

# Improper Payments Elimination and Recovery Act (Unaudited)

The Improper Payments Elimination and Recovery Act of 2010 (IPERA) increases agency payment recapture efforts by expanding the types of payments to be reviewed and requires agencies to conduct payment recapture audits for each program and activity that expends \$1 million or more annually if conducting such audits would be cost-effective. In addition, agencies continue to be required to review their programs and activities annually to identify those susceptible to significant improper payments. Significant improper payments is defined as gross annual improper payments in a program exceeding both the threshold of 1.5 percent and \$10 million of total program funding, or \$100 million in improper payments regardless of the improper payment percentage. Furthermore, the Improper Payments Elimination and Recovery Improvement Act of 2012 requires agencies to perform a risk assessment of employee payments and purchase cards to identify if those programs are susceptible to significant improper payments.

GSA provides the following improper payment reporting details in accordance with IPERA, Office of Management and Budget (OMB) Circular A-123, Appendix C, Requirements for Effective Measurement and Remediation of Improper Payments, and OMB Circular A-136, Financial Reporting Requirements.

## 1. Risk Assessment

In accordance with IPERA and OMB Circular A-123, Appendix C, GSA conducted a risk assessment of employee payments including travel.

The susceptibility of programs making significant improper payments was determined by qualitative and quantitative factors. These factors included:

- **Operating Environment** – Existence of factors which necessitate or allow for loosening of financial controls; any known instances of fraud.
- **Payment Processing Controls** – Management's implementation of internal controls over

payment processes including existence of current documentation, the assessment of design and operating effectiveness of internal controls over payments, the identification of deficiencies related to payment processes, and whether or not effective compensating controls are present.

- **Quality of Internal Monitoring Controls** – Periodic internal program reviews to determine if payments are made properly; strength of documentation requirements and standards to support testing of design and operating effectiveness for key payment controls.
- **Human Capital** – Experience, training, and size of payment staff; ability of staff to handle peak payment requirements; level of management oversight, and monitoring against fraudulent activity.

GSA reviewed additional risk factors including:

- **Complexity of Program** – Program complexity in respect to laws and regulations, determining the correct payment amount, and the length of the program.

- **Nature of Payments** – Volume of transactions
- **Quantitative Risk** – Based on the total payments made by the program during the fiscal year and materiality of the payments to the overall program.

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

A weighted average of these qualitative factors was calculated. This figure was then weighted with the size of the payment population to calculate an overall risk score. The risk assessment identified no additional programs or activities susceptible to significant improper payments.

## 2. Statistical Sampling

For FY 2014 GSA measured, estimated, and reported improper payment percentage and dollars for the five high risk programs identified in the FY 2012 risk assessment. A stratified sampling design was used to test payments based on FY 2013 disbursements. The design of the statistical sample plans and the extrapolation of sample errors across the payment populations were completed by a statistician under contract.

The sampling plan provided an overall estimate of the percentage of improper payment dollars within +/-2.5 percent precision at the 90 percent confidence level, as specified by OMB M-15-02 guidance. An expected error rate of 3 to 10 percent of total payment dollars was used in the sample size calculation.

Using a stratified random sampling approach, payments were grouped into mutually exclusive “strata,” or groups based on total dollars. A stratified random sample typically required a smaller sample size than a simple random sample to meet the specified precision goal at any confidence level. Once the overall sample size was determined, the individual sample size per stratum was determined using the Neyman Allocation method.

The following procedure describes the sample selection process:

- Grouped payments into mutually exclusive strata;
- Assigned each payment a random number generated using a seed;
- Sorted the population by stratum and random number within stratum; and
- Selected the number of payments within each stratum (by ordered random numbers) following the sample size design. For the certainty strata, all payments are selected.

To estimate improper payment dollars for the population from the sample data, the stratum-specific ratio of improper to total payment dollars was calculated.

## Hurricane Sandy Disaster Relief Fund

In accordance with Section 904(b) of the Disaster Relief Act, GSA estimated and measured the use of the funds as it was required to be reported as “susceptible to significant improper payments” for the purposes of the Improper Payments Information Act (IPIA) of 2002 (IPIA; Public Law 107-300). Rather than sampling, GSA tested the entire population of FY 2013 payments for the Hurricane Sandy Disaster Relief Fund because there were only three transactions.

