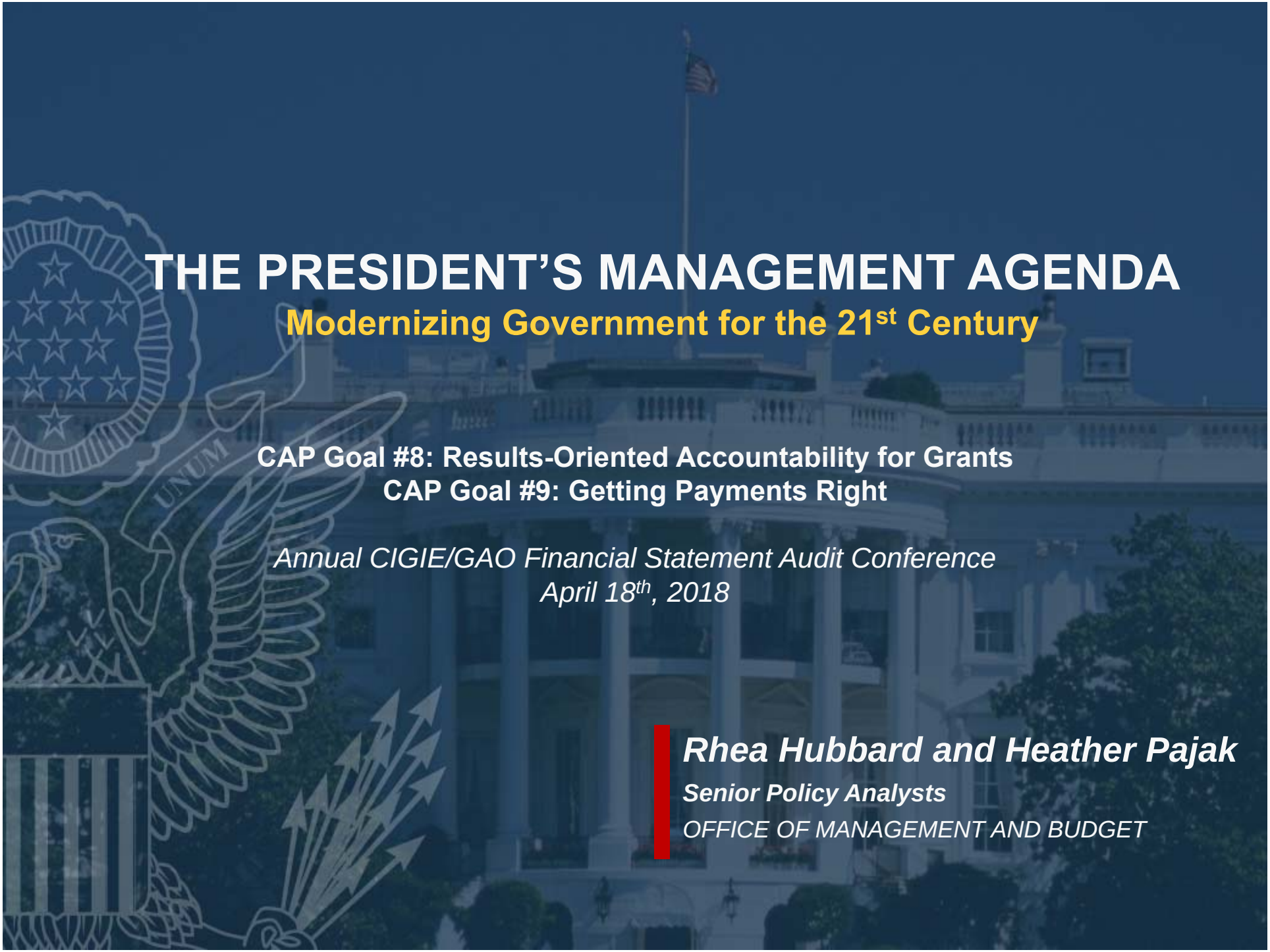


THE PRESIDENT'S MANAGEMENT AGENDA

Modernizing Government for the 21st Century

CAP Goal #8: Results-Oriented Accountability for Grants
CAP Goal #9: Getting Payments Right

