

PAYMENT INTEGRITY (UNAUDITED)

Background

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

At a high level, a payment is 'proper' if it was made to the right recipient for the right amount, where as an improper payment generally includes payments made in an incorrect amount or to the wrong recipient. For instances where an agency is unable to determine whether the payment falls into the proper or improper category that payment is considered an 'unknown' payment.

Improper payments fall into one of two categories: (1) improper payments resulting in a monetary loss or (2) improper payments that do not result in a monetary loss.

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

OMB also establishes reporting requirements for programs classified as high risk or high priority for improper payment reporting. None of GSA's programs are classified as high risk or high priority for improper payment reporting. Therefore, OMB has exempted GSA from high-risk improper payment reporting in FY 2021.

Payment Recapture Audit Program

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

The purpose of the payment recapture audit is to identify and recover overpayments. GSA's 2021 payment recovery audit report did not include any recommendations for corrective action; however, the report did identify the broker commission/free rent credit as the largest category of rent overpayments and tax bills/refunds not being submitted as the largest category of real estate tax overpayments.

Rent overpayments, rent credits, and real estate tax credits are common sources of overpayments. Root causes for rent-related overpayments include calculation errors, administrative errors, system errors, failure to take the proper rent credits, and failure to timely terminate the lease.

Overpayments for real estate tax credits are caused by failure of the lessor to comply with the lease contract and submit tax bills or refunds; the complexity in determining the base year tax amount; and the improper determination of which line items of the tax bill GSA is required to pay.

GSA reviews the Rental of Space program annually to detect errors, recover overpayments, and identify opportunities for process improvement. This review includes an analysis of leasing contracts, lease amendments, and lease digest actions, as well as the development of a detailed monthly rental schedule from the beginning of a lease to its most recent payment. The results are compared to actual payments, by month, to determine if discrepancies exist. Discrepancies are quantified and identified as to nature and origin. GSA establishes claims to recapture overpayments in accordance with the Debt Collection Improvement Act of 1996. GSA also conducts annual audits

of its lease files, which includes verifying that tax bills were submitted to GSA. If any bills are missing, GSA retrieves the bill and conducts an analysis to determine if GSA is owed money through the claim process.