity to contest adverse actions. Further, if agencies do not verify DNP matches, they face an increased risk that they may not effectively use the DNP working system to reduce improper payments.

OMB Does Not Sufficiently Monitor Agency Use of the DNP Working System

OMB Has Not Evaluated Agency Use of the DNP Working System

Although OMB collects relevant information, it has not evaluated agency use of the DNP working system. OMB has not established specific goals or performance measures by which to evaluate agency use of the DNP working system, in part because it has not developed a strategy for how agencies should use the system. In its first annual report to Congress on the overall DNP Initiative, OMB reported that the DNP Initiative prevented $2 billion in improper payments in fiscal year 2014.[32] While the report highlighted the DNP working system and four other agency-specific efforts, all of the reported $2 billion in prevented improper payments

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[31]GAO-14-704G.

[32]IPERIA requires OMB to annually report to Congress on the DNP Initiative, including an evaluation of whether the DNP Initiative has reduced improper payments. As previously noted, the DNP Initiative includes the DNP working system and other agency-specific efforts to prevent improper payments. OMB has not yet issued its report for fiscal year 2015.

resulted from use of the agency-specific efforts, not the DNP working system.[33]

Further, several agencies we reviewed reported little benefit from their use of the DNP working system. The 10 agencies under our review reported in their AFRs a total of only $725 in improper payments that were prevented through use of the DNP working system during fiscal year 2015, although concerns regarding the reliability of these data are discussed later in this report. The 24 Chief Financial Officers Act agencies collectively reported in their AFRs about $680,000 in improper payments prevented through use of the DNP working system in fiscal year 2015.[34] Although OMB considers it to be one part of the overall DNP Initiative, it is important for OMB to specifically monitor agency use of the DNP working system—as part of its responsibility to oversee the DNP Initiative—to determine whether its use is effective. Standards for Internal Control in the Federal Government states that management should establish and operate monitoring activities, evaluate the results, and remediate identified deficiencies on a timely basis.[35] To do so, management can establish baselines or benchmarks against which to measure program performance. Without monitoring mechanisms, OMB may not effectively evaluate the DNP working system or identify performance issues. Further, OMB may be unable to provide complete information on the DNP working system to Congress as part of its annual report on the overall DNP Initiative.

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[33]The four agency-specific efforts cited were CMS's Fraud Prevention System, the Department of Labor's Unemployment Insurance Integrity Center of Excellence, the Department of Defense's Business Activity Monitoring tool, and SSA's use of death and prisoner data.

[34]The Chief Financial Officers Act, Pub. L. No. 101-576 (Nov. 15, 1990), established chief financial officers to oversee financial management activities at 23 major executive departments and agencies. The list now includes 24 entities, which are often referred to collectively as Chief Financial Officers Act agencies, and is codified, as amended, in 31 U.S.C. § 901.

[35]GAO-14-704G.

OMB Did Not Identify Inconsistencies in Agency-Reported Data

While OMB staff stated that they collect and review agency-reported data on use of the DNP working system, the information may be limited and unreliable. Specifically, OMB staff stated that they use information in agencies' AFRs to monitor the DNP Initiative, which includes agencies' use of the DNP working system.[36] OMB staff stated that they reviewed draft AFRs for fiscal year 2015 against OMB guidance in OMB Circular No. A-136 and found no issues with the information. However, among the 10 agencies we reviewed, we identified instances in which certain reporting in the fiscal year 2015 AFRs was inconsistent with OMB guidance or monthly adjudication reports generated by the DNP working system, calling into question the reliability of the information.[37]

Inconsistency with OMB Guidance

Certain agencies we reviewed did not include all required elements in the AFR narrative or complete the results summary table in accordance with OMB guidance, resulting in potentially inaccurate data. For example:

- One agency overstated its false positives in its results table by reporting the payments reviewed that did not receive matches, instead of payments with matches that were reviewed and the payment determined to be proper (i.e., false positives).