## 3. Corrective Actions

GSA determined that none of the programs or activities reviewed is susceptible to significant improper payments based on measurement and estimation results conducted in FY 2013. However, per OMB M-15-02, GSA is required to report corrective actions for programs and activities that estimate an improper payment amount that exceeds \$10 million. GSA has one program that meets this requirement: Rental of Space.

The root cause of improper payments for the Rental of Space program was due to Administrative and Documentation errors as defined by OMB Circular A-136. GSA further defined this root cause into sub-categories. Corrective actions and target completion date for the major sub-category is provided in the following table:

## Rental of Space Root Cause: Administrative and Documentation Errors

Sub-Category	Corrective Action	Target Date	Anticipated Result
Lease Digest Not Processed Timely	Send a joint memo to regional Leasing, Portfolio, and PBS Financial Services offices notifying them of the regional scoring requirements (green, yellow, and red) and distributing the CPI desk guide.	October 2014	Reduce the number of lease digests not processed timely and continuously monitor progress and resolve issues by Region.
	Central office representatives from Leasing, Portfolio, and PBS FS will meet with those regions showing red and yellow scores to discuss specific corrective actions for their regions	March 2015	
	All regions should be producing positive (green) results; corrective action plan revisited if results are not improving.	April 2015	
	Continue payment recapture audit efforts for the Rental of Space Program on a yearly-basis.	On-going	Identify improper payments to determine root causes for continuous process improvement.

### 4. Improper Payment Reporting

The risk assessment identified two programs and three activities as susceptible to significant improper payments. Estimation and measurement of improper payments for these programs and activities yielded results below the IPERA significant improper payment threshold for two consecutive years. See Table 1 Improper Payment Reduction Outlook on Page 117.

### 5. Recapture of Improper Payments Reporting

GSA considered all programs and activities that expended \$1 million or more annually for payment recapture audits. However, GSA focused on reviewing the Public Buildings Service (PBS) Rental of Space program based on the existing improper payment risk identified from previous years. This included in-depth reviews of lease contracts and related payments in 5 of 11 regions. Furthermore, GSA initiated payment recapture audit efforts for the Federal Acquisition Service (FAS) supply contracts in FY 2013 and identified claims in FY 2014. The GSA Smartpay Tax Recovery Pilot was initiated in FY 2014 and focused on detecting and recovering erroneous charged taxes on centrally billed account cards in all 50 states, and on individually billed account travel cards in the 11 states that exempt individually billed cards. Lastly, GSA performed a duplicate payments review for PBS and FAS payments.

GSA establishes claims in accordance with the Debt Collection Improvement Act. Unsatisfied debt is referred to the Treasury Offset Program for further collection efforts. Current and prior-year results of the Payment Recapture Audit program are presented in Table 2 on Page 117.

GSA is required to establish annual targets to drive annual payment recovery performance. The existing collection process poses an inherent challenge in recovering the total amount of identified claims in the current FY. See Table 3 Payment Recapture Audit Targets on Page 117.

Table 4 on page 118 provides the aging schedule of the amount of outstanding overpayments identified through the payment recapture audit (i.e., overpayments that have been identified but not recovered). GSA starts aging of an overpayment the time the overpayment is detected, that is, certified by the program office and approved by the Payment Recapture Program Manager.

GSA's payment recapture audit identified claims related to the rental of space program and supply programs. These programs are funded through a revolving fund. Therefore, funds recaptured are credited back to their original purpose. The GSA Smartpay Tax Pilot returned all funds to Treasury as miscellaneous receipts. Table 5 provides a summary of GSA's disposition of funds on Page 118.

GSA identifies and recovers improper payments through other post-payment reviews performed by the program offices and the Finance Centers. A summary of this effort is provided in Table 6 Overpayments Recaptured Outside of Payment Recapture Audits on Page 118.

