



Minimum Improper Payments Reporting Requirements

Office of Federal Financial Management | Office of Management and Budget

Minimum AFR Reporting Requirements:

- Estimated Amount of payments properly paid, improperly paid, and the corresponding percent for each by program or activity for the current fiscal year;
- Estimated amount of improper payments that resulted in an overpayment, an underpayment, and the corresponding percent for each by program or activity for the current fiscal year ;
- Estimated amount of improper payments made directly by the Government and the amount of improper payments made by recipients of Federal money by program or activity for the current fiscal year;
- Root causes for overpayments and underpayments by amount and by program or activity for the current fiscal year;
- Corrective action plans for reducing the estimated IP rate and amount and each of the corrective actions should be clearly linked to the root cause(s) they are addressing;
- Results of actions taken to address the root causes and the planned or actual completion date of the actions taken to address each root cause;
- Reduction targets by program and activity for the next fiscal year;
- Description of any action the agency has taken or plans to take to recover improper payments and intends to take to prevent future improper payments (or if the agency has determined a payment recapture audit program is not cost-effective, the agency must provide the justification and a summary of the analysis that is used to determine that conducting a payment recapture audit program for the program or activity was not cost effective);
- Actions and methods used by the agency to recoup overpayments;
- Justification of any overpayments that have been determined not to be collectable;
- Conditions giving rise to IPs and how those conditions are being resolved (e.g., the business process changes and internal controls instituted and/or strengthened to prevent further occurrences);
- Amount recovered through recapture audits and amounts recovered through sources other than payment recapture audits, including the percent such amounts represent of the total overpayments of the agency;
- Summary of how Overpayments Recaptured through Payment Recapture Audits were used, including the disposition of amounts recaptured through payment recapture audits in the CY
- Aging schedule of the amount of overpayments identified through the payment recapture audit program that are outstanding, including the percent such amounts represent of the total overpayments of the agency;
- Amount of overpayments identified through payment recapture audit program determined to not be collectable in that fiscal year, including the percent such amounts represent of the total overpayments of the agency;
- Statutory or regulatory barriers, which may limit the agency's corrective actions in reducing IPs and actions taken by the agency to mitigate the barriers' effects;



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- Steps the agency has taken and plans to take (including timeline) to ensure that agency managers (including the agency head), accountable officers, program official/owner, and States and localities (where appropriate) are held accountable for reducing and recapturing IPs through annual performance appraisal criteria;
- Description of whether the agency has the internal controls, human capital, and information systems and other infrastructure it needs to reduce IPs to the levels the agency has targeted;
- Resources the agency requested in its most recent budget submission to Congress to establish and maintain the necessary internal controls, human capital, and information systems and other infrastructure; and
- Statistical sampling process conducted to estimate the IP rate for each program identified as being susceptible to significant IPs.

Data Points Reported by Programs and Available on [Paymentaccuracy.gov](https://paymentaccuracy.gov):

- Annual Program Outlays
- Annual Program Improper Payment Amount
- Annual Program Improper Payment Rate
- Annual Underpayments and Overpayments by Program
- Out Year Program Improper Payment Amount
- Out Year Program Outlays
- Out Year Program Improper Payment estimate
- Root Causes of the Improper Payment Amount
- Statistical Estimate Confidence Level, Estimate Variance, and Precision Level
- Annual Monetary Loss to the Government by Program
- Annual Amount of Confirmed Fraud by Program
- Annual Improper Payment Amount Identified for Recapture by Program
- Annual Amount of Improper Payments Recaptured by Program
- Recovery Rate by Program
- Aging of Overpayments by Program
- Disposition of Recaptured Funds by Program
- Names of Programs Assessed for improper payment risk within the fiscal year
- Newly identified susceptible to significant improper payment programs within the fiscal year

Improper Payments



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Improper Payment Definition

- An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.
- OMB Guidance added that in addition, when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an improper payment.
- Improper Payments can be:
 - Incorrect amounts paid to eligible recipients,
 - Payments made to ineligible recipients,
 - Payments for goods or services not received,
 - Duplicate payments,
 - Payments when an agency's review is unable to discern whether a payment was proper due to lack of documentation.



Improper Payment Characteristics

- Expressed positively, a proper payment has four main attributes:
 - ✓ right recipient
 - ✓ right amount
 - ✓ right reason
 - ✓ right time
- A violation of any of these attributes may result in an “improper payment”
- Not all “improper payments” represent a monetary loss to the government
- Not all “improper payments” are the result of fraudulent actions



Improper Payment Statutes

Improper Payments Information Act (IPIA)

- ✓ Created basic framework for identifying and reporting improper payments

2002
IPIA

Improper Payments Elimination & Recovery Improvement Act (IPERIA)

- ✓ Required agencies to include all identified improper payments in the reported estimate
- ✓ Improved agency estimation and recovery of improper payments
- ✓ Reinforced and accelerated “Do Not Pay” efforts

2010
IPERA

2012
IPERIA

Federal Improper Payments Coordination Act (FIPCA)

- ✓ Authorizes OMB to approve implementation of judicial and legislative branches of government, as well as federally funded state programs, to access the Do Not Pay Initiative
- ✓ Requires Reporting of Death Information by the Department of State and the DoD

2015
FIPCA

2016
FRDAA

Improper Payments Elimination and Recovery Act (IPERA)

- ✓ Put into law high-risk programs
- ✓ Strengthened corrective action plans
- ✓ Expanded payment recapture audits
- ✓ Established annual OIG compliance reviews
- ✓ Established criteria for agency non compliance
- ✓ Introduced additional reporting requirements

Fraud Reduction and Data Analytics Act (FRDAA)

- ✓ Requires the OMB to establish guidelines to identify and assess fraud risks and design and implement control activities in order to prevent, detect, and respond to fraud, including improper payments



Improper Payment Data: Actuals vs. Estimates

Annual Data Provided by Programs	Actual Number	Estimated Number
Current Year Program Outlays	X	
Improper Payment Amount		X
Improper Payment Rate		X
Underpayment and Overpayment		X
Out Year Improper Payment Amount		X
Out Year Program Outlays		X
Root Causes of the Improper Payment Amount		X
Annual Monetary Loss to the Government (before recovery)		X
Confirmed Fraud	X	
Amount Identified for Recapture	X	
Amount Recaptured	X	
Aging of Overpayment	X	
Disposition of Recaptured Funds	X	



Where is Improper Payment Information Reported?