- One agency did not use the most up-to-date template for its results table, leading it to report results of its matching inconsistent with the reporting of other agencies. Specifically, the agency reported on matches identified as improper payments instead of false positives.

- One agency reported on its use of the DNP working system for fiscal year 2014 instead of fiscal year 2015 in its fiscal year 2015 AFR.

Inconsistency with DNP Working System Reports

In addition, certain agencies we reviewed included information in the AFR results summary table that conflicted with reports generated by the DNP working system. For example:

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[36]OMB Circular No. A-136 lays out AFR requirements, which for the DNP Initiative include a narrative about the agency's use of the DNP working system and a table summarizing payments reviewed and improper payments stopped, among other things.

[37]A monthly adjudication report summarizes the agency's adjudication (i.e., the determination of whether payments are proper or improper) of matches for a specific month. Among other things, the report includes the number and dollar value of matches identified, payments stopped, payments deemed proper (i.e., false positives), payments deemed improper, and payments not yet adjudicated.

- One agency reported no false positives in its summary table, but its DNP working system adjudication reports indicated over 60 false positives for fiscal year 2015.

- One agency reported identical information as both payments stopped and false positives in its summary table, calling into question the accuracy of these data. Further, these results did not agree with the agency's DNP working system adjudication reports and were inconsistent with the agency's AFR narrative, which stated that reviews were conducted after payments had been made. Because reviews were performed on a postpayment basis, the payments could not have been stopped.

Given the issues we identified, OMB's process for reviewing information on agency use of the DNP working system reported in AFRs may not be effective. Further, OMB Circular No. A-136 notes that Treasury will provide OMB summary information on use of the DNP working system on behalf of user agencies. However, this information is limited to results of the payment integration functionality. Although the DNP working system offers agencies four different methods for conducting data matching, the system only tracks results for the payment integration process. Treasury officials stated that the decision to track only payment integration results was made for ease of use by agencies. Agencies using the other three functionalities—online single search, batch matching, and continuous monitoring that can be used for prepayment reviews, such as eligibility determinations—must track their results manually, which may be more inefficient and susceptible to human error. Additionally, OMB guidance does not indicate whether agencies should report on all uses of the DNP working system, including those outside payment integration that the DNP working system does not track. *Standards for Internal Control in the Federal Government* states that management should use quality information to achieve the entity's objectives.[38] Without complete and reliable data and clear guidance on what information agencies should report, OMB cannot effectively monitor and evaluate the use of the DNP working system.

Conclusions

Improper payments are a significant problem in the federal government, and the DNP working system is one tool that agencies can use to help

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[38]GAO-14-704G.

reduce them. However, the lack of certain data limits the effectiveness of the DNP working system. For example, SSA's more complete set of death data is not offered through the DNP working system, and OMB has not developed a formal process to obtain suggestions of additional databases from user agencies for data matching.

While the most common use of the DNP working system is its payment integration process, OMB guidance is unclear as to whether use of the process is required, and Treasury's *Do Not Pay Agency Implementation Guide* does not clearly describe the limitations of the process, including the data sources used and the timing of matching. Further, the agencies we reviewed used the DNP working system in limited ways in part because OMB has not developed a strategy for how agencies should use it. Without a strategy that is communicated through guidance, agencies may not use the DNP working system to effectively and efficiently reduce improper payments.

Finally, OMB does not sufficiently monitor use of the DNP working system. OMB has not developed performance measures or other monitoring mechanisms, in part because it lacks a strategy for use of the system, and the information OMB collects on agencies' use of the DNP working system may be unreliable. Because the DNP working system does not track matches obtained through all of the available functionalities, the information OMB collects may also be incomplete. Without monitoring mechanisms and reliable and complete data, OMB will not be able to effectively evaluate agencies' use of the DNP working system or remediate any issues identified.