## **6. Accountability**

GSA has identified internal control deficiencies that contributed to improper payment occurrences. OCFO will be assisting program offices to develop and track action steps with milestones to remediate these internal control deficiencies in FY 2015.

## **7. Agency Information Systems and Other Infrastructure**

Through the IPERA risk assessment and payment recapture efforts, GSA identified internal control issues that contributed to improper payments. Based on these efforts, GSA has implemented recommendations to address root causes.

## **8. Barriers**

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

## **9. Additional Comments**

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

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

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

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

GSA also receives results for our payments processed on a monthly basis from Do Not Pay. These results reflect matches to the System for Awards Management (SAM) Exclusion Records and to Deceased Individuals Records as a result of post payment matching of GSA payments schedules to these databases. Each month we research the Possible Match Summary payments to determine if they are proper or improper payments. Most matches are false name matches and these are verified by checking the name in the Do Not Pay Portal utilizing the online single search functionality. We maintain a database of the false name matches to expedite the research for future months results. Payments which were made with a vendor code that has exclusion are reviewed in depth to determine if the exclusion is applicable to the payment. The first payments files we reviewed were March 2013. An adjudication report is submitted once the monthly payment results have been assessed for each Agency Location Code GSA is responsible for, including 47000016, 47000017, and 47000018.

**Table 1 Improper Payment Reduction Outlook (in millions)**

Program or Activity	PY Outlays	PY IP%	PY IP\$	CY Outlays	CY IP%	CY IP\$	CY Over Payment \$	CY Under Payment \$	CY+1 Est. Outlays	CY+1 IP%	CY+1 IP\$	CY+2 Est. Outlays	CY+2 IP%	CY+2 IP\$	CY+3 Est. Outlays	CY+3 IP%	CY+3 IP\$
Rental of Space	\$5,556	1.07%	\$59.55	\$5,591.77	0.68%	\$38.22	\$23.39	\$14.83	\$5,736	0.60%	\$34	\$5,736	0.55%	\$32	\$5,736	0.5%	\$29
Building Operations - Utilities	\$400	0.06%	\$0.24	\$376.86	0.88%	\$3.31	\$-	\$-	\$370	0.83%	\$3	\$370	0.78%	\$3	\$370	0.73%	\$3
Integrated Technology Service - Wide Area Network	\$753	0%	\$-	\$749.64	0%	\$-	\$-	\$-	\$855	0%	\$0	\$855	0%	\$-	\$855	0%	\$-
Purchase Cards	\$55	7.79%	\$4.28	\$33.88	8.68%	\$2.94	\$2.94	\$-	\$23	8%	\$2	\$23	7.5%	\$2	\$23	7.00%	\$2
Other Sensitive Payments	\$18	1.67%	\$0.30	\$9.73	0.09%	\$0.01	\$0.01	\$-	\$12	0.08%	\$0	\$12	0.07%	\$0	\$12	0.06%	\$0
Hurricane Sandy Disaster Relief Fund	N/A	N/A	N/A	\$0.11	0%	\$-	\$-	\$-	\$0.57	0%	\$0	\$0.57	0.00%	\$-	\$0.57	0%	\$-

