



Council of the
INSPECTORS GENERAL
on INTEGRITY and EFFICIENCY

*Summary of Inspector General Reports
Related to Executive Order 13520 on
Improper Payments*

August 2012

This report was prepared by the Social Security Administration's Office of the Inspector General on behalf of the Council of the Inspectors General on Integrity and Efficiency.



SOCIAL SECURITY
Office of the Inspector General

August 20, 2012

The Honorable Phyllis K. Fong
Chairperson
Council of the Inspectors General on Integrity and Efficiency
Washington, D.C. 20250

Dear Ms. Fong:

In March 2011, the Council of the Inspectors General on Integrity and Efficiency requested that we prepare a summary report on the improper payment work performed by the Office of Inspector General (OIG) community. Therefore, we prepared the attached report, which summarizes work done by the OIGs related to Executive Order 13520, *Reducing Improper Payments*.

If you have any questions concerning this matter, please call me or have your staff contact Misha Kelly, Special Agent-in-Charge of Congressional Affairs, at (202) 358-6319.

Sincerely,

Patrick P. O'Carroll, Jr.
Inspector General

Enclosure

OBJECTIVE

Our objective was to summarize the work performed related to Executive Order (EO) 13520 by Offices of Inspector General (OIG) for the agencies designated with high-priority programs in Fiscal Year 2010.¹

BACKGROUND

On November 20, 2009, the President issued EO 13520 on reducing improper payments and eliminating waste in Federal programs. When the Government makes payments to individuals and businesses, such as program beneficiaries, grantees, or contractors, or on behalf of program beneficiaries, it must make every effort to confirm that the right recipient is receiving the correct payment. The purpose of EO 13520 was to reduce improper payments by intensifying efforts to eliminate payment error, waste, fraud, and abuse in the major programs administered by the Government.

As part of the requirements of the EO, each agency with a high-priority program identified by the Office of Management and Budget (OMB) shall provide the agency's OIG a report—known as the Accountable Official's report—containing the

1. methodology for identifying and measuring improper payments by the agency's high-priority programs;
2. plan, along with supporting analysis, for meeting the reduction targets for improper payments in the agency's high-priority programs; and
3. plan, along with supporting analysis, for ensuring the initiatives undertaken pursuant to this order did not unduly burden program access and participation by eligible beneficiaries.

Additionally, each agency is required to submit to its OIG a quarterly report on high-dollar improper payments identified by the agency, subject to Federal privacy policies and to the extent permitted by law. This report is the Quarterly High-Dollar report.

The first Accountable Official's and Quarterly High-Dollar reports were due to the OIG within 180 days of the Executive Order, which was May 8, 2010.²

¹ EO 13520, *Reducing Improper Payments*, 74 Fed. Reg. 62201-62205 (November 25, 2009). See Appendix B for a copy of EO 13520. High-priority programs are defined on page 2 of this report.

² EO 13520, *Reducing Improper Payments*, sections 3(b) and 3(f), 74 Fed. Reg. 62202-62203 (November 25, 2009). Subsequent annual Accountable Official reports should be submitted to OIGs for review within 120 days of the Performance and Accountability or Annual Financial Reports' publication—and subsequent Quarterly High-Dollar reports should be submitted to OIGs for review by the last day of each quarter.

High-Priority Programs

A “high-priority program” under EO 13520 means Federal programs in which the highest value or majority of Government-wide improper payments occur. For Fiscal Year 2010, OMB considered programs with \$750 million or more in improper payments as high-priority programs.³ See Table 1.

Table 1: High-Priority Programs in 2010⁴	
Agency	Program
Department of Health and Human Services (HHS)	Medicare Fee-for-Service
	Medicaid
	Medicare Advantage (Part C)
	Children’s Health Insurance Program
	Medicare Prescription Drug Benefit (Part D)
Department of Labor (DoL)	Unemployment Insurance
Department of the Treasury (Treasury)	Earned Income Tax Credit
Social Security Administration (SSA)	Supplemental Security Income
	Retirement, Survivors and Disability Insurance
U.S. Department of Agriculture (USDA)	Supplemental Nutrition Assistance Program
	National School Lunch Program
Department of Housing and Urban Development (HUD)	Rental Housing Assistance Programs

OIG Responsibilities Under EO 13520

The EO required that OIGs for high-priority programs review the Accountable Official and Quarterly High-Dollar improper payment reports provided by their respective agencies.⁵

³ OMB Memorandum M-10-13, *Issuance of Part III to OMB Circular A-123, Appendix C*, section (A)(1)(e), March 22, 2010. See http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda_2010/m10-13.pdf.

⁴ See <http://www.paymentaccuracy.usaspending.gov/high-priority-programs> for more information on the high-priority programs.

⁵ EO 13520, *Reducing Improper Payments*, sections 2(a)(i), 3(b), and 3(f), 74 Fed. Reg. 62201-62203 (November 25, 2009). Also, see OMB Memorandum M-10-13, *Issuance of Part III to OMB Circular A-123, Appendix C*, sections (C)(2)(b) - (d) and (C)(3), March 22, 2010.

Although the “official” OMB guidance⁶ did not specify a timeframe for OIGs to complete their reviews, OMB suggested that the first OIG review of the Accountable Official report be completed by September 30, 2010, and the first review of a Quarterly High-Dollar report by December 30, 2010.⁷ Additionally, OMB informally advised the OIG community that if agencies do not identify many high-dollar payments, or the number of payments, programs affected, and root causes of action or corrective actions do not change from one quarter to the next, then it would be acceptable for OIGs to review on a semi-annual or annual basis.