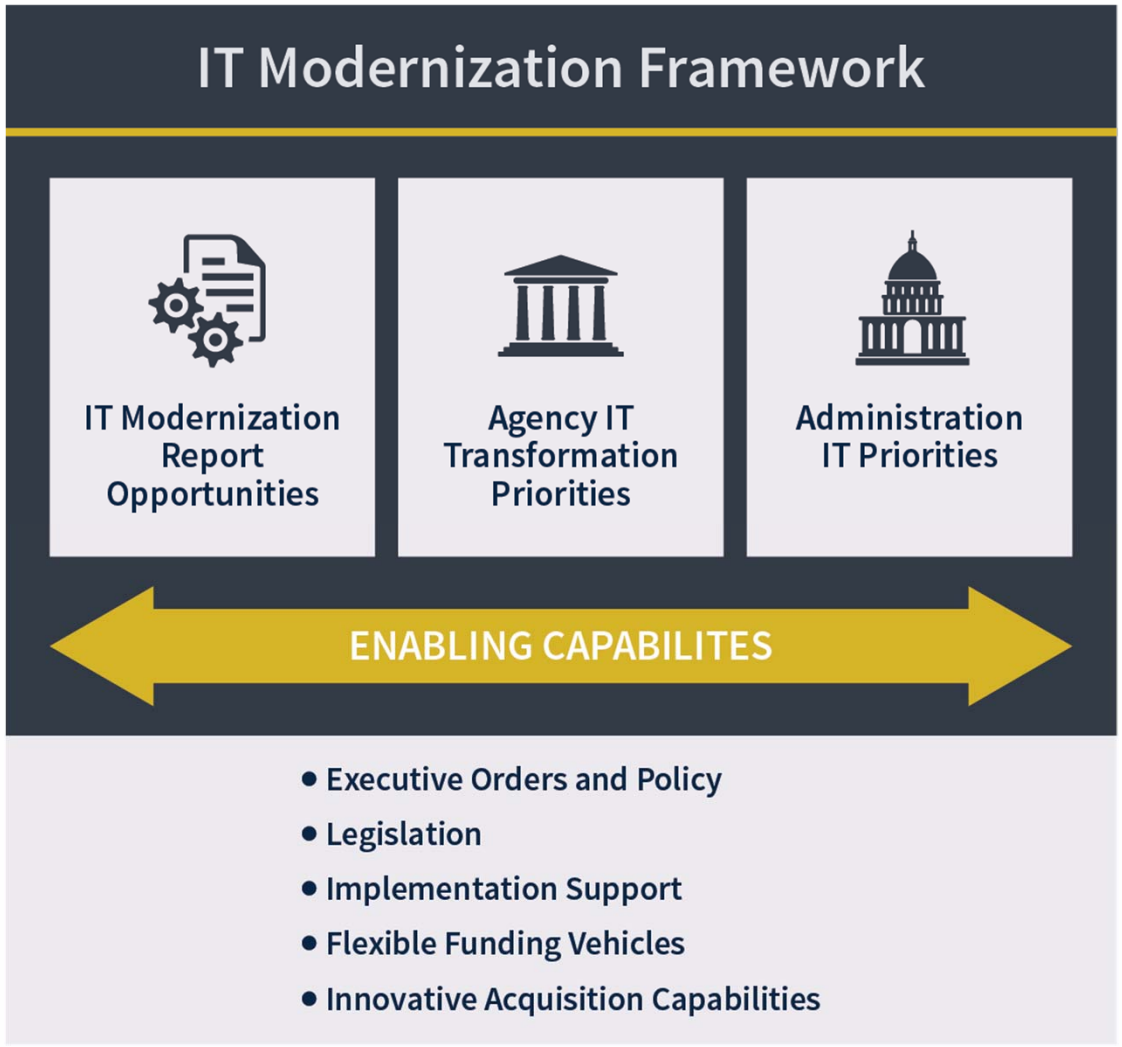
Annual CIGIE/GAO Financial Statement Audit Conference
April 18th, 2018

Rhea Hubbard and Heather Pajak
Senior Policy Analysts
OFFICE OF MANAGEMENT AND BUDGET

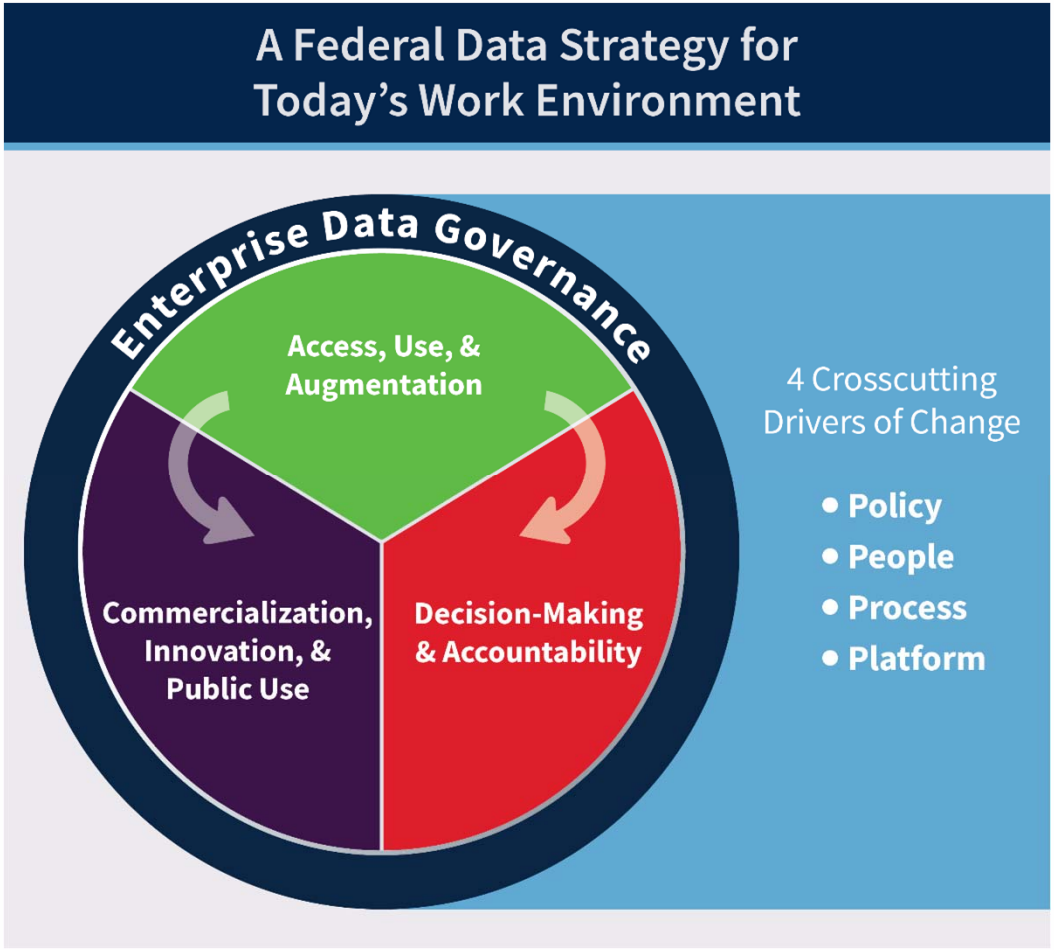
What Is Different?