**Table 2 Payment Recapture Audit Reporting**

Type of Payment (contract, grant, benefit, loan, or other)	Amount Subject to Review for CY Reporting	Actual Amount Reviewed and Reported (CY)	Amount Identified for Recovery (CY)	Amount Recovered (CY)	% of Amount Recovered out of Amount Identified (CY)	Amount Outstanding (CY)	% of Amount Outstanding out of Amount Identified (CY)	Amount Determined Not to be Collectable (CY)	% of Amount Determined Not to be Collectable out of Amount Identified (CY)	Amounts Identified for Recovery (PYs)	Amounts Recovered (PYs)	Cumulative Amounts Identified for Recovery (CY + PYs)	Cumulative Amounts Recovered (CY + PYs)	Cumulative Amounts Outstanding (CY + PYs)	Cumulative Amounts Determined Not to be Collectable (CY + PYs)
Rental of Space	\$3,354,547,177	\$3,354,547,177	\$14,379,807	\$9,870,357	69%	\$4,509,451	31%	\$-	0%	\$117,948,750	\$89,631,453	\$132,328,557	\$99,501,810	\$32,826,747	\$839,384
Supply	\$-	\$-	\$279,824	\$23,334	8%	\$256,490	92%	\$-	0%	\$-	\$-	\$279,824	\$23,334	\$256,490	\$-
PBS Duplicates	\$8,540,865,179	\$8,540,865,179	\$-	\$-	0%	\$-	0%	\$-	0%	\$-	\$-	\$-	\$-	\$-	\$-
FAS Duplicates	\$12,288,848,832	\$12,288,848,832	\$-	\$-	0%	\$-	0%	\$-	0%	\$-	\$-	\$-	\$-	\$-	\$-
GSA SmartPay Tax Pilot	\$86,129	\$86,129	\$38,817	\$5,235	13%	\$33,582	87%	\$-	0%	\$38,817	\$-	\$38,817	\$5,235	\$33,582	\$-
Total	\$24,184,347,317	\$24,184,347,317	\$14,698,448	\$9,898,925	67%	\$4,799,523	33%	\$-	0%	\$117,948,750	\$89,631,453	\$132,647,198	\$99,530,379	\$33,116,820	\$839,384

**Table 3 Payment Recapture Audit Targets**

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	CY		CY + 1		CY + 2		CY + 3	
		Amount Identified	Amount Recovered	Recovery Rate (Amount Recovered / Amount Identified)	Recovery Rate Target	Amount Identified	Amount Recovered	Recovery Rate Target	Recovery Rate Target
Rental of Space	Contract	\$14,379,807	\$9,870,357	69%	72%	\$279,824	\$23,334	8%	55%
Supply	Contract	\$38,817	\$5,235	13%	18%	\$-	\$-	0%	23%
GSA SmartPay Tax Pilot	Other	\$86,129	\$86,129	100%	100%	\$-	\$-	0%	28%

**Table 4 Aging of Outstanding Overpayments**

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	CY Amount Outstanding	CY Amount Outstanding	CY Amount Outstanding
		(0 – 6 months)	(6 months to 1 year)	(over 1 year)
Rental of Space	Contract	\$2,904,738	\$1,604,713	--
Supply	Contract	\$0	\$256,490	--
GSA SmartPay Tax Pilot	Other	\$2,941	\$30,641	--
<b>Total</b>		<b>\$2,907,679</b>	<b>\$1,891,844</b>	<b>--</b>

**Table 5 Disposition of Recaptured Funds**

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Financial Management Improvement Activities	Original Purpose	Office of Inspector General	Returned to Treasury
Rental of Space	Contract	\$-	\$-	\$-	\$9,870,357	\$-	\$-
Supply	Contract	\$-	\$-	\$-	\$23,334	\$-	\$-
GSA SmartPay Tax Pilot	Other	\$-	\$-	\$-	\$-	\$-	\$5,235

**Table 6 Overpayments Recaptured Outside of Payment Recapture Audits**

Source of Recovery	Amount Identified (CY)	Amount Recovered (CY)	Amount Identified (PY)	Amount Recovered (PY)	Cumulative Amount Identified (CY+PYs)	Cumulative Amount Recovered (CY+PYs)
GSA Identified	\$54,660,616	\$38,655,909	\$31,607,266	\$31,111,531	\$86,267,882	\$69,767,440

**Table 7 Implementation of the Do Not Pay Initiative to Prevent Improper Payments\***

	Number (#) of payments reviewed for improper payments	Dollars (\$) of payments reviewed for improper payments	Number (#) of payments stopped	Dollars (\$) of payments stopped	Number (#) of improper payments reviewed and not stopped	Dollars (\$) of improper payments reviewed and not stopped
Reviews with the DMF only (Required for FY 2014)	2,340,720	\$16,495,157,026	0	\$-	0	\$-
Reviews with all other databases (Optional for FY 2014)	2,340,720	\$16,495,157,026	0	\$-	0	\$-

\* Note: Payment data reviewed and reported for FY 2014 includes October 2013 through July 2014.