⁶ Id.

⁷ This is based on a May 14, 2010 e-mail between representatives from OMB and the Council of the Inspectors General on Integrity and Efficiency.

Results of Review

For the six agencies with designated high-priority programs in 2010, Table 2 provides a summary of each OIG's work related to EO 13520.⁸

OIG	Accountable Official Report	Quarterly High-Dollar Report
DoL	Reviewed and issued report in September 2010. See Appendix C.	Reviewed and issued report in September 2010. See Appendix C.
HHS	Reviewed and issued report in January 2011. ⁹	Reviewed and issued report in July 2012. See Appendix D.
HUD	Reviewed and issued report in December 2010. See Appendix E.	HUD did not provide its OIG with a Quarterly High-Dollar report to review.
SSA	Reviewed and issued report in September 2010. See Appendix F.	Reviewed and issued report in December 2010. See Appendix F.
TIGTA ¹⁰	Reviewed and issued report in February 2011. See Appendix G.	Not applicable. Disclosure laws limit the Internal Revenue Services' (IRS) ability to comply with this requirement. As a result, the IRS does not issue the Quarterly High-dollar reports.
USDA	Reviewed and issued report in March 2011. See Appendix H.	Reviewed and issued report in July 2011. See Appendix H.

The six OIGs for the high-priority programs reviewed their agency's Accountable Official and Quarterly High-Dollar reports. However, not all the OIGs reviewed the information by the dates suggested by OMB.

⁸ Although EO 13520 focused on high-priority programs, several other agencies issued Quarterly High-Dollar reports. For example, OIGs for the Departments of Defense, Education, Homeland Security, Transportation, and Veterans Affairs reviewed their agency's Quarterly High-Dollar reports. See Appendices I, J, K, and L.

⁹ As of July 2012, HHS OIG's report was not publicly available. Therefore, we did not summarize it in the Appendix of this report.

¹⁰ Treasury Inspector General for Tax Administration.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Executive Order 13520, *Reducing Improper Payments*

APPENDIX C – Department of Labor, Office of Inspector General

APPENDIX D – Department of Health and Human Services, Office of Inspector General

APPENDIX E – Department of Housing and Urban Development, Office of Inspector General

APPENDIX F – Social Security Administration, Office of the Inspector General

APPENDIX G – Treasury Inspector General for Tax Administration

APPENDIX H – U.S. Department of Agriculture, Office of Inspector General

APPENDIX I – Department of Defense, Office of Inspector General

APPENDIX J – Department of Homeland Security, Office of Inspector General

APPENDIX K – Department of Transportation, Office of Inspector General

APPENDIX L – Department of Veterans Affairs, Office of Inspector General

Acronyms

DHS	Department of Homeland Security
DoD	Department of Defense
DoL	Department of Labor
DoT	Department of Transportation
EITC	Earned Income Tax Credit
EO	Executive Order
Fed. Reg.	Federal Register
FY	Fiscal Year
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
IPERA	<i>Improper Payments Elimination and Recovery Act</i>
IRS	Internal Revenue Service
NSLP	National School Lunch Program
OIG	Office of the Inspector General
OMB	Office of Management and Budget
QHD	Quarterly High-Dollar
PAR	Performance and Accountability Report
SNAP	Supplemental Nutrition Assistance Program
SSA	Social Security Administration
TIGTA	Treasury Inspector General for Tax Administration
UI	Unemployment Insurance
USDA	U.S. Department of Agriculture
VA	Department of Veterans Affairs
VBA	Veterans Benefits Administration
VHA	Veterans Health Administration

Executive Order 13520, *Reducing Improper Payments*

On November 20, 2009, Executive Order 13520 was issued on reducing payments and eliminating waste in Federal programs. See pages B-2 through B-6 for a copy of the Executive Order.

Presidential Documents

Executive Order 13520 of November 20, 2009

Reducing Improper Payments

By the authority vested in me as President by the Constitution and the laws of the United States of America, and in the interest of reducing payment errors and eliminating waste, fraud, and abuse in Federal programs, it is hereby ordered as follows:

Section 1. Purpose. When the Federal Government makes payments to individuals and businesses as program beneficiaries, grantees, or contractors, or on behalf of program beneficiaries, it must make every effort to confirm that the right recipient is receiving the right payment for the right reason at the right time. The purpose of this order is to reduce improper payments by intensifying efforts to eliminate payment error, waste, fraud, and abuse in the major programs administered by the Federal Government, while continuing to ensure that Federal programs serve and provide access to their intended beneficiaries. No single step will fully achieve these goals. Therefore, this order adopts a comprehensive set of policies, including transparency and public scrutiny of significant payment errors throughout the Federal Government; a focus on identifying and eliminating the highest improper payments; accountability for reducing improper payments among executive branch agencies and officials; and coordinated Federal, State, and local government action in identifying and eliminating improper payments. Because this order targets error, waste, fraud, and abuse—not legitimate use of Government services—efforts to reduce improper payments under this order must protect access to Federal programs by their intended beneficiaries.

Sec. 2. Transparency and Public Participation.