Government modernization will be rooted in the intersection of transforming technology, data, process, and people rather than working in silos.

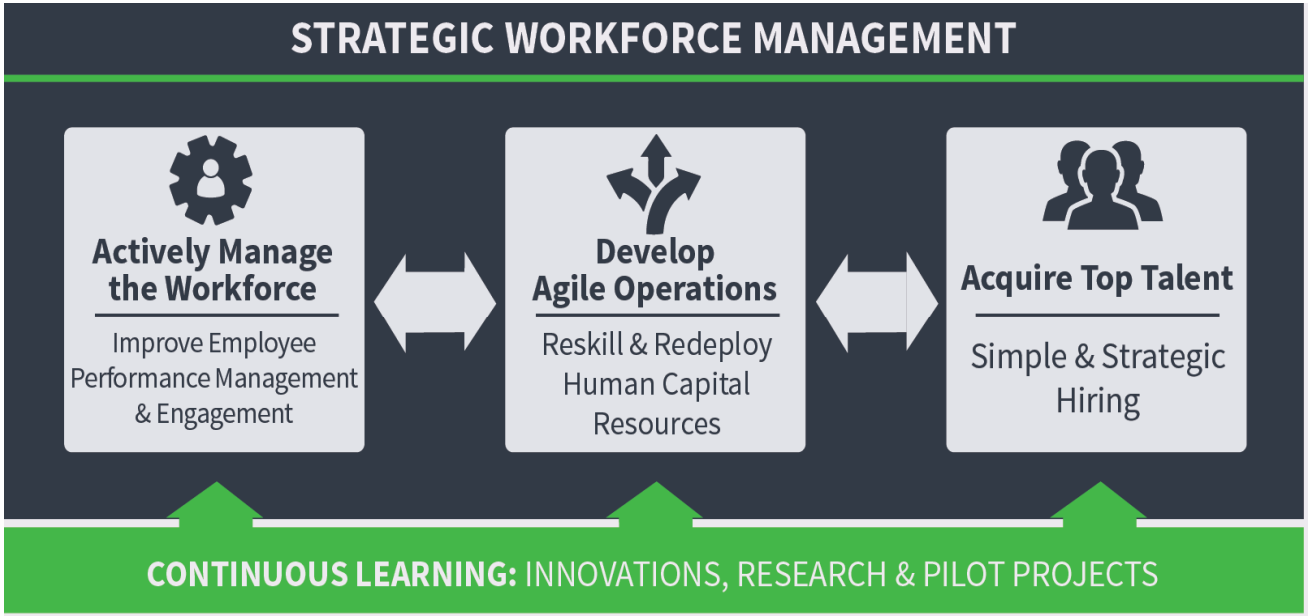
IT Modernization



Data, Accountability, and Transparency



People - Workforce of the Future



ENABLERS:

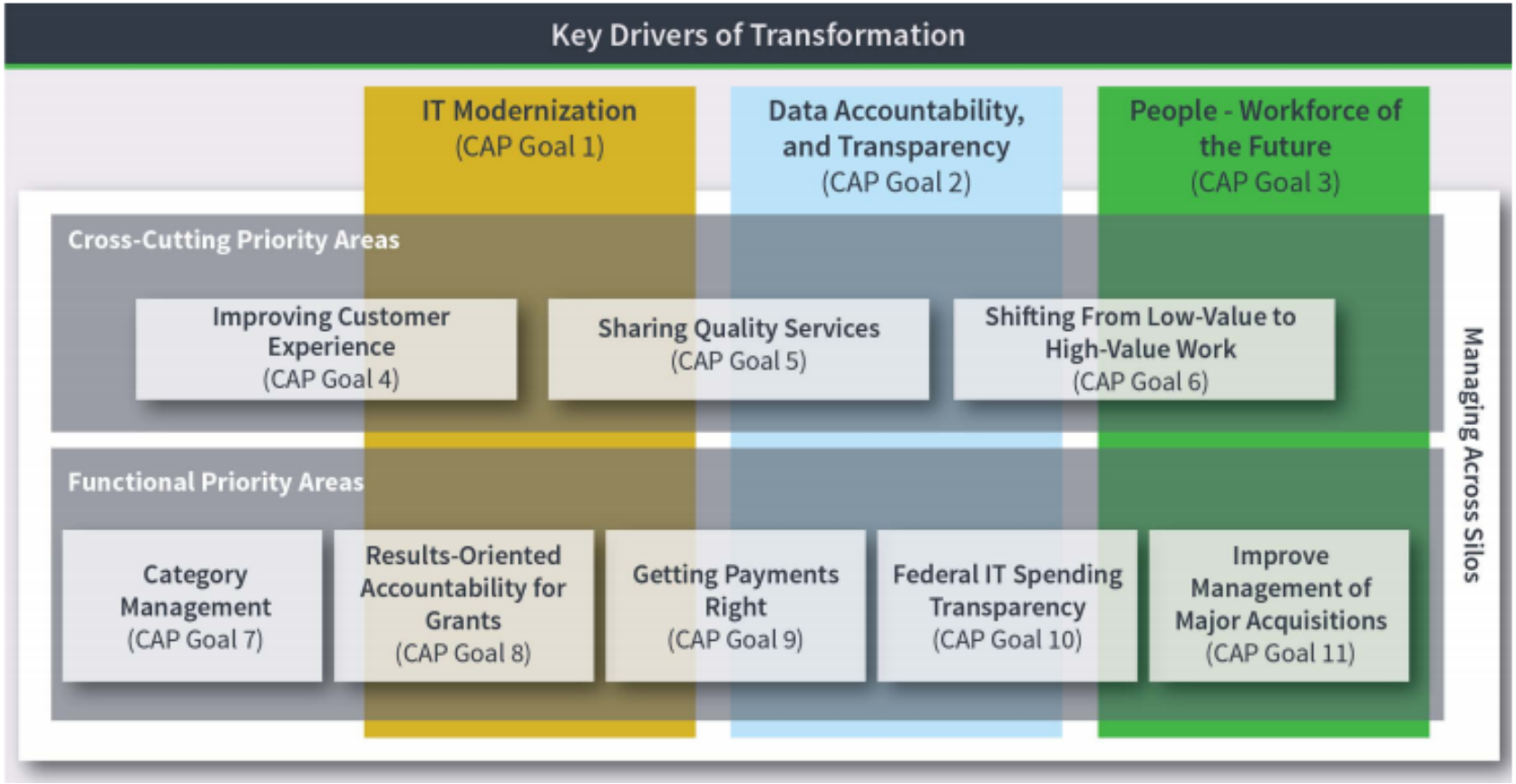
- **Leverage data and analytics**
- **Utilize information technology and tools**
- **Align financial models/incentives**
- **Simplify legal and policy framework**
  (requires legislative and regulatory change)

