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**U.S. Department of the Treasury
“Treasury’s Do Not Pay Business Center’s Role in Preventing Government-wide Improper Payments”**

**House Oversight and Government Reform Subcommittee on Government Operations
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Good afternoon Chairman Meadows, Ranking Member Connolly, and members of the Subcommittee. Thank you for the opportunity to discuss the Department of the Treasury’s (Treasury) efforts to help federally funded programs prevent improper payments through the Do Not Pay Business Center. In response to legislation and an Executive Order, the Office of Management and Budget (OMB) designated Treasury to host a working system to assist agencies in identifying and preventing improper payments.¹ Treasury’s Bureau of the Fiscal Service (Fiscal Service) operates the Do Not Pay Business Center (DNP) by providing a secure web-based portal available to federal agencies. This portal helps agencies identify potential improper payments by automating the process of matching payee data against multiple data sources. Once identified through the portal, agencies can make informed decisions regarding whether to make an award or payment. In addition to the portal, DNP provides a variety of other advanced analytics services to support agency programs in their efforts to prevent and detect systemic improper payments. The partnerships between DNP and agencies are critical: while DNP can identify potential improper payments, agencies must determine for themselves whether the payment is actually improper.

DNP is part of a broader government-wide effort—the Do Not Pay Initiative—designed to prevent improper payments. Some agencies have robust internal payment integrity programs and are in the best position to address improper payments in their respective programs.² Although Fiscal Service supports these agencies in several ways, DNP is best suited to assist other agencies with high-risk programs that require analytics services to identify improper payments. DNP’s goal is to provide timely, accurate, and actionable information in a secure environment to support agencies in improving federal payment integrity.

¹ The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), codified Administration efforts first launched by the President in 2009, through Executive Order 13520, Reducing Improper Payments and Eliminating Waste in Federal Programs. Specifically IPERIA, Section 5, the Do Not Pay Initiative, identified the Office of Management and Budget (OMB) to determine eligibility and prevent improper payments. OMB designated the Treasury to host the Do Not Pay Initiative working system through OMB Memorandum M-13-20, Protecting Privacy while Reducing Improper Payments with the Do Not Pay Initiative. Treasury’s Fiscal Service operates the Do Not Pay Business Center to fulfill IPERIA Section 5(d).

² The four agencies with internal payment integrity programs are the Department of Health and Human Services, Internal Revenue Service, Social Security Administration, and the Department of Labor.

Treasury, in partnership with OMB, continues to assist agencies in meeting the requirements set forth by the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA). Today, DNP provides 57 separate agencies access to IPERIA specified data sources, as permitted by law and the stipulations outlined in data source owners' Memoranda of Understanding.³ DNP users may centrally access data about some deceased individuals, government vendors, Medicare and Medicaid providers, and individuals and entities that owe delinquent debt to the United States, among others.⁴ Under an agreement between the Social Security Administration (SSA), Fiscal Service, and the Internal Revenue Service (IRS), DNP also shares information regarding incarcerated individuals that it receives from the Social Security Administration with the IRS for tax administration purposes.

In addition to implementing IPERIA requirements, DNP has played an important role in assisting agencies in addressing improper payments:

- DNP's portal assists agencies in identifying improper payments. In the first three quarters of Fiscal Year (FY) 2016, agencies reported identifying nearly \$18.4 million dollars of improper payments through the use of DNP's portal. This is more than double the amount reported during all of FY 2015 and is significantly more than previous years. The increase in reporting of identified improper payments is the result of two factors: (1) increased agency use of the portal, and (2) increased documentation of improper payments through the portal after DNP introduced technological innovations to ease the administrative burden of reporting.
- In addition to the \$18.4 million agency identified improper payments, DNP developed a customized function that helped one agency, during the first three quarters of FY 2016, stop nearly \$34 million of improper payments before the payments were disbursed.
- DNP also established a Computer Matching Agreement with the Department of Health and Human Service's Center for Medicare and Medicaid Services to enable continuous monitoring of health care providers.
- DNP's advanced analytics services are helping agencies review potential improper payments and target improvements in their business processes. In 2015, in conjunction with Treasury's payment disbursement centers, DNP began analytics projects for a number of agencies. For example, DNP provided summary level analysis to two agencies indicating potential duplicate benefit payments to 4,579 payees. DNP is currently working with program subject matter