(a) Within 90 days of the date of this order, the Director of the Office of Management and Budget (OMB) shall:

(i) identify Federal programs in which the highest dollar value or majority of Government-wide improper payments occur (high-priority programs);

(ii) establish, in coordination with the executive department or agency (agency) responsible for administering the high-priority program annual or semi-annual targets (or where such targets already exist, supplemental targets), as appropriate, for reducing improper payments associated with each high-priority program;

(iii) issue Government-wide guidance on the implementation of this order, including procedures for identifying and publicizing the list of entities described in subsection (b)(v) of this section and for administrative appeal of the decision to publish the identity of those entities, prior to publication; and

(iv) establish a working group consisting of Federal, State, and local officials to make recommendations to the Director of OMB designed to improve the Federal Government's measurement of access to Federal programs by the programs' intended beneficiaries. The working group's recommendations shall be prepared in consultation with the Council of Inspectors General on Integrity and Efficiency (CIGIE) and submitted within 180 days of the date of this order, and the recommended measurements may be incorporated by the Secretary of the Treasury in the information published pursuant to subsection (b) of this section.

(b) Within 180 days of the date of this order, the Secretary of the Treasury in coordination with the Attorney General and the Director of OMB, shall

publish on the Internet information about improper payments under high-priority programs. The information shall include, subject to Federal privacy policies and to the extent permitted by law:

- (i) the names of the accountable officials designated under section 3 of this order;
- (ii) current and historical rates and amounts of improper payments, including, where known and appropriate, causes of the improper payments;
- (iii) current and historical rates and amounts of recovery of improper payments, where appropriate (or, where improper payments are identified solely on the basis of a sample, recovery rates and amounts estimated on the basis of the applicable sample);
- (iv) targets for reducing as well as recovering improper payments, where appropriate; and
- (v) the entities that have received the greatest amount of outstanding improper payments (or, where improper payments are identified solely on the basis of a sample, the entities that have received the greatest amount of outstanding improper payments in the applicable sample).

Information on entities that have received the greatest amount of outstanding improper payments shall not include any referrals the agency made or anticipates making to the Department of Justice, or any information provided in connection with such referrals.

(c) Within 180 days of the date of this order, the Secretary of the Treasury in coordination with the Attorney General and the Director of OMB and in consultation with the CIGIE, shall establish a central Internet-based method to collect from the public information concerning suspected incidents of waste, fraud, and abuse by an entity receiving Federal funds that have led or may lead to improper payments by the Federal Government.

(d) Agencies shall place a prominently displayed link to Internet-based resources for addressing improper payments, including the resources established under subsections (b) and (c) of this section, on their Internet home pages.

Sec. 3. Agency Accountability and Coordination.

(a) Within 120 days of the date of this order, the head of each agency responsible for operating a high-priority program shall designate an official who holds an existing Senate-confirmed position to be accountable for meeting the targets established under section 2 of this order without unduly burdening program access and participation by eligible beneficiaries. In those agencies where the majority of payments are isolated to a single component, the head of the agency shall name a second accountable official for that component whose sole responsibility would be for program integrity activities and, as appropriate, shall consolidate and coordinate all program integrity activities within the component.

(b) Within 180 days of the date of this order, each agency official designated under subsection (a) of this section, or otherwise designated by the Director of OMB, shall provide the agency's Inspector General a report containing:

- (i) the agency's methodology for identifying and measuring improper payments by the agency's high-priority programs;
- (ii) the agency's plans, together with supporting analysis, for meeting the reduction targets for improper payments in the agency's high-priority programs; and
- (iii) the agency's plan, together with supporting analysis, for ensuring that initiatives undertaken pursuant to this order do not unduly burden program access and participation by eligible beneficiaries.

Following the receipt and review of this information, the agency Inspector General shall assess the level of risk associated with the applicable programs, determine the extent of oversight warranted, and provide the agency head with recommendations, if any, for modifying the agency's methodology,

improper payment reduction plans, or program access and participation plans.

(c) If an agency fails to meet the targets established under section 2 of this order or implement the plan described in subsection (b)(iii) of this section for 2 consecutive years, that agency's accountable official designated under subsection (a) of this section shall submit to the agency head, Inspector General, and Chief Financial Officer a report describing the likely causes of the agency's failure and proposing a remedial plan. The agency head shall review this plan and, in consultation with the Inspector General and Chief Financial Officer, forward the plan with any additional comments and analysis to the Director of OMB.

(d) Within 180 days of the date of this order, the Chief Financial Officers Council (CFOC) in consultation with the CIGIE, the Department of Justice, and program experts, shall make recommendations to the Director of OMB and the Secretary of the Treasury on actions (including actions related to forensic accounting and audits) agencies should take to more effectively tailor their methodologies for identifying and measuring improper payments to those programs, or components of programs, where improper payments are most likely to occur. Recommendations shall address the manner in which the recommended actions would affect program access and participation by eligible beneficiaries.

(e) Within 180 days of the date of this order, the Secretary of the Treasury and the Director of OMB in consultation with the CIGIE, the Department of Justice, and program experts, shall recommend to the President actions designed to reduce improper payments by improving information sharing among agencies and programs, and where applicable, State and local governments and other stakeholders. The recommendations shall address the ways in which information sharing may improve eligibility verification and pre-payment scrutiny, shall identify legal or regulatory impediments to effective information sharing, and shall address the manner in which the recommended actions would affect program access and participation by eligible beneficiaries.

(f) Within 180 days of the date of this order, and at least once every quarter thereafter, the head of each agency shall submit to the agency's Inspector General and the CIGIE, and make available to the public, a report on any high-dollar improper payments identified by the agency, subject to Federal privacy policies and to the extent permitted by law. The report shall describe any actions the agency has taken or plans to take to recover improper payments, as well as any actions the agency intends to take to prevent improper payments from occurring in the future. The report shall not include any referrals the agency made or anticipates making to the Department of Justice, or any information provided in connection with such referrals. Following the review of each report, the agency Inspector General and the CIGIE shall assess the level of risk associated with the applicable program, determine the extent of oversight warranted, and provide the agency head with recommendations, if any, for modifying the agency's plans.