PRESIDENT'S MANAGEMENT AGENDA

Cross Agency Priority (CAP) Goals

PRESIDENT'S MANAGEMENT AGENDA

Priority Areas for Transformation



PRESIDENT'S MANAGEMENT AGENDA

CAP GOAL #8 Results Oriented Accountability for Grants

PRESIDENT'S MANAGEMENT AGENDA

Grants Challenges by Stakeholder Community

Oversight Community

- Weak internal controls
- Funds mismanagement
- Fraud
- Improper payments

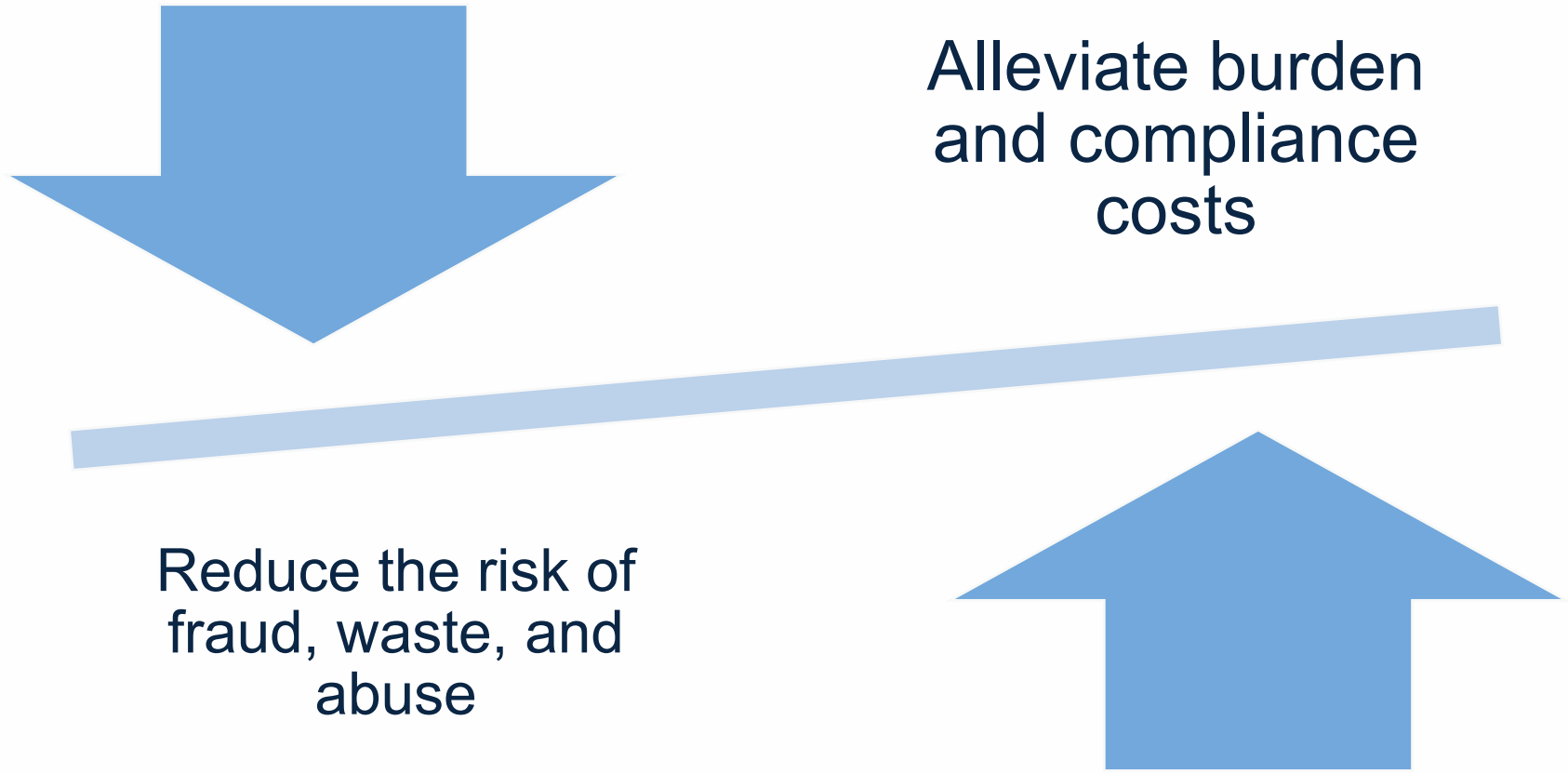
Recipients and the Communities they Serve