³ The following IPERIA required data sources are available to DNP users as permitted by law and the stipulations outlined in data source owners' Memoranda of Understanding: Social Security Administration's Death Master File (public version), General Services Administration's Excluded Parties List System (now known as System for Award Management), Fiscal Service's Debt Check Database, Department of Housing and Urban Development's Credit Alert System, and Department of Health and Human Services' List of Excluded Individuals/Entities.

⁴ DNP CAIVRS makes centrally available the Credit Alert System (CAIVRS) data from four of the six different CAIVRS agencies, namely the Department of Justice, the Department of Housing and Urban Development (HUD), the Small Business Administration and the Department of Veterans Affairs. Because HUD is not the owner of all of the CAIVRS data, DNP must execute separate Memoranda of Understanding with each CAIVRS agency and each agency must ensure that their Privacy Act System of Records Notice allows for data sharing with DNP and DNP's users. DNP continues to work with the remaining CAIVRS data from the U.S. Department of Agriculture and the Department of Education.

experts from these two agencies to determine whether the payments in question represent improper payments.

In sum, since 2013, in collaboration with OMB and agencies, Fiscal Service has established the IPERIA-mandated working system, including centralized access to data sources, facilitated agency compliance with IPERIA's preaward and prepayment screening requirements, and developed analytics services. My testimony today will address two topics: (1) how DNP supports and complements government-wide efforts to prevent improper payments and the impact of these efforts; and (2) our plans for further developing our analytics capabilities to better support agencies.

DNP's Role in Identifying and Preventing Improper Payments Government-wide

By leveraging Treasury's position as the primary disburser of federal payments, DNP is well positioned to help agencies identify improper payments. DNP has two service offerings to support agencies in their efforts to detect and prevent improper payments: (1) its online portal; and (2) its advanced analytics services.

DNP's Online Portal Use and Impact

DNP first focused its efforts on building a working system, as required by IPERIA, to be the means by which agencies could conduct data matching against a centralized collection of data sources. This was a multi-step process that involved establishing the appropriate agreements with the data source agencies and a System of Records Notice for the working system in order to fully comply with the Privacy Act of 1974.⁵ Analysts and data scientists developed the appropriate matching algorithms which support DNP's ability to provide timely, accurate, and actionable information while minimizing "false matches" [ultimately determined not to be improper]. Various means of conducting data matching were also built to support the business processes of agencies. Finally, these steps were incorporated into a system—the DNP portal—accessible via the Internet and built to protect personally identifiable information and other protected information.

DNP's portal provides data-matching services that have broad applicability to a wide range of agencies. In addition, the portal facilitates data matching during several phases of the payment lifecycle, which gives agencies options—depending on which is best suited to their business processes—to identify and review potential improper payments. Specifically, matching can occur as part of an agency's preaward and prepayment eligibility verification as well as later at the time of payment disbursement.

Preaward and Prepayment Screening

As part of preaward and prepayment screening, DNP provides three functionalities to help agencies identify at risk payments. Specifically, agencies can conduct:

- a "single online search" for an individual or entity by entering a name and Taxpayer Identification Number (TIN) for a one-time return of results;

⁵ Privacy Act of 1974 (5 U.S.C. 552a), as amended by the Computer Matching and Privacy Protection Act of 1988.

- batch matching in which agencies submit a file containing a number of records that the portal compares automatically to its data sources and returns matched results; and
- continuous monitoring in which agency records are compared to data sources automatically at specific intervals with matched results returned to the agency.

A match of payee data to information in DNP's data sources during the preaward or prepayment process is a first indicator that an award should not be made or that a payment might be improper and therefore warrants additional evaluation by the agency.

