

Payment Integrity

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 payment.

At a high level, a payment is proper if it was made to the right recipient for the right amount, whereas 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: improper payments resulting in a monetary loss or improper payments that do not result in a monetary loss.

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

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

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

OMB 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 2022.

In accordance with OMB Circular A-123, Appendix C, GSA continues to complete risk assessments of programs meeting OMB criteria on an ongoing 3-year cycle.

Payment Recapture Audit Program

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

The purpose of GSA's payment recapture audit is to identify and recover overpayments for the Rental of Space program. Generally, 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 the failure of the lessor to comply with the lease contract and submit tax bills or refunds; the complexity in determining the base year tax amount; and the improper determination of which line items of the tax bill GSA is required to pay.

The FY 2021 Payment Recovery Report identified recommendations to improve the Rental of Space program. Areas for improvement and control deficiencies were addressed by

recommendations and action plans. As a result of the action planning, PBS provided training to lease acquisition officers and re-sent the PBS leasing alert. The leasing alert addresses the importance of accurate data entry. In addition, GSA's financial services provider implemented an automated interface from the real estate feeder system to the financial management system, which eliminates the need for manual intervention and reduces the risk of data entry errors.

To further improve the program, GSA reviews the Rental of Space program annually to detect errors, recover overpayments, and identify opportunities for process improvement. This review includes an analysis of leasing contracts, lease amendments, and lease digest actions, as well as the development of a detailed monthly rental schedule from the beginning of a lease to its most recent payment. The results are compared to actual payments, by month, to determine if discrepancies exist. Discrepancies are quantified and identified as to the nature and origin. GSA establishes claims to recapture overpayments in accordance with the Debt Collection Improvement Act of 1996. GSA also audits its lease files annually to verify that tax bills were submitted to GSA. If any bills are missing, GSA retrieves the bill and analyzes whether GSA is owed money through the claim process.