- Burden
- Fragmentation
- Conflicting guidance

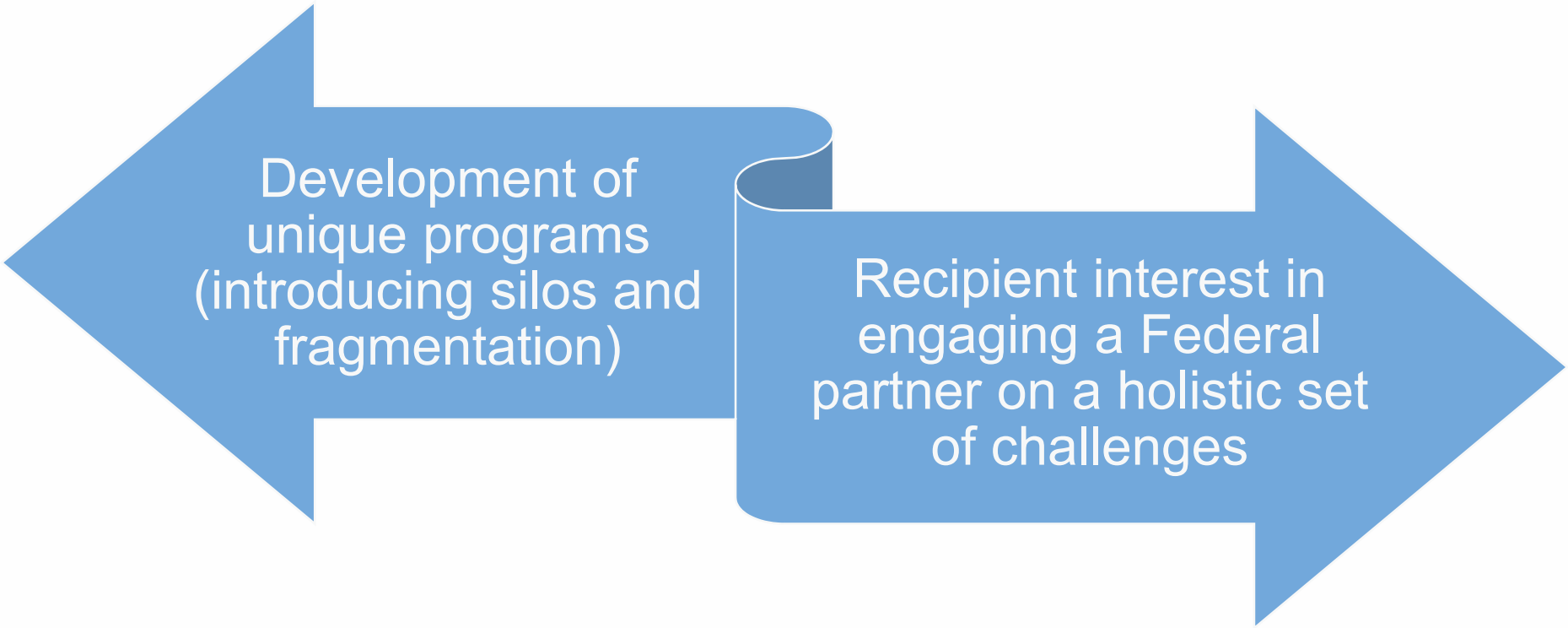
Federal Awarding Agencies

- Need for improved coordination across lines of businesses and program
- Opportunities to improve access to and quality of data
- Unstandardized business process

Striking the Right Balance between Historically Competing Goals



Tension between Program Design and Recipient Needs



Past Reforms and Initiatives

- Single Audit Act of 1984
- Federal Financial Assistance Management Improvement Act of 1999 (P.L. 106 – 107)
- Council on Financial Assistance Reform (2011 – 2017)
  - Uniform Guidance – finalized in December 2013
- DATA Act Section 5 Pilot & Report (2015 – 2017)

Overview - Results Oriented Accountability for Grants

Goal Statement

- Maximize the value of grant funding by applying a risk-based, data-driven framework that balances compliance requirements with demonstrating successful results for the American taxpayer.