Sec. 4. *Enhanced Focus on Contractors and Working with State and Local Stakeholders.*

(a) Within 180 days of the date of this order, the Federal Acquisition Regulatory Council, in coordination with the Director of OMB, and in consultation with the National Procurement Fraud Task Force (or its successor group), the CIGIE, and appropriate agency officials, shall recommend to the President actions designed to enhance contractor accountability for improper payments. The recommendations may include, but are not limited to, subjecting contractors to debarment, suspension, financial penalties, and identification through a public Internet website, subject to Federal privacy policies and to the extent permitted by law and where the identification would not interfere with or compromise an ongoing criminal or civil investigation, for knowingly failing timely to disclose credible evidence of significant overpayments received on Government contracts.

(b) Within 30 days of the date of this order, the Director of OMB shall establish a working group consisting of Federal and elected State and local officials to make recommendations to the Director of OMB designed to improve the effectiveness of single audits of State and local governments and non-profit organizations that are expending Federal funds. The Director of OMB may designate an appropriate official to serve as Chair of the working group to convene its meetings and direct its work. The working group's recommendations shall be prepared in consultation with the CIGIE and submitted within 180 days of the date of this order. The recommendations shall address, among other things, the effectiveness of single audits in identifying improper payments and opportunities to streamline or eliminate single audit requirements where their value is minimal.

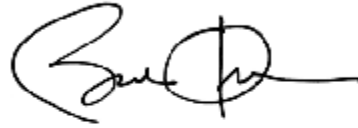
(c) Within 30 days of the date of this order, the Director of OMB shall establish a working group (which may be separate from the group established under subsection (b) of this section) consisting of Federal and elected State and local officials to make recommendations to the Director of OMB for administrative actions designed to improve the incentives and accountability of State and local governments, as well as other entities receiving Federal funds, for reducing improper payments. The Director of OMB may designate an appropriate official to serve as Chair of the working group to convene its meetings and direct its work. The working group's recommendations shall be prepared in consultation with the CIGIE and submitted within 180 days of the date of this order.

Sec. 5. Policy Proposals. The Director of OMB, in consultation with the appropriate agencies and the CIGIE, shall develop policy recommendations, including potential legislative proposals, designed to reduce improper payments, including those caused by error, waste, fraud, and abuse, across Federal programs without compromising program access, to be included, as appropriate, in the Budget of the United States Government for Fiscal Year 2011 and future years, or other Administration proposals.

Sec. 6. General Provisions.

- (a) Nothing in this order shall be construed to impair or otherwise affect:
- (i) authority granted by law to a department, agency, the head thereof, or any agency Inspector General; or
 - (ii) functions of the Director of OMB relating to budgetary, administrative, or legislative proposals.
- (b) Nothing in this order shall be construed to require the disclosure of classified information, law enforcement sensitive information, or other information that must be protected in the interests of national security.
- (c) This order shall be implemented consistent with applicable law and subject to the availability of appropriations.

(d) This order is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity, by any party against the United States, its departments, agencies, or entities, its officers, employees, or agents, or any other person.



THE WHITE HOUSE,
November 20, 2009.

[PR Doc. E9-28493
Filed 11-24-09; 11:15 am]
Billing code 3195-W0-P

Department of Labor, Office of Inspector General

The Department of Labor (DoL), Office of Inspector General (OIG), reviewed its agency’s annual Accountable Official report and issued a report to DoL in September 2010. The table below summarizes DoL OIG’s report and recommendations as well as DoL’s response to the recommendations.

DoL OIG, <i>Review of Report on Improper Payments in the Unemployment Insurance Program (22-10-020-03-315)</i>, September 2010	
Summary	<p>DoL OIG found that DoL’s improper payments report on Unemployment Insurance (UI) could be improved to meet the requirements of the Executive Order (EO) and supporting Office of Management and Budget (OMB) guidance. The UI reduction plan did not include specific targets for reducing improper payments; sufficient details regarding meeting the targets; and supporting analysis related to the implementation initiatives and expected impact. Additionally, DoL’s methodology for identifying and measuring improper payments did not evaluate the entire population of UI programs and may not have identified the total extent of individually significant improper payments (that is, those totaling \$5,000 or more).</p> <p>In addition, DoL’s planned improper payment reductions and recovery targets for the UI program are dependent on the cooperation and support of State agencies and other parties outside DoL, and this factual circumstance could have been discussed in the report. The reduction plan could also include how the unique relationship between DoL and the State agencies will affect implementing any proposed initiatives, and the expected impact of those initiatives. Finally, nothing came to DoL OIG’s attention regarding the initiatives undertaken pursuant to the EO that would cause any unnecessary burden to program access or participation by eligible participants.</p>
Recommendations	<p>DoL OIG made the following recommendations.</p> <ol style="list-style-type: none"> 1. The UI Program Accountable Official should modify the plan to include: <ul style="list-style-type: none"> • Specific details regarding rate reduction by utilizing corrective actions with clear milestones illustrating the impact the rate reduction will have on improper payments. • Targeted reduction strategies to include specific guidelines that encourage collaborative efforts between the Department and the states to ensure reductions of improper payments are achieved.