Matter for Congressional Consideration

To provide agencies access to SSA's more complete set of death data, Congress should consider amending the Social Security Act to explicitly allow SSA to share its full death file with Treasury for use through the DNP working system.

Recommendations for Executive Action

We recommend that the Director of OMB take the following seven actions.

- To reasonably assure that additional relevant databases are identified and evaluated for inclusion in the DNP working system, the Director of OMB should develop, document, and communicate a formal process that user agencies can use to identify, suggest, and receive feedback

on additional databases to be evaluated for inclusion in the DNP working system.

- To reasonably assure that the DNP working system is used effectively and consistently, the Director of OMB should develop guidance that clarifies whether the use of DNP's payment integration functionality is required and—if required—the circumstances and process in which agencies may obtain an exemption from this requirement.

- To reasonably assure that agencies use the DNP working system effectively, the Director of OMB should develop a strategy—and communicate its strategy through guidance—for how agencies should use the DNP working system to complement existing data matching processes and whether and how agencies should consider using the DNP working system to streamline existing data matching. Such guidance may cover how agencies should demonstrate that their data matching processes meet the requirements in IPERIA, whether agencies can decide on their own which specific databases to use, and how agencies should use the functionalities available through the DNP working system.

- To reasonably assure that agencies develop consistent policies and procedures to verify DNP matches, the Director of OMB should provide additional guidance that outlines when and how agencies should verify DNP matches against a secondary source and provide individuals an opportunity to contest before taking adverse actions as a result of DNP matches.

- To better monitor agency use of the DNP working system once a strategy has been developed, the Director of OMB should develop and implement monitoring mechanisms—such as goals, benchmarks, and performance measures—to evaluate agency use of the DNP working system.

- To reasonably assure that agency-reported information on use of the DNP working system is reliable, the Director of OMB should develop a process for comparing agency reporting on the use of the DNP working system to available sources, such as OMB guidance and DNP working system adjudication reports.

- To reasonably assure that agency-reported information on use of the DNP working system is complete, the Director of OMB should revise its guidance to clarify whether agencies should report on their uses of all of the functionalities of the DNP working system in their AFRs.

In addition, we recommend that the Secretary of the Treasury take the following two actions:

- revise Treasury's *Do Not Pay Agency Implementation Guide* to clearly describe the limitations of the payment integration process, including the data sources used and the timing of matching, and

- modify the DNP working system to track adjudication of matches obtained through all functionalities.

Agency Comments and Our Evaluation

We provided a draft of this report to each of the agencies we reviewed for comment. OMB, Treasury, and SSA provided written comments, which are reprinted in appendixes II through IV, respectively. USDA, HHS, Department of the Interior, Department of Labor, VA, GSA, National Science Foundation, and RRB had no formal comments on the draft report. In addition, Treasury, HHS, Department of Labor, SSA, and National Science Foundation provided technical comments, which we have incorporated as appropriate.

In its written comments, OMB stated that it agreed with our first two recommendations and cited plans to consider or implement them. OMB stated that it agreed or generally agreed with the concepts behind the remaining five recommendations, as discussed below, but did not state whether it agreed with the recommendations themselves or planned to implement them.

- In response to our third recommendation, OMB stated that it generally agreed with the concept of developing a strategy for how agencies should use the DNP working system to complement existing data matching processes and will explore the concept further.

- In response to our fourth recommendation, OMB stated that it agreed with the concept of consistent policies and procedures and will work with agencies so that their policies and procedures for verifying DNP matches are developed consistently.

- In response to our fifth recommendation, OMB stated that it agreed with the concept of monitoring mechanisms and will continue to work with agencies to reduce improper payments and encourage agencies to establish goals to improve payment accuracy that will be monitored and evaluated by OMB.

- In response to our sixth recommendation, OMB stated that it agreed with the concept of ensuring that data are reliable and will consider

the feasibility of a process to compare agency submissions to available sources to reasonably assure that agency-reported information on use of the DNP working system is reliable.