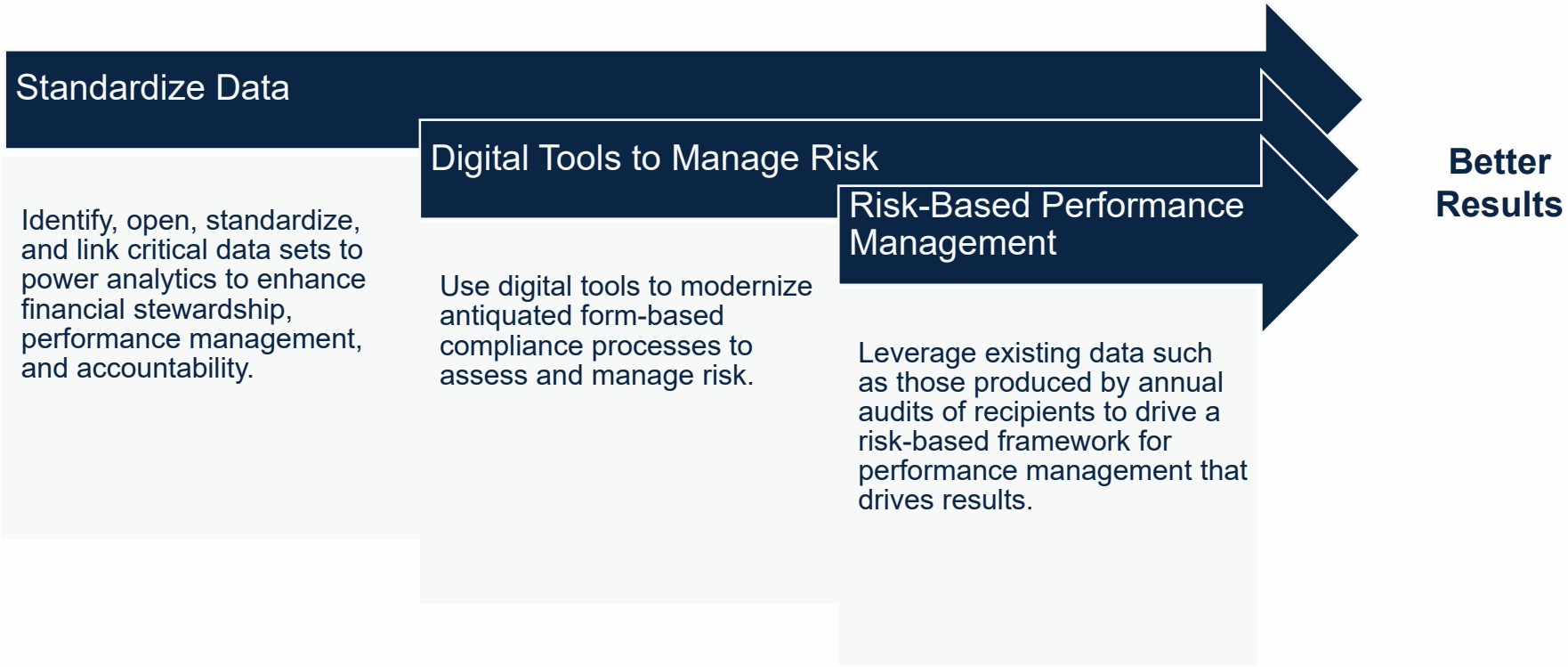
Challenge

- The Federal government uses grants to invest approximately $700 billion each year in mission-critical needs for American taxpayers, but managers report spending 40% of their time using antiquated processes to monitor compliance instead of analyzing data to improve results.

Opportunity

- Identify, open, standardize, and link critical data sets to power data analytics to enhance financial stewardship, performance management, and accountability. Use digital tools to modernize antiquated compliance processes. Leverage available data such as those produced by annual audits of recipients to drive a risk-based framework for performance management that drives results.

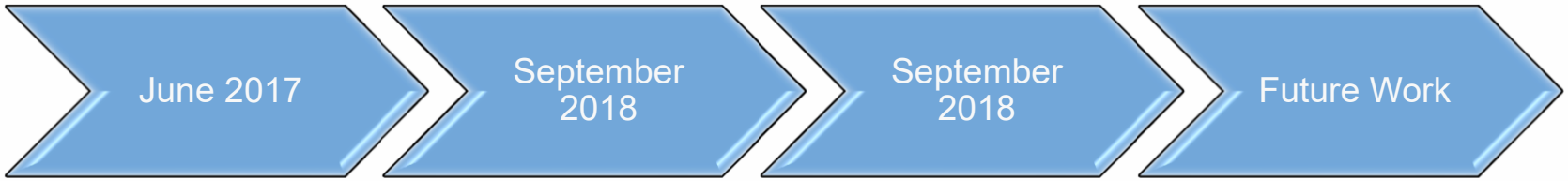
Goal Structure - Results Oriented Accountability for Grants



Strategy 1: Standardize Data

Data standardization reduces recipient burden, supports faster and more transparent decision making. Initial work will focus on the establishment of a comprehensive taxonomy for core grants management data standards.

This strategy supports the Improving the Efficiency and Effectiveness of Administrative Services Across Government and Leveraging Data as a Strategic Asset CAP Goals.



- Develop core capabilities for grants management
- Standardize core data elements to inform comprehensive taxonomy for core grants management data standards
- Develop plan for outreach, governance, and maintenance of data taxonomy
- Develop and execute long-term for implements data standards government-wide

Strategy 2: Digital Tools to Manage Risk

The Federal government has a tremendous amount of data that may be leveraged to identify opportunities and better manage risk, but that data is currently locked in an antiquated process, and driving burdensome compliance exercises. Powerful data and analytics based on risk could set the stage for a risk-based performance management framework in Strategy 3.

- Draft business capabilities for single audit resolution common solution
- Draft risk-management framework
- Develop draft business capabilities for risk management tool
- Deploy single audit resolution common solution, integrate to include risk-management tool

Strategy 3: Risk-Based Performance Management

A comprehensive risk-management tool for determining Federal funding awards that are low-risk and high value must include consideration of past performance results, financial risk, and an applicant's capabilities to deliver the proposed results. In order to do this, agencies need to have ready access to performance data and have the data infrastructure to include performance in risk modeling.