DoL OIG, Review of Report on Improper Payments in the Unemployment Insurance Program (22-10-020-03-315), September 2010

	<ul style="list-style-type: none"> • Financial impacts and cost benefit analyses that show corrective actions will bring about a rate of return on investment. • Specific targeted reduction strategies and ways to ensure state participation and compliance with initiatives to meet or exceed reduction targets. <p>2. The UI Program Accountable Official should consider the use of a more accurate presentation of the reduction plan’s progress in reducing improper payments. For example, consider using other reports that provide real-time data, as well as a more accurate count of the entire improper payments universe than the current methodology.</p>
<p>Agency Response</p>	<p>DoL stated it was committed to working with the State workforce agencies to develop administrative policies and procedures that will reduce improper payments in the UI program. Additionally, DoL considered DoL OIG’s recommendations and will look into the feasibility of providing additional information as part of its next annual report. Finally, DoL indicated that it would seek modification of its data collection systems from OMB to obtain a more accurate count of the number of UI claimants in the population who have received overpayments in excess of \$5,000.</p>

As of January 2012, DoL OIG was auditing the UI program to assess the effectiveness of DoL’s controls over States’ detection of overpayments for state and federally-funded UI benefits. DoL OIG is also auditing the *Federal Employees’ Compensation Act* (FECA) program to assess DoL’s processes for detecting and managing improper payments, such as terminating deceased claimants’ benefits, identifying claimants’ unreported income and Social Security Administration retirement benefits, processing employing agencies’ reporting of FECA claimants who return to work, and training claims examiners on preventing improper payments.

Department of Health and Human Services, Office of Inspector General

The Department of Health and Human Services (HHS), Office of Inspector General (OIG), reviewed its agency's Quarterly High-Dollar reports for Fiscal Year 2010 and issued a report in July 2012. The table below summarizes HHS OIG's report and recommendations as well as HHS's response to the recommendations.

HHS OIG, U.S. Department of Health and Human Services Did Not Fully Comply with Executive Order 13520 When Reporting Fiscal Year 2010 High-Dollar Improper Payments, July 23, 2012	
Summary	HHS did not fully comply with section 3(f) of the Executive Order in its Fiscal Year 2010 quarterly reports on high-dollar improper payments. Specifically, HHS did not report all identified high-dollar improper payments made by Medicare Parts A and B. In addition, for Medicare Parts C and D, Head Start, and the five State-administered programs, the OIG was unable to determine whether HHS reported all such payments. HHS's quarterly reports were incomplete and could not be used to adequately assess the level of risk of each program or to determine the extent of necessary oversight.
Recommendations	<ol style="list-style-type: none"> 1. Consider developing a comprehensive list of overpayments for all its high-priority programs that takes into account each potential source of an improper payment and that can be analyzed to determine whether the thresholds for reporting high-dollar improper payments have been met and 2. Determine whether there are any high-dollar improper payments for the five State-administered programs that should be reported.
Agency Response	<p>HHS disagreed with the OIG's findings and explained why it believed it had complied with the Executive Order's reporting requirements. The Department stated, however, that it would carefully consider the OIG's recommendations.</p> <p>After reviewing the Agency's comments, the OIG maintained that its findings and recommendations were valid.</p>

Department of Housing and Urban Development, Office of Inspector General

The Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), reviewed its agency’s annual Accountable Official report in December 2010 and planned to review its Quarterly High-Dollar report in Fiscal Year 2012. The table below summarizes HUD OIG’s report and recommendations as well as HUD’s response to the recommendations.

HUD OIG, Annual Evaluation of HUD’s Compliance with Presidential Executive Order 13520, Reducing Improper Payments (2011-FO-0004), December 2010	
Summary	<p>HUD OIG found that HUD was in general compliance with Executive Order (EO)13520, but improvements could be made. EO 13520 mandates that every Federal agency ensure that every effort is made to confirm that the right recipient receives the right payment for the right reason at the right time. To ensure the transparency and integrity of the program, HUD should consider full disclosure of the public housing error estimates in the Performance and Accountability Report (PAR) and continue to strive to report its progress in reducing improper payment risks in its programs completely and accurately.</p>
Recommendations	<p>HUD OIG made the following recommendations to HUD’s Chief Financial Officer:</p> <ol style="list-style-type: none"> 1. Consider full disclosure of the error estimates related to public housing through a footnote disclosure in the PAR and Accountable Official Report to comply with the EO and Office of Management and Budget (OMB) Memorandum M-10-13 requirements. 2. Test the operating effectiveness of monitoring controls related to Office of Public Indian Housing and Office of Housing supplemental measures as part of HUD’s annual OMB Circular A-123 assessment reviews. 3. Establish and implement supplemental measures to address the ongoing issue of tenant overdue recertifications in the public housing and public housing voucher programs. 4. Perform the required analysis to document its basis for arriving at annual and quarterly improper payment reduction goals and to establish 3-year supplemental targets to fully comply with EO 13520 and OMB Memorandum M-10-13.