Agencies have made active use of DNP's preaward tools and are reporting positive impacts. For example, during the first three quarters of FY 2016, agencies have conducted 54,110 single online searches to verify eligibility before making an award or a payment. In addition, the Department of State, in its FY 2015 Annual Financial Report, reported that its use of the Do Not Pay Business Center's continuous monitoring functionality to review its annuitant payments resulted in preventing \$677,000 in improper payments.⁶

Payment Integration

The portal also matches payments at the time they are disbursed by Treasury—a function referred to as “payment integration.” DNP's payment integration process screens Treasury nontax payments for most federal agencies. Agencies are required to review and adjudicate any matches that occur during this process to determine whether the matched payment was improper.

Payment integration and agency adjudication of matches is especially critical to preventing improper payments that would be recurring—such as a monthly recurring benefit to a deceased individual. Since the beginning of FY 2016 through the end of the third quarter, DNP has screened \$1.1 trillion within the payment integration function. In the first three quarters of FY 2016, a total of 11,557 payments equaling nearly \$18.4 million were matched to DNP data source information through payment integration and then adjudicated as improper by the paying agency.⁷ Almost 96 percent of the 11,557 identified improper payments, corresponding to about \$17.4 million, were identified by the paying agency as monthly benefits and therefore may not have been stopped in future months without being identified through DNP's payment integration. Agency adjudication of match results helps agencies make better informed decisions regarding future awards and payments and can also help improve business processes and rules. In addition, it provides agencies with the necessary information to pursue recovery as appropriate. For example, one agency identified a \$50,000 payment through the payment integration process that was improper and was able to seek repayment from the payee's estate.

Although payment integration is a critical function, DNP's goal is to work with agencies to build the preaward and prepayment data matching functionalities provided through the portal into agency business processes. Doing so will maximize the opportunity for agencies to review at risk payments before the payments are made. Agencies also have the ability to stop a payment utilizing a DNP portal capability that supports use of agency-defined stop payment rules. Building out these business processes, however, takes time because many agencies first need to establish Computer Matching Act

⁶ U.S. Department of State. 16 November 2015. [FY]2015 DOS Agency Financial Report, pg. 133-135.

⁷ Agencies voluntarily report the results of adjudication. As a consequence it is likely that DNP is under-reporting the extent to which payment integration is helping to identify and stop improper payments.

agreements with DNP or amend a System of Records Notice in order to ensure compliance with the Privacy Act⁸ and document the agency and program business rules applicable to stopping payments. DNP continues to look for opportunities to provide technical and other support to agencies interested in leveraging preaward and prepayment data matching as a means to strengthen internal controls.

DNP Advanced Analytics Services

DNP has expanded the range of analytics techniques it makes available to agencies and is continually improving the quality of the results it provides so that agencies can make timely decisions to resolve improper payments. By leveraging data analytics and Fiscal Service's historical payment files, DNP can offer insights that can help agencies determine how best to change business processes to prevent future improper payments fitting a particular pattern.

During 2015, DNP began to focus on applying advanced analytics, within existing legal authorities, to high-risk improper payments for specific agencies. To accomplish this, DNP proactively initiated conversations with agencies to better understand their payment data. This outreach resulted in partnerships with nine different agencies for which DNP provided individualized analytics projects. After completing each project, DNP held feedback sessions to learn how the agency was able to use information from DNP and, when possible, whether that information uncovered any improper payments.

From January 2015 through August 2016, in conjunction with the Treasury payment disbursement centers, DNP completed 21 analytics projects for nine different agencies. These projects, among other efforts to review agency payment data, have provided statistical observations on program specific and agency-wide payments, including payments across multiple programs within an agency and, in one important project, payments in complementary programs managed by two different agencies. In addition, some projects have been designed to help agencies explore new techniques for identifying improper payments stemming from causes such as data quality issues or duplicative payments. Analytics projects completed thus far have addressed:

- *Evaluating Data Quality:* DNP has conducted several projects to help agencies better understand the quality of their payment data and how that quality can affect the identification of improper payments. For instance, improving the quality of TINs in agency data can lead to better data matching results. DNP worked with an agency to review FY 2015 payments that could not be matched to data sources during payment integration.⁹ DNP's analysis revealed that 725 payments equaling \$2.4 million were unmatchable due to missing TINs. The agency has used this information to improve its data entry processes.
- *Statistical Overviews of Agency Payment Data to Identify Patterns and Deviations:* Fiscal Service can further help agencies to monitor payments and payees for normal standard payment activity (e.g., payment amounts, frequency of payment, payment types), or possible anomalies such as spikes in payment amounts on a date that historically had low payment amounts. These

⁸ Privacy Act of 1974 (5 U.S.C. 552a), as amended by the Computer Matching and Privacy Protection Act of 1988.