Spring 2018

- Issue 2018 'skinny' Single Audit Compliance Supplement

Summer 2018

- Conduct survey and follow-up interviews to document best practices in performance management
- Identify forward-thinking agencies

Fall 2018

- Select programs to pilot flexibilities in agencies with strong risk management that ties in performance

Spring 2019

- Streamline 2019 Single Audit Compliance Supplement with an increased focus on compliance requirements that inform performance

Future Work

- Scale lessons learned from pilots to establish risk-based performance management
- Revise OMB guidance for risk-based performance management

Key Stakeholders

This initiative will require extensive engagement with key grants management stakeholders, including the following internal and external communities:

- Federal Awarding Agencies
- Recipients
- Taxpayers
- Congress
- Oversight Community
- Software Providers

PRESIDENT'S MANAGEMENT AGENDA

CAP GOAL #9 Getting Payments Right

Improper Payments - Cash Loss and Recovery

Not all improper payments represent a cash loss to the government

Not all improper payments are recoverable

Overview – Getting Payments Right

Goal Statement

Reduce the cash loss to the tax payers by issuing payments correctly the first time and, as appropriate, recovering funds that were paid incorrectly.

Challenge

While improper payments may compromise citizens' trust in government, they are not always indicative of fraud, nor do they necessarily represent payments that should not have been made. The cash loss to taxpayers is not only the incorrect payment, but also includes costs associated with prevention and recovery.

Opportunity

To improve the efficiencies of government programs by focusing on getting government payments right the first time they are made and reducing the cost associated with an incorrect payment.

Impact of the Problem - Getting Payments Right

The impact of an individual improper payment is larger than the monetary value of the payment

- More than one in three of the 90 VA disability claims reviewed in 2014 were incorrectly processed, according to an audit by the VA Office of Inspector General. Veterans who receive overpayments often get an unexpected bill when the VA fixes the mistake. In four cases involving overpayments, the VA overpaid veterans totaling $139,052.
- When an improper payment occurs within government healthcare programs due to billing mistakes such as duplicate payments, billing for medically unnecessary or, non-covered services, it can cause the government to pay more and may result in beneficiaries having to pay higher out-of-pocket costs for healthcare.

Recovering an improper payment is often difficult and inefficient

- The Federal government has only been able to recover approximately $0.47 of every $1.00 overpayment identified between 2013 and 2017.

Goal Structure - Getting Payments Right

Reduce the Amount of Cash Loss

- Identify why we are making incorrect payments and implement solutions to stop the incorrect payments from occurring in the future.

Clarify and Streamline Requirements

- Clarify and streamline compliance and reporting requirements to increase focus on reducing incorrect payments.

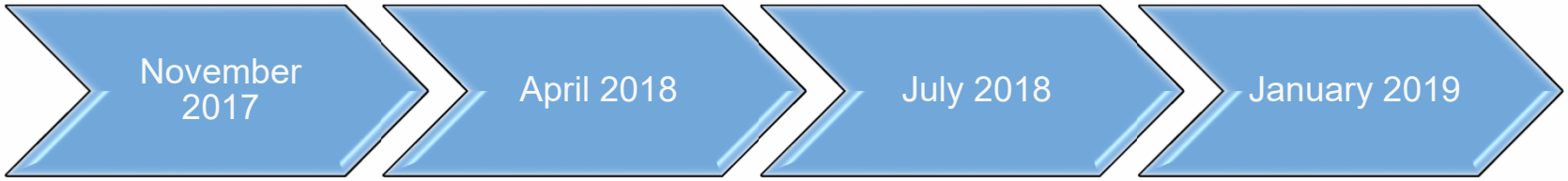
Partner With States

- Strengthen partnerships with states to identify improvements that will prevent and reduce incorrect payments made by Federally funded state-administered programs.

Reduced Amount of Wasted Resources

Strategy 1: Reduce the Amount of Cash Loss

Each program reporting an estimated cash loss over $100 million will provide goal(s) or milestones, along with progress updates, needed for the program to make payments right the first time.



- Finalize cash loss estimation methodology and identify cash loss amount

- Programs unable to identify cash loss and finalize a cash loss estimation methodology will self identify
- Programs able to identify cash loss will identify what caused the cash loss

- Identify what needs to be done to get the payment right the first time

- For each program, establish progress goal(s) or milestones that address the cause of incorrect payments, and determine frequency of reporting progress

Strategy 2: Clarify and Streamline Requirements

Identify areas where clarification or modification of requirements is needed to assist with improving the prevention of improper payments. This will contribute to the Government's success in correctly making payments.

October 2017	Spring 2018	May 2018	June 2018	Summer - Fall 2019
• Identify needed statutory changes and share with Congress	• Revise and publish agency guidance based on 2017 burden reduction engagements	• Identify additional guidance improvements needed to increase payment accuracy and prevent cash loss • Identify additional statutory barriers and other needed changes	• Communicate remaining needed changes with OMB and Congress	• Revise and publish agency guidance; Implement guidance revisions

Strategy 3: Partner With States

States receiving federal funding play a critical role in ensuring that the funding is spent correctly. By partnering with states, the Federal Government will learn more about opportunities to help them be successful.