HUD OIG, Annual Evaluation of HUD's Compliance with Presidential Executive Order 13520, Reducing Improper Payments (2011-FO-0004), December 2010

	<p>5. Strengthen the transparency of the estimation methodology by incorporating additional information or analysis into the HUD contractor quality control study's final report:</p> <ul style="list-style-type: none"> i. Provide a table of weights used to document that the results still mirror the proportions of the tenant groups within the population, given the quality control study's heavy use of sampling weights to offset uneven selection probabilities in the sample. ii. Compare the proportions of urban versus rural tenants used in the sample with the proportion of the tenant population as a whole and if a difference is found, add a statistical test to determine whether these two tenant types have a different rate of error.
<p>Agency Response</p>	<p>HUD concurred with Recommendations 2, 3, and 4 but disagreed with Recommendations 1 and 5. In reference to Recommendation 1, HUD stated that it was in compliance with the EO and OMB Memorandum M-10-13. In reference to Recommendation 5, HUD stated that the quality control study was designed to be national in scope and the samples selected were representative of the selected populations.</p>

Social Security Administration, Office of the Inspector General

The Social Security Administration (SSA), Office of the Inspector General (OIG), reviewed its agency's annual Accountable Official reports in September 2010 and its Quarterly High-Dollar report in December 2010. The table below summarizes SSA OIG's reports and matters for consideration as well as SSA's responses to the reports.

SSA OIG, <i>The Social Security Administrations' Plan to Reduce Improper Payments Under Executive Order 13520 (A-15-10-20163)</i>, September 2010	
Summary	Overall, SSA OIG's review determined that SSA generally presented all required information from the Executive Order (EO) in its Annual Report accurately. The Agency met all requirements of the EO; however, SSA incorrectly reported several monetary and non-monetary figures based on the supporting documentation provided. The Agency should have detected the errors through its quality review process. After OIG's review, SSA posted an updated version with the correct figures on its improper payments Website. To ensure the accuracy of the data in the Annual Report, SSA should improve the internal quality review procedures surrounding the information in its Annual Report.
Matters for Consideration	<p>To ensure improvement in the prevention, collection, and detection of improper payments continues, SSA should continue efforts to address improper payments. Specifically, SSA should evaluate legislative proposals to determine those that would have a positive effect on prevention, collection, and detection of improper payments. Additionally, SSA should continue to seek funding to cover the full cost of program integrity workloads, such as continuing disability reviews and Supplemental Security Income redeterminations.</p> <p>SSA should also continue to evaluate existing programs to identify improvements in its processes for preventing, collecting, and detecting improper payments. SSA needs continuous efforts to ensure improper payments are detected timely.</p>
Agency Response	None.

SSA OIG, *The Social Security Administration's Reporting of High-Dollar Overpayments Under Executive Order 13520 (A-15-10-21142)*, December 2010

<p>Summary</p>	<p>Overall, SSA OIG's review determined that, although SSA addressed all requirements of the EO based on the results obtained using the stewardship sample cases, the methodology for identifying high-dollar overpayments did not detect existing overpayments that met the criteria of the EO. While the data obtained through the stewardship reviews provided adequate results for payment accuracy, the reviews did not detect high-dollar overpayments required to be reported under the EO.</p> <p>The payment information used for reviewing high-dollar overpayments for the quarters ended June 30 and September 30, 2010 only included payments made during a 1-month period, which in most cases, was outside the quarter reported on. By using data that do not include payments actually made for all 3 months in a quarter, the Agency may not identify high-dollar overpayments.</p> <p>Although SSA reported no high-dollar overpayments during the 2 quarters under review, the Agency would have identified high-dollar overpayments if it had employed a methodology using existing overpayment data. SSA OIG identified high-dollar overpayments using existing overpayment data.</p>
<p>Matters for Consideration</p>	<p>The Agency should implement a cost-effective way to use existing overpayment data to identify and report high-dollar overpayments.</p>
<p>Agency Response</p>	<p>The Agency disagreed with SSA OIG's conclusion that the results of SSA's reviews did not provide adequate payment data needed to meet the requirements of the EO. The Agency stated that OMB approved its methodology for high-dollar overpayment reporting. SSA stated that it followed OMB's guidance and worked with OMB to arrive at a reasonable method to identify high-dollar errors. SSA also stated that since OMB approved the use of the stewardship reviews for identifying high-dollar overpayments, it will continue to use that methodology.</p>

Treasury Inspector General for Tax Administration

The Treasury Inspector General for Tax Administration (TIGTA) reviewed the Internal Revenue Service's (IRS) annual Accountable Official report in February 2011. The table below summarizes TIGTA's report and recommendations as well as the IRS' response to the report.

TIGTA, <i>Reduction Targets and Strategies Have Not Been Established to Reduce the Billions of Dollars in Improper Earned Income Tax Credit Payments Each Year (2011-40-023)</i>, February 2011	
Summary	<p>TIGTA reported that the IRS report to TIGTA did not include any quantifiable targets to reduce Earned Income Tax Credit (EITC) improper payments. IRS management noted that reduction targets were not set because the IRS had to balance enforcement efforts among different taxpayer income levels. The IRS stated that its new efforts to regulate tax return preparers will reduce the improper payment rate. However, it is unknown whether the regulation of tax return preparers will result in a significant reduction in EITC improper payments.</p> <p>TIGTA also found that the methodology used to compute the Fiscal Year 2009 EITC improper payment rate provided a valid estimate of EITC overpayments. The IRS used results from its National Research Program to estimate the 2009 EITC improper payment rate.</p>
Recommendations	<p>TIGTA made the following recommendations.</p> <ol style="list-style-type: none"> 1. Establish quantifiable reduction targets and strategies to meet those targets as required by Executive Order 13520. 2. Use the National Research Program sample to estimate instances in which the IRS incorrectly pays less in the EITC than the taxpayer claims (underpayments).
Agency Response	<p>The IRS agreed with the first recommendation—indicating that it would set reduction targets once its tax return preparer initiative was completed (probably in 2014). The IRS agreed in concept with the second recommendation. The IRS will explore whether the recommendation on estimating underpayments is possible and practical.</p>

U.S. Department of Agriculture, Office of Inspector General

The U.S. Department of Agriculture (USDA), Office of Inspector General (OIG), reviewed its agency’s annual Accountable Official report in March 2011 and its Quarterly High-Dollar report in July 2011. The table below summarizes USDA OIG’s reports and recommendations as well as USDA’s response to the reports.