- In response to our seventh recommendation, OMB stated that it agreed with ensuring the completeness of data and will continue to work with agencies and the Chief Financial Officer community to ensure that agency-reported information on use of the DNP working system is complete.

While OMB stated that it agreed or generally agreed with the concepts behind the recommendations and in some cases identified steps it would take in response, it is too soon to determine whether OMB's approach will fully address these recommendations. We continue to believe that implementing the recommendations would help ensure that agencies use the DNP working system as intended.

In its written comments, Treasury agreed with our two recommendations to it and stated that it plans to take action to implement them.

Although there were no recommendations made to SSA, the agency noted in its written comments that it appreciates the matter for congressional consideration regarding amending the Social Security Act to explicitly allow the sharing of SSA's full death file through the DNP working system, stating that it aligns with a similar proposal in the President's Budget for fiscal year 2017.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of this report to relevant congressional committees; the Director of the Office of Management and Budget; the Secretaries of Agriculture, Health and Human Services; the Interior; Labor, the Treasury; and Veterans Affairs; the Administrator of the General Services Administration; the Director of the National Science Foundation; the Railroad Retirement Board; the Commissioner of the Social Security Administration; and other interested parties. In addition, this report will be available at no charge on the GAO website at http://www.gao.gov.

If you or your staff have any questions on matters discussed in this report, please contact me at (202) 512-2623 or davisbh@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may

be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix V.

Sincerely yours,

Beryl H. Davis

Beryl H. Davis
Director
Financial Management and Assurance

Appendix I: Objectives, Scope, and Methodology

This review examines the extent to which (1) the Office of Management and Budget (OMB) and the Department of the Treasury (Treasury) developed the Do Not Pay (DNP) working system and obtained access to relevant databases, (2) selected agencies used the DNP working system to help review eligibility, and (3) OMB monitored the use of the DNP working system.

Agencies Selected for Review

In addition to OMB and Treasury's DNP Business Center, we selected 10 agencies and relevant components for review. To do so, we reviewed budgetary outlays, net cost information, and improper payment estimates from fiscal year 2014 (the most recent information available at the time of the review), as well as information about agencies' use of the DNP working system obtained from the DNP Business Center. We determined that these data were sufficiently reliable for the purposes of selecting agencies and components for review. The agencies and relevant components selected for review are included in table 4.

Table 4: List of 10 Agencies and Relevant Components Selected for Review

Agency	Component
Department of Agriculture	Commodity Credit Corporation
	Food and Nutrition Service
	Risk Management Agency
	Rural Development
Department of Health and Human Services	Administration for Children and Families
	Centers for Medicare & Medicaid Services
Department of the Interior	N/A[a]
Department of Labor	Employment and Training Administration
	Office of Workers' Compensation Programs
Department of the Treasury	Internal Revenue Service
	Bureau of Engraving and Printing
Department of Veterans Affairs	Veterans Benefits Administration
	Veterans Health Administration
General Services Administration	N/A[a]
National Science Foundation	N/A[a]
Railroad Retirement Board	N/A[a]
Social Security Administration	N/A[b]

Legend: N/A = not applicable.

Source: GAO analysis of fiscal year 2014 budgetary outlays, net cost information, and improper payment estimates and information on
agencies' use of the Do Not Pay working system. | GAO-17-15

[a]This agency uses the Do Not Pay working system centrally.

[b]This agency does not use the Do Not Pay working system.

To select the 10 agencies for review, we first split agencies into two
groups (large and small agencies) based on fiscal year 2014 budgetary
outlays. Within these groups, we analyzed fiscal year 2014 improper
payment estimates to select agencies with high improper payment
estimates and information on agencies' use of the DNP Business Center
to select agencies capable of using the different functionalities offered by
the DNP working system. We also selected the Social Security
Administration because, while it is the source of certain data in the DNP
working system, the agency does not use the system.

