Payment Integrity Alert: Risk Factors and Suggested Mitigating Strategies from the Office of Management and Budget (OMB) Office of Federal Financial Management and the Pandemic Response Accountability Committee (PRAC)

Consistent with President Biden's charge to, through the implementation of the American Rescue Plan (ARP), "prove to the American people that their government can deliver for them, and do it without waste or fraud,"[1] and building on the White House ARP Implementation Team's ongoing collaboration with the PRAC, this is the first in a series of communications that have been jointly prepared by OMB and the PRAC. These communications are intended to bring awareness on key issues where OMB and the PRAC believe further action may be warranted. This document does not constitute official guidance or require specific tasks for agencies beyond consideration of appropriate steps to address ongoing or future issues related to payment integrity.

Since March 2020, the Congress has passed more than $5 trillion in COVID-19 related stimulus funding. This significant amount of funding has highlighted pre-existing issues with payment integrity, while also creating new opportunities and challenges. With the recent passage of the American Rescue Plan ($1.9 trillion), it is imperative that executive departments and agencies incorporate in program design, tracking, and reporting lessons learned and mitigating strategies to risks and issues with payment integrity encountered during previous rounds of COVID-19 stimulus. OMB and the PRAC have coordinated to identify risk factors and mitigating strategies that agencies can consider when assessing impact to their respective programs.

Risk Factors Impacting Payment Integrity

Creation of a New Program: Standing up new programs in a time of national crisis can help meet compelling needs of individuals and businesses. Increased attention should be paid to the potential for payment-integrity risks associated with the creation of a Federal program, including familiarity with new processes for disbursing program funds and with fully understanding and interpreting new program authorities, practices, and procedures, as well as expected recipient behavior in response to new program benefits.

New Legal Provisions: Changes made to the statutory framework of a program can introduce the need to adjust program policies and procedures.

Change to Existing Program Eligibility Rules: When program eligibility rules are changed quickly to respond to new circumstances, as can be the case during disaster situations, payment integrity functions associated with that program may be directly affected.

Increase in Funding, Applications, and Awards: While increases in funding correspondingly increase benefits to the American public, increases in the volume of applications and awards, addition of program functions, or even an increase in temporary staff less familiar with internal control processes highlight the need to focus on payment integrity risk factors.

---

[1] Remarks by President Biden on the Implementation of the American Rescue Plan | The White House

Decrease in Program Personnel and Resources: A shortage of resources needed to accomplish a program mission can negatively impact payment integrity. Program personnel play a key role in the safeguarding of internal processes and controls that maintain a program's key functions.

Limited Amount of Time to Disburse: Time limits associated with funding disbursements while often necessary to address immediate economic and health needs can have the potential to lead to an increase in payment errors due to reduced time to implement internal controls related to the funding disbursement and other risks to payment integrity.

Mitigation Strategies

Agencies have a variety of options for responding to increased risks of improper payments. Agencies should consider what strategies are available and make most sense to implement based on their unique risk environment and program design factors, such as targeting program outcomes related to, for example, advancing racial equity and support for underserved communities. For additional examples of successful mitigation strategies and corrective actions, refer to M-21-19, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement (March 5, 2021)*.

Specific strategies identified by OMB and the PRAC are detailed below to assist agencies in preventing and detecting improper payments:

Improving Access to and Leveraging Data

Agencies are encouraged to leverage existing data capabilities and other Centers of Excellence, such as the System for Award Management, the Do Not Pay Portal, and the Payment Integrity Center of Excellence, to help prevent improper payments from being made, while also exploring other options available internally. Agencies should also be mindful of the options they have available to them under the Payment Integrity Information Act (PIIA) to request waivers for Computer Matching Agreements in addition to leveraging data analytic and data science capabilities where appropriate to help improve payment integrity efforts. Better use of data can help agencies prevent mismanagement and monetary loss often associated with federal disaster relief efforts, particularly when considering controls that would check for the authenticity of an applicants' identity or the veracity of applicants' eligibility claims.

Tracking Supplemental Funding

OMB expanded the use of the Disaster Emergency Fund Codes (DEFC) in agency monthly financial reporting to USAspending.gov as a method for identifying funds received from the major COVID-19 supplemental bills.[2] Agencies are urged to ensure that they are correctly applying these codes in their financial systems and reporting them to USAspending.gov, including outlays at the award level. Tracking supplemental funds separately creates an enhanced capability to report on the use of COVID-19 relief funds and identify improper

[2] The DEFC identifies emergency funding in PL 116-123, PL 116-127, PL 116-136, PL 116-139, PL 116-260 (Division M) and non-emergency funding in PL 116-136, PL 116-139, PL 116-260 (Division N), and PL 117-2

payments. As a result, this will allow for an easier process of tracking how specific supplemental funds are being used, conducting audits, and improving overall transparency. Agencies are further urged to ensure that they are providing plain English award descriptions on the intent and purpose of the award and detailed description of each project or activity to facilitate transparency of pandemic spending.

Consulting with Your Office of Inspector General

Agencies can request information from their respective Office of Inspector General (OIG) and the PRAC on fraud indicators and control weaknesses the OIG may have identified based on audits and investigations. Agencies can also provide proactive briefings to the OIG and the PRAC on tracking, reporting, and financial controls for new agency programs or changes to existing programs. Agencies can also request regular briefings with their OIG and the PRAC on possible fraud trends relevant to programs within the agency's purview. Given the speed with which fraud schemes evolve, maintaining current information on how fraud may be perpetrated will help agencies put in place new preventative controls in response to changing threats. The White House Coordinator of the American Rescue Plan has, in fact, encouraged all Departments to meet in advance with their relevant OIG and the PRAC before launching new programs.

Appointing Accountable Officials

The lack of an accountable official within new programs may lead to disorganization and confusion over responsibilities and management of programs. Agencies can overcome this problem by designating an accountable official within each program that is receiving and disbursing pandemic relief funding. The accountable official should be responsible for ensuring the program is actively preventing improper payments.

Expanding the Use of Proven Strategies

Known strategies that help to prevent and detect improper payments should be leveraged to improve payment integrity efforts across the government. Agencies should consider strategies that can be implemented in the short term to mitigate possible payment integrity risks, such as: increased automation that limits errors; behavioral interventions that aim to deter dishonesty; and internal process or policy changes, such as random audits.