USDA OIG, Calendar Year 2010 Executive Order 13520, Reducing Improper Payments, Accountable Official Report Review (50024-2-FM), March 2011	
Summary	<p>USDA OIG found that, in general, USDA included all elements required by the Executive Order (EO) in its report for the Supplemental Nutrition Assistance (SNAP) and National School Lunch Programs (NSLP). USDA OIG determined that SNAP and NSLP’s level of risk was high, and continued oversight by USDA over the State agencies responsible for administering these programs is necessary to reduce program errors. USDA OIG also concluded that SNAP’s methodology for identifying and calculating improper payments was statistically acceptable, and its corrective action plans were appropriate, reasonable, and in compliance with Office of Management and Budget (OMB) guidance.</p> <p>However, USDA OIG determined USDA was not reasonable to flat line SNAP’s reduction targets at 5 percent. USDA reported that the 5 percent target was negotiated with OMB; however, officials could not provide documentation to support that OMB concurred. After USDA OIG’s review, USDA explained that OMB requested that SNAP’s reduction targets be reduced from 5 percent to 4.36 percent or lower. As a result, USDA lowered SNAP’s reduction target to 4.36 percent and this was reflected in USDA’s Fiscal Year 2010 Performance Accountability Report.</p> <p>USDA OIG’s statisticians also reviewed NSLP’s econometric models, which is the methodology used to report NSLP’s annual improper payment estimates, and concluded that the estimates did not include an assessment of precision for the interim estimates of annual improper rates. Therefore, USDA OIG did not have any assurance of the accuracy of the estimates.</p>
Recommendations	<p>USDA OIG made the following recommendations.</p> <ol style="list-style-type: none"> 1. Work with OMB to continue to set reasonably aggressive reduction targets that align with USDA’s goal to continue to improve program integrity and the President’s goal to reduce by \$50 billion improper payments made by Federal agencies.

USDA OIG, Calendar Year 2010 Executive Order 13520, Reducing Improper Payments, Accountable Official Report Review (50024-2-FM), March 2011

	<ol style="list-style-type: none"> 2. Document negotiations and agreements between USDA and OMB regarding reduction target determinations. 3. Reassess NSLP's economic model to evaluate how precision can be determined and modify the model as necessary to update annual rates associated with the results from its Access, Participation, Eligibility, and Certification study.
Agency Response	USDA concurred with the OIG's recommendations.

USDA OIG, Calendar Year 2010 Executive Order 13520, Reducing Improper Payments, High-dollar Report Review (50024-1-FM), July 2011

Summary	<p>USDA OIG found that USDA did not fully comply with the requirements of the EO and OMB guidance and direction. Specifically, USDA's high-dollar quarterly reports did not (1) meet the required deadlines, (2) include all high-dollar overpayments, and (3) accurately reflect the Department's corrective actions intended to prevent future overpayments.</p> <p>Additionally, USDA OIG found that USDA's overpayment reporting format could be misleading. At the time of the audit, USDA's efforts to implement the EO were still in progress, and it did not have adequate reporting processes in place.</p>
Recommendations	<p>USDA OIG made the following recommendations.</p> <ol style="list-style-type: none"> 1. Direct the Farm Service Agency to modify its methodology for identifying high-dollar overpayments to include overpayments recovered during the relevant quarter. 2. Direct the Risk Management Agency to report premium and indemnity overpayments on its high-dollar overpayments report if these payments are more than 50 percent of the correct amount, and collectively, more than \$25,000. 3. Include an additional column in the high-dollar report listing the overpayment amount next to the total amount disbursed.
Agency Response	USDA concurred with the OIG's recommendations.

Department of Defense, Office of Inspector General

The Department of Defense (DoD), Office of Inspector General (OIG), reviewed its agency's Quarterly High-Dollar report in March 2011. The table below summarizes DoD OIG's review.

DoD OIG, DoD Needs to Improve High Dollar Overpayment Review and Reporting, March 2011	
Summary	<p>DoD's first quarter Fiscal Year 2010 high-dollar overpayments report was inaccurate and incomplete. Specifically, DoD did not review approximately \$167.5 billion of the \$303.7 billion in gross outlays for high-dollar overpayments. Additionally, DoD did not report some overpayments, and the Overpayments Report did not include sufficient information about recoveries and corrective actions.</p> <p>The Overpayments Report was inaccurate and incomplete because DoD did not develop a sound methodology or perform adequate oversight for collecting and reporting comprehensive data.</p> <p>Unless DoD takes action to improve the data collection methodology and oversight, DoD will continue to understate the Department's high-dollar overpayments and error rate.</p>
Recommendations	<p>DoD OIG recommended that DoD develop a methodology to ensure adequate coverage and oversight of its high-dollar overpayment reporting including:</p> <ul style="list-style-type: none"> • steps to perform a reconciliation of all DoD outlays reviewed for improper payments to the Statement of Budgetary Resources; • development of procedures to ensure all overpayments are reviewed for high-dollar overpayments; and • disclosure of payment areas not reviewed for high-dollar overpayments. <p>DoD OIG also recommended that DoD:</p> <ul style="list-style-type: none"> • develop procedures to statistically sample commercial pay entitlement systems; and • develop internal controls to ensure only entitled individuals with valid Social Security numbers receive travel payments.
Agency Response	<p>DoD was partially responsive in its January 2011 comments to the OIG's report.</p>

Department of Homeland Security, Office of Inspector General

The Department of Homeland Security (DHS), Office of Inspector General (OIG), reviewed its agency's Quarterly High-Dollar reports in August 2010 and December 2011. The table below summarizes DHS OIG's review.