Five of the selected agencies delegated use of the DNP working system
to agency components. For 4 of these agencies, we selected relevant
components for review based on analysis of information on net costs by
components in agencies' fiscal year 2014 agency financial reports and
fiscal year 2014 improper payment estimates. We used this information to
identify large components and those with high reported improper payment
estimates. Because net cost information does not capture Treasury's
custodial activities relating to tax administration (i.e., tax collections and
refunds/tax credits), we used improper payment estimates and interviews
with agency officials to select relevant Treasury components for review.

Methodology

To address our first objective, we obtained documentation from OMB and
Treasury regarding the availability of required databases and other
relevant databases through the DNP working system. We compared this
documentation to relevant laws and guidance. We also interviewed
officials at Treasury's DNP Business Center, OMB, and the 10 user
agencies selected for review regarding database availability and
suggestions for additional databases for inclusion in the DNP working
system.

To address our second objective, we interviewed officials at the selected
agencies regarding their use of the DNP working system. Additionally, we
met with officials at shared service providers used by certain of our
selected agencies and components as these shared service providers
may use the DNP working system on behalf of the selected agencies. We
analyzed OMB and Treasury guidance on the DNP working system. We
also reviewed the 10 selected agencies' policies and procedures for using
the DNP working system to determine if they were effectively designed to

meet requirements in relevant laws, guidance, and federal internal control standards. Our review focused on the design of internal controls, and as such, we did not test the implementation of the agencies' policies and procedures.

To address our third objective, we analyzed agency reporting on the use of the DNP working system in the 10 selected agencies' fiscal year 2015 agency financial reports and OMB's first annual report on the DNP Initiative; obtained relevant documentation regarding OMB's monitoring of the DNP working system; and compared this information to relevant laws, guidance, and federal internal control standards. We also interviewed officials at Treasury's DNP Business Center and OMB.

We conducted this performance audit from April 2015 to October 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Comments from the Office of Management and Budget

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE CONTROLLER

September 23, 2016

Ms. Beryl H. Davis
Director, Financial Management Assurance
U.S. Government Accountability Office
441 G Street NW
Washington, DC 20548

Dear Ms. Davis:

I appreciate the opportunity to provide comments on behalf of the Office of Management and Budget (OMB) in response to the Governmental Accountability Office's (GAO) draft report entitled "Improper Payments: Strategy and Additional Actions Needed to Help Ensure Agencies Use the Do Not Pay Working System as Intended" (GAO-17-15). Our partnership with Congress and consultation with GAO over the years has been critical in identifying and improving the tools and resources available for executive agencies to reduce and prevent improper payments. Improving payment integrity is a fundamental component of the Administration's efforts to eliminate waste, fraud, and abuse in Federal programs.

On November 20, 2009, the President signed Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs*, which directed the development of recommendations on "ways in which information sharing may improve eligibility verification and pre-payment scrutiny." Following the issuance of this Executive Order, OMB launched the Do Not Pay (DNP) Initiative in phases to help programs ensure taxpayer dollars reach the intended recipients in the correct amounts and reduce the administrative burden on agencies of having to check disparate sources of information. As provided in the President's Budgets, OMB continues to seek partnership with Congress to further improve payment accuracy and remove restrictions on data sharing while maintaining individual privacy. The seven recommendations you suggest in the report correspond with actions OMB has undertaken to improve payment accuracy, as outlined below.

1. OMB agrees with your recommendation that a formal process for agencies to identify, suggest, and receive feedback on additional databases for inclusion in the DNP working system will assure additional relevant databases are identified and evaluated and OMB will develop, document, and communicate this process to user agencies. As authorized by Section 5(b)(1)(B) of the Improper Payments Elimination and Recovery Improvement Act of 2012, Pub. L. No. 112 – 248, (IPERIA), Section 5(b) of OMB Memorandum M-13-20, *Protecting Privacy while Reducing Improper Payments with the Do Not Pay Initiative,* detailed a formal process for designating additional databases to include OMB publishing a 30-day notice of the designation proposal in the Federal Register asking for public comment, and OMB publishing a notice in the Federal Register to officially designate the database for inclusion in the DNP Initiative. Additionally, OMB Circular

A-136, *Financial Reporting Requirements*, requests a narrative that identifies how an agency has incorporated databases not listed in IPERIA into existing business processes and programs to prevent improper payments. In addition, agencies are required to footnote those databases not listed in IPERIA so that OMB can identify additional databases for inclusion in the DNP working system.