December 2017	May 2018	June 2018	August 2018	January 2019	May 2019
• Identify an the initial set of states that the Department of the Treasury Do Not Pay Business Center (DNP Business Center) should explore working with	• Identify Federally funded state-administered programs reporting an estimated cash loss over $100 million	• Identify ways the DNP Business Center can assist these States with development and implementation of mitigation strategies	• Identify what, if any, State actions contribute to the cash loss	• Identify ways the Federal Government could assist the States with development and implementation of mitigation strategies	• Implement mitigation strategies through pilots and evaluate effectiveness for implementation on a larger scale

Key Metrics - Getting Payments Right

Key Performance Indicator #1

Annual Amount of Cash Loss

Key Performance Indicator #2

Reductions in Cash Losses Over Time

Key Performance Indicator #3

Progress Achieving Program Quarterly Milestone

Key Performance Indicator #4

Reduction in Inefficient Requirements

Key Performance Indicator #5

Improvements in State Programs

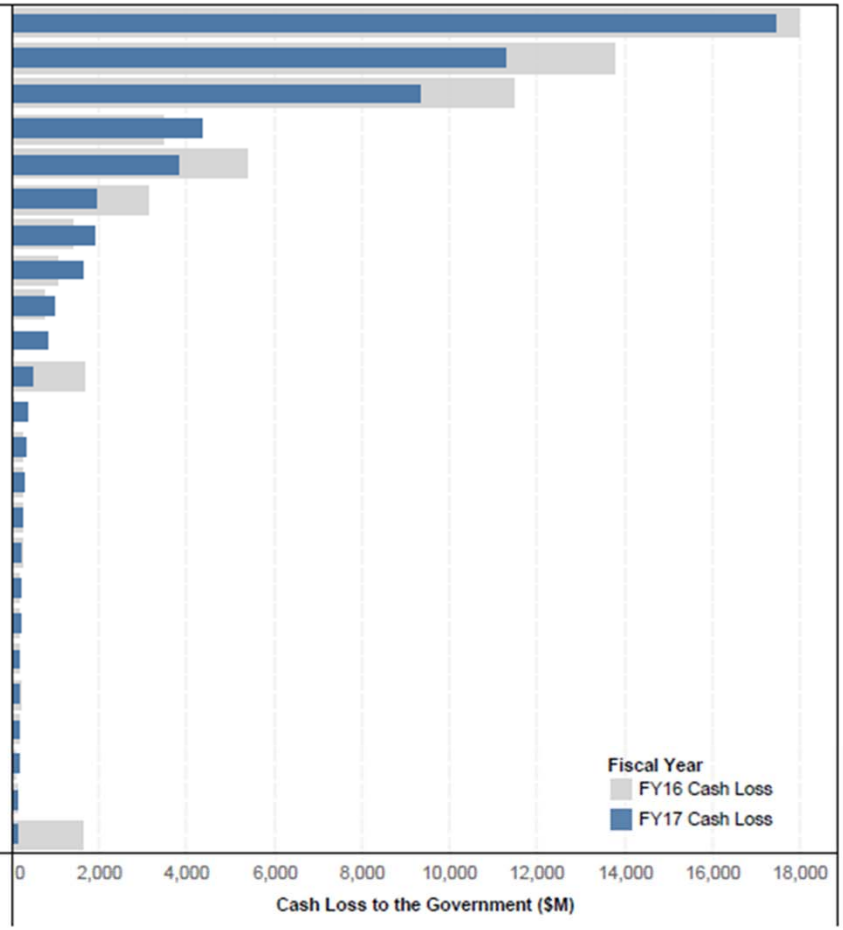
Agencies with Programs Estimating Cash Loss over $100M in FY2017

- Department of Agriculture
- Department of Defense
- Department of Education
- Department of Health and Human Services
- Department of Housing and Urban Development
- Department of Transportation
- Department of the Treasury
- Federal Communications Commission
- Office of Personnel Management
- Social Security Administration
- Veterans Administration

Key Metrics – Amount of Cash Loss and Change in Cash Loss

Cash Loss to the Government (FY16 - FY17)

Program or Activity	Agency	Indicator	Change
Earned Income Tax Credit	Treasury	↓	-$497
Medicare Fee For Service	HHS	↓	-$2,514
Medicare Part C	HHS	↓	-$2,173
Supplemental Security Income	SSA	↑	$893
Medicaid	HHS	↓	-$1,571
Old-Age, Survivors, and Disability Insurance	SSA	↓	-$1,192
National School Lunch	USDA	↑	$507
Pell Grant	ED	↑	$579
School Breakfast	USDA	↑	$236
Direct Loan	ED	↑	$743
Medicare Part D	HHS	↓	-$1,210
Universal Service Funds-Lifeline	FCC	↑	$295
Community Care	VA	↑	$67
Compensation	VA	↑	$20
Total Program Retirement	OPM	↑	$2
Child Care	HHS	↓	-$4
Childrens Health Insurance	HHS	↑	$79
Special Supplemental Nutrition Program for Women, Infants, and Children	USDA	↑	$67
Military Pay	DOD	↑	$38
Federal Crop Insurance Corporation	USDA	↓	-$51
Travel Pay	DOD	↑	$11
Federal Highway Administration Highway Planning and Construction	DOT	↑	$48
Universal Services Fund-Schools & Libraries	FCC	↓	-$15
Office of Public and Indian Housing - Tenant-Based Rental Assistance	HUD	↓	-$1,505



Cash Loss - Cash loss to the Government includes amounts that should not have been paid and in theory should/could be recovered.

*Amounts were reported in millions of dollars

* *Excludes programs with estimated cash loss below $100 million*

Questions

Rhea Hubbard Rhubbard@omb.eop.gov

Heather Pajak Hpajak@omb.eop.gov