⁹ DNP's payment integration provides results on exact matches based on a combination of payee name and tax identification number.

insights allow agencies and programs the opportunity to view a broad range of information, identify potential red flags, and identify further in-depth analytics projects to look at detected anomalies in greater depth.

- *Identifying Duplicate Payments within an Agency's Payment Data:* Improperly-issued duplicate payments can put pressure on agency budgets by making fewer dollars available for intended recipients. While individual payments are not always large, cumulatively, they can result in large dollar losses. Detecting potential improper duplicative payments within a single program or agency can be difficult because recipients may, for a variety of reasons, be eligible for multiple payments and, as a consequence, separating proper from improper duplicate payments requires tailored analysis. DNP has conducted several analytics projects to help agencies understand payment patterns and identify improper duplicative payments.
- *Duplicative Payment Identification in Complementary Programs:* Identifying improper duplicative payments across complementary programs administered by more than one agency or across more than one program in a single agency has always been a challenge. Because Treasury processes the payments issued by most federal agencies, DNP is in a unique position to help agencies identify inter-agency and intra-agency duplicative payments.

Through agency-specific reports, DNP has learned, along with its partner agencies, that DNP can provide insights that support process improvements and strengthen internal controls, thus helping agencies prevent improper payments. In addition, when agencies improve the quality of payment data, they are able to match more of their data against the data sources available in DNP. This is fundamental to addressing improper payments. Agencies value DNP analytics reports, and several have requested more in-depth analytics projects either in response to an initial statistical observations of agency data or to enlist DNP assistance in solving particular business problems.

Developing DNP's Analytics Capabilities and Enhancements through Expanded Authorities

Evolving Analytics Techniques

DNP took a phased approach in introducing its advanced analytics services by steadily expanding the range of analytics techniques it makes available to agencies and developing more sophisticated analyses. To advance its analytics capabilities, DNP first conducts exploratory research to evaluate the feasibility of introducing new techniques. DNP then seeks to pilot techniques deemed feasible and relevant with a partner agency to accomplish two goals:

- Determine the value of the technique for addressing specific business problems and whether it might be suitable for a broad range of agency challenges and therefore appropriate to consider operationalizing in the portal.

- Identify issues that must shape the application of new analytics techniques to ensure that DNP's work remains consistent with applicable laws (e.g., Privacy Act).

Partnering with an agency on pilot projects is critical to advancing DNP's analytics services because it provides lessons learned from actual business challenges.

DNP is currently in the process of identifying agency partners to pilot several new techniques:

- *Advanced Matching Techniques.* Data matching based on exact matches on personally identifying information provides a high level of assurance that the match is accurate. However, this approach cannot detect improper payments that include data entry errors in the underlying record, nor can this approach detect deliberate efforts to alter data to prevent the record from being matched and identified as improper. For example, an exact match would not identify a potential deceased person if one number in a TIN was incorrect. Advanced matching techniques can capture those improper payments in which, either by accident or intention, data fields are similar but not identical between two data sources. There are a broad range of techniques that can help an analyst gauge the level of similarity between two data fields. For instance, statistical tests can calculate how many digits or letters are different between two TINs or names. Another approach involves leveraging the phonetics of a name to identify similarities. DNP completed an initial evaluation of the performance of these and other techniques, and we are in discussions with agencies to identify a partner agency to initiate a pilot study to evaluate these techniques in identifying improper payments.
- *Risk Modeling:* One challenge in using data matching to identify improper payments is that agencies must first review matched payments to confirm that, for example, a match to death data is accurate and that the recipient is in fact deceased. Validating information gleaned through analytics techniques before stopping a payment is essential and a Privacy Act requirement.¹⁰ Helping agencies set priorities in adjudicating match results by scoring the level of risk is a key evolution in DNP's analytics services. For example, when presented with matching results that use similarity tests like those described above, a risk score could help agencies to prioritize the adjudication of matches with the greatest similarity. Likewise, risk scoring can help in the detection and evaluation of potential duplicative payments. Payments that share the exact payee name, date of payment, amount, and other factors might receive a higher risk score than payments that have fewer qualities in common. We are in discussions with agencies to identify a partner to develop a risk model.
- *Predictive Modeling:* A final technique that DNP plans to develop is predictive modeling, which can help identify at risk payments earlier in the payment lifecycle. Our work on risk modeling is an important foundation toward implementing predictive models. Predictive modeling, along with the acquisition of additional data sources, will help DNP further support agencies in identifying at risk payments early in the payment cycle.