2. OMB agrees with your recommendation and is considering revisions to its guidance to clarify whether the use of DNP's payment integration functionality is required and–if required–the circumstances and process for obtaining an exemption. The Department of the Treasury's (Treasury) operation and hosting of the DNP working system has improved over time as Treasury has enhanced its data analytics capabilities. The payment integration features offered by Treasury provide agencies a cost-effective manner to screen payments against timely, accurate, and actionable information, about payees and payments, to assist Federal agencies with eligibility verification in order to reduce improper payments. Ultimately, each agency retains the authority to stop a payment. OMB and Treasury have worked with agencies to develop pilots, platforms, and portals for agencies to improve their payment accuracy through the centralized system. Section 5(a)(1) of IPERIA specifies that "[e]ach agency shall review prepayment and preaward procedures and ensure that a thorough review of available databases with relevant information on eligibility occurs to determine program or award eligibility and prevent improper payments before the release of any Federal funds." Agencies have begun this screening of their payments on different timelines because of the complexities of the authorities for payments and the continued important responsibility of each Federal program to maintain individual privacy of personally identifiable information. OMB does not currently provide exemptions to the screening requirements of IPERIA.

3. OMB Memorandum M-12-11, *Reducing Improper Payments through the "Do Not Pay List*," directed agencies to develop plans for the use of the DNP working system in order to comply with the President's 2010 Memorandum on *Finding and Recapturing Improper Payments*, provide OMB visibility on implementation, and reach agreement with Treasury on use of the DNP system. Each agency subsequently provided an implementation plan and developed user agreements with Treasury to align with their plan. As Treasury has continued to improve the service offerings of the DNP system, Treasury has worked with agencies to improve the user interface experience, streamline payment reviews, and provide additional data analytics capabilities to help inform agencies on ways to identify, reduce, and stop improper payments. OMB generally agrees with the concept of developing a strategy for how agencies should use the DNP working system to complement existing data matching processes and will explore the concept further.

4. Subsection (p) of the Privacy Act of 1974, 5 U.S.C. § 552a, provides requirements for verification of matches and opportunity to contest findings in order to protect any individual whose records are used in a matching program. Payments may not be suspended, terminated, reduced, or denied under a Federal benefit program until an individual is notified, provided the opportunity to contest, and independent verification is made or an agency data integrity board reviews the information. Agencies retain the

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authority and responsibility to confirm, notify, and resolve payment disputes with individuals or entities. OMB agrees with the concept of consistent policies and procedures and will work with agencies so that their policies and procedures to verify DNP matches are developed consistently.

5. Reducing improper payments through the DNP Initiative and the Treasury DNP working system are notable efforts that have successfully stopped over five billion dollars of improper payments since passage of IPERIA, and continue to improve the efficacy of Federal programs. During the development and implementation of the DNP working system, OMB recognized the program complexities as well as the policy and statutory specific analyses required to determine whether a particular payment is proper. Goals, benchmarks, and performance measures need to be set in a manner that accounts for the scale and scope of different programs. As described above, OMB Memorandum M-12-11 required agencies to develop and submit implementation plans that would tailor their interactions with the DNP working system to their specific program needs. OMB agrees with the concept of monitoring mechanisms and will continue to work with agencies to reduce improper payments and encourage agencies to establish goals to improve payment accuracy that will be monitored and evaluated by OMB.