DHS OIG, Memorandum on OIGs Review of the Department's Fiscal Year 2010 High-Dollar Overpayment Reports for the 2nd and 3rd Quarters, August 2010	
Summary	<p>DHS OIG stated that DHS reported recovery of all high-dollar overpayments and took corrective action at the component level to prevent recurrence. DHS OIG noted that high-dollar overpayments identified at the component level and reported in the second quarter were not repeated in the third quarter.</p> <p>Based on its review, DHS OIG did not believe there was a high level of risk associated with the overpayments and did not believe additional oversight was warranted.</p>
Recommendations	DHS OIG did not make any recommendations.
Agency Response	Not applicable.

DHS OIG, Memorandum on OIGs Review of the Department's Quarterly High-Dollar Overpayments Reports for July to September 2011, issued December 2011	
Summary	DHS OIG noted that DHS was unable to provide evidence supporting \$95,351 of the amount reported as collected.
Recommendations	DHS OIG recommended that DHS continue to follow up on overpayments that have not been recovered. DHS OIG also requested that overpayments which remain uncollected through the next quarter be included in DHS' High-dollar Overpayments Report. DHS OIG also asked DHS to provide it with evidence of overpayments recovered.

Department of Transportation, Office of Inspector General

The Department of Transportation (DoT), Office of Inspector General (OIG), reviewed its agency's annual Accountable Official and Quarterly High-Dollar reports in November 2011. The table below summarizes DoT OIG's report and recommendations as well as DoT's response to the recommendations.

DoT OIG, <i>Actions Needed to Ensure Accurate Executive Order 13520 Reporting</i> (FI-2012-004), November 2011	
Summary	<p>DoT OIG reported that DoT's September 2010 report to the OIG did not accurately account for high-dollar overpayments and recoveries. DoT reported amounts that did not need to be reported as they were under the threshold and understated actual payments recovered. Furthermore, the report did not agree with the results of the annual improper payments testing. Both the September 2010 annual report and the January 2011 quarterly report included high-dollar improper payment amounts that did not meet Office of Management and Budget's (OMB) reporting requirements. DoT OIG did not identify any high-dollar overpayments that should have been reported and actual payment recoveries were understated in the report.</p> <p>DoT did not meet a number of reporting requirements for high-priority programs and high-dollar overpayments. For example, neither of DoT's annual or quarterly reports met OMB's requirement for reporting of a strategy for the prevention and recovery of high-dollar improper payments. Also, DoT submitted its September 2010 report to the OIG more than 3 months after the submission deadline specified in Executive Order 13520. As a result, neither DoT nor OMB can measure the effectiveness or timeliness of DoT's actions to reduce improper payments.</p> <p>On March 28, 2011, OMB removed the Federal-Aid Highway Program's designation as a high-priority program. However, the requirement for DoT to report quarterly on high-dollar improper payments continues.</p>
Recommendations	DoT OIG recommended that the Chief Financial Officer develop procedures for preparation and issuance of the quarterly reports on high-dollar improper payments that ensure reporting is consistent with the results of annual improper payment testing, issued in a timely manner, and in compliance with key reporting requirements.
Agency Response	DoT concurred with DoT OIG's recommendation.

Department of Veterans Affairs, Office of Inspector General

The Department of Veterans Affairs (VA), Office of Inspector General (OIG), reviewed its agency's Quarterly High-Dollar report in August 2011. The table below summarizes VA OIG's report and recommendations as well as VA's response to the recommendations.

VA OIG, <i>Audit of VA's Implementation of Executive Order 13520, "Reducing Improper Payments"</i> (10-02892-251), August 2011	
Summary	<p>VA OIG found that VA's Fiscal Year 2010 first quarterly high-dollar overpayments report, which listed 101 high-dollar overpayments, was incomplete primarily because the Veterans Benefit Administration (VBA) misinterpreted reporting guidance. VA OIG identified 143 high-dollar overpayments totaling \$623,434 that VBA did not report. VA also did not adequately consider including an additional 39,208 potential high-dollar overpayments totaling \$213 million.</p> <p>VBA made adjustments after the first quarter to improve compliance with reporting guidance; however, VBA's process still did not fully follow guidance for identifying the high-dollar overpayments. VA OIG determined that the 39,208 overpayments met some of the criteria used in determining reportable high-dollar overpayments; however, VBA did not gather and analyze additional information to determine which overpayments met all the criteria and should have been reported.</p> <p>In addition, the Veterans Health Administration's (VHA) FY 2009 risk assessment did not adequately assess the level of risk associated with their programs. VHA relied upon a self-assessment process that consisted of a checklist; however, the process did not adequately address all payment components.</p>
Recommendations	<p>VA OIG made the following recommendations.</p> <ol style="list-style-type: none"> 1. Direct the Under Secretary for Benefits to report prior period high-dollar overpayments that meet the Office of Management and Budget's (OMB) definition of high-dollar overpayments. 2. Direct the Under Secretary for Benefits to report improper payments that result from administrative errors that meet OMB's definition of high-dollar overpayments.
Agency Response	<p>VA agreed with the recommendations.</p>