¹⁰ Privacy Act of 1974, 5 U.S.C. 552a(2)(p)(1).

Adding New Data Sources to Identify a Broader Range of Improper Payments

The Administration has requested expanded authorities for data access and use by the Do Not Pay Business Center and agencies. Currently, the President's Fiscal Year 2017 Budget contains two proposals to improve payment accuracy further by sharing available death data across Government agencies to prevent improper payments:

1. Amend the Social Security Act to provide DNP and agencies that use the system access to the full death file to prevent, identify, or recover improper payments.¹¹
2. Allow programs that are statutorily authorized to access the Department of Health and Human Services' National Directory of New Hires data the option to do so via the Do Not Pay working system at Treasury. If implemented, the proposal would increase efficiency and effectiveness of data matching, while ensuring that robust privacy protections are maintained.¹²

Conclusion

One of the primary reasons for establishing a central location and service for data matching and analytics was to help agencies more effectively strengthen and streamline their preaward and prepayment processes in order to reduce improper payments. This eliminates the need for each agency to establish multiple data sharing documents, including multiple Computer Matching Agreements, pay for multiple data sources, and build the necessary data matching systems supported by data scientists and analysts. Treasury's Fiscal Service, through DNP, has built a centralized service that provides timely, accurate and actionable information to agencies to better inform their decision making.

As is important for any centralized service, DNP has been strategically focused in its efforts to build collaborative relationships with those agencies that could most benefit from this shared resource. By doing so, DNP and agencies have witnessed improvements in efforts to prevent, stop, and reduce improper payments. Agencies using DNP reported identifying deceased beneficiaries and annuitants that had not been identified through existing internal agency processes. Through the use of the DNP portal and the available advanced analytics services, agencies are able to better understand when an award or payment is made in the wrong amount or to the wrong person. This helps agencies move away from the traditional "pay and chase" model to a system that identifies the root causes of improper payments and strengthens processes and internal controls in order to mitigate the occurrence of improper payments.

¹¹ Currently, the Do Not Pay Business Center has access to the Social Security Administration's (SSA) Death Master File (public version) (DMF), an abbreviated version of SSA's death data that excludes information from certain sources. In 2013, the Government Accountability Office (GAO) reported that there were about 10 percent fewer records available in the DMF compared to the full death file and that this difference was likely to grow over time. See GAO-14-46. *Social Security Death Data: Additional Action Needed to Address Data Errors and Federal Agency Access*. December 27, 2013.

¹² Fiscal Year, Analytical Perspectives – Budget of the U.S. Government, Fiscal Year 2017 page 136.

DNP, in partnership with OMB, has built collaborative relationships with agencies and has demonstrated how it provides a service that effectively and efficiently augments and enhances agency improper payment reduction activities. DNP's data matching and advanced analytics services have significantly evolved since IPERIA, and agency use of DNP has grown substantially. DNP is, more and more, being viewed as an important tool as agencies work to strengthen payment integrity.

We look forward to continuously growing opportunities to support agencies to ensure that the right recipient is receiving the right payment for the right reason at the right time, so that federal programs can continue to serve and provide access to their intended recipients.