6. OMB Circular A-136 includes requirements for reasonable assurance from agencies as each prepares and submits its Agency Financial Report to OMB. Treasury provides the adjudication reports to the agency to inform agency management of the use of the DNP system, and offers additional data analytics capabilities for Federal programs. OMB agrees with the concept of ensuring data is reliable and will continue to work with agencies to improve this existing reporting structure and will consider the feasibility of a process to compare agency submissions to available sources to reasonably assure that agency-reported information on use of the DNP working system remains reliable.

7. The right balance between robust reporting and costly oversight must be achieved on a program by program basis in order to ensure the optimal use of Federal funds. Treasury continues to develop tools that use available data to inform agencies on opportunities for improved payment accuracy. Additionally, as OMB agrees with ensuring completeness of data, it will continue to work with agencies and the Chief Financial Officer community to ensure agency-reported information on use of the DNP working system is complete, and will consider the benefits of additional requirements beyond the statutory requirements.

I appreciate the attention that GAO dedicates to reviewing improper payments. The Administration remains committed to achieving our mutual objective of achieving payment integrity throughout Federal programs.

Sincerely,

David Mader
Controller

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Appendix III: Comments from the Department of the Treasury

DEPARTMENT OF THE TREASURY
BUREAU OF THE FISCAL SERVICE
WASHINGTON, DC 20227

COMMISSIONER

September 23, 2016

Ms. Beryl Davis
Director, Financial Management and Assurance
U.S. Government Accountability Office
441 G Street NW
Washington, DC 20548

Dear Ms. Davis:

Thank you for the opportunity to respond to the Government Accountability Office's (GAO) formal draft report *Improper Payments: Strategy and Additional Actions Needed to Help Ensure Agencies Use the Do Not Pay Working System as Intended*, dated October 2016. The Department of Treasury's Bureau of the Fiscal Service (Fiscal Service) remains committed to continuous improvement of the Do Not Pay Business Center and appreciates your recommendations to further our efforts.

As discussed below, the Fiscal Service agrees with GAO's recommendations. The Do Not Pay Business Center is a data shop committed to providing top-notch analytics to agencies and analyzing data to systematically drive improvements in our products. Capitalizing on opportunities to more effectively assist agencies in identifying improper payments before those payments are disbursed is consistent with our objective to evolve the Do Not Pay Business Center. This is critical to fulfilling Do Not Pay's mission of supporting agency efforts to prevent government-wide improper payments.

In December 2011, the Do Not Pay Business Center launched its online portal that automatically matches payee data to sources that can indicate a payment may be improper. We have been rapidly evolving and improving this tool. For example, since 2011, we have implemented 15 new system upgrades to improve user experience and expand functionality. In addition, by analyzing agency usage of the portal and collecting agency feedback, we have dramatically reduced false positives. In October 2014, we debuted a tool in the portal that allows agencies to record the outcomes of adjudication decisions made for payment integration, a functionality that matches payments against data sources at the time of disbursement. The adjudication tool significantly increased agency reporting of identified improper payments. Specifically, in the first three quarters of fiscal year (FY) 2016, agencies reported identifying nearly $18.4 million of improper payments using the adjudication tool. This is more than double the amount reported during all of FY 2015.

Do Not Pay's online portal offers several tools that allow agencies to detect improper payments early enough in the payment life cycle to prevent the payments from being made. Because agencies have different business processes for pre-award and prepayment eligibility screening,

agencies may need solutions specifically designed to fit these processes. Fiscal Service is committed to driving innovation in the Do Not Pay Business Center to develop such solutions, but this will take systematic research and creativity. We have accomplished this for one agency, and we plan to do more. Specifically, Do Not Pay developed a customized function for one agency that, during the first three quarters of FY 2016, stopped nearly $34 million of improper payments before the payments were disbursed.

Finally, Do Not Pay's payment integration tool will always have an important role in addressing improper payments even as Do Not Pay enhances tools to screen payments before they are disbursed. Payment integration is a final defense against improper payments, and it has been critical in identifying payments that would be recurring such as a monthly benefit. Of the nearly $18.4 million in improper payments identified through payment integration in the first three quarters of FY 2016, about $17.4 million were flagged as monthly benefits. Absent payment integration, these payments may not have been stopped in future months.

Our responses to the two recommendations are as follows:

1. *Revise Treasury's Do Not Pay Agency Implementation Guide to clearly describe the payment integration process, including the data sources used and timing of the matching.*

   Fiscal Service concurs with GAO's recommendation. We appreciate GAO identifying agencies' need for additional information and will make the recommended updates.

2. *Modify the working system to track adjudication of matches obtained through all functionalities.*

   Fiscal Service concurs with GAO's recommendation, and we plan to develop a tailored solution to ensure we are building to user needs.

If you have any questions or wish to discuss these comments in more detail, please contact me on (202) 874-7000.

Sincerely,

Sheryl R. Morrow
Commissioner

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Appendix IV: Comments from the Social Security Administration

SOCIAL SECURITY
Office of the Commissioner

September 19, 2016

Mrs. Barbara D. Bovbjerg
Managing Director, Education, Workforce,
  and Income Security Issues
United States Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mrs. Bovbjerg:

Thank you for the opportunity to review the draft report, "Improper Payments: Strategy and Additional Actions Needed to Help Ensure Agencies Use the Do Not Pay Working System as Intended" (GAO-17-15). We agree that the Do Not Pay (DNP) portal is an important part of the Administration's efforts to prevent, reduce, and stop improper payments while protecting citizens' privacy.

Under current law, we are not authorized to share state death information with the DNP portal. Section 205(r) of the Social Security Act (Act) limits the purposes for which we may disclose state death information. While the *Federal Improper Payments Coordination Act of 2015* (P.L. 114-109) requires us to share our death information with DNP, it did not amend section 205(r) of the Act to include authority for us to provide DNP State death information. Thus, we appreciate GAO's recommendation that "Congress should consider amending the Act to explicitly allow SSA to share its full death file with Treasury for use through the DNP working system." This recommendation also aligns with a proposal in the President's fiscal year (FY) 2017 Budget that would grant us the legal authority to share all our death information, including data from the states, with DNP.
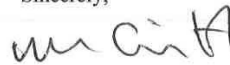
Our death records are important to our program integrity efforts and help us ensure accurate payment of Social Security benefits. They are also a useful tool for other Federal agencies that issue Federal payments. Nevertheless, we are not the national repository of death information, and as GAO acknowledges in this report, the death data we collect is not a comprehensive accounting of every death in the U.S. We are, however, committed in continuing to share death information with our Federal partners, as required by law, and to improving the accuracy of the data we collect. Accordingly, as recognized in the President's FY 2017 Budget, we believe the best possible way to improve the quality of the death information we collect and share is for Congress to fund the continued expansion by the states of Electronic Death Registration.

SOCIAL SECURITY ADMINISTRATION   BALTIMORE, MD 21235-0001

Page 2 – Mrs. Barbara Bovbjerg

If you have any questions, please contact me at (410) 965-4991. Your staff may contact
Gary S. Hatcher, Senior Advisor for the Audit Liaison Staff, at (410) 965-0680.

Sincerely,

Frank Cristaudo
Executive Counselor to the Commissioner

Enclosure

Appendix V: GAO Contact and Staff Acknowledgments

GAO Contact	Beryl H. Davis, (202) 512-2623 or davisbh@gao.gov
Staff Acknowledgments	In addition to the contact named above, Phillip McIntyre (Assistant Director), James M. Healy (Auditor in Charge), Stephanie Adams, Daniel Flavin, Maxine Hattery, Christopher R. Klemmer, Diana Lee, Kevin McAloon, David Plocher, and Coleman Williams made key contributions to this report.