- **Paymentaccuracy.gov**
 - Contains high-priority program measures and downloadable data containing over 17,000 data points related to various aspects of improper payments.
 - See handout for available data points.
- **Agency AFRs/PARs and Government Wide Financial Report (FR)**
 - Recorded in the Financial Statements.
 - Detailed Reporting in the OI section of agencies' reports- see handout for minimum requirements.
 - The FR contains a detailed summary within the MD&A discussing select results, causes, changes, and actions to mitigate.
- **Agency OIG Websites**
 - Contains Annual OIG IPERA Compliance Reports in addition to any other reports the OIG may have performed in relation to improper payments.



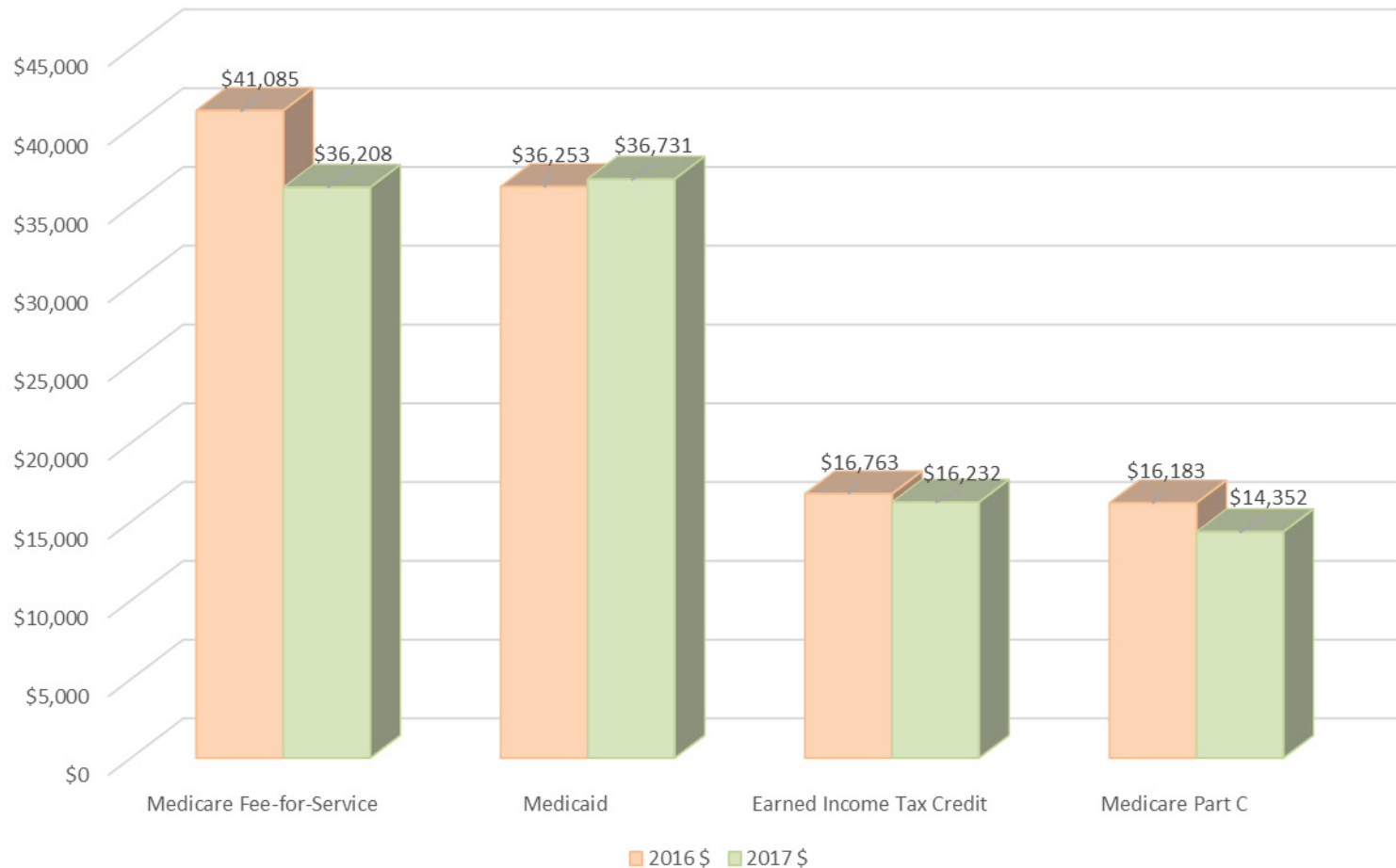
Improper Payment Estimate Calculation

- From FY 2004 to FY 2016, improper payment rates and amounts were compiled and reported as a single rate and a single dollar value at a government level.
- That representation failed to acknowledge the multiple criteria affecting that calculation including:
 - ✓ The number of programs reporting changes annually.
 - ✓ Multiple statistical and non-statistical methodologies are used to produce program estimates.
 - ✓ The fiscal years represented in program each estimate are not consistent.
- Beginning in FY 2017, the Government migrated to a program-by-program focus to provide a more accurate measure of Federal Government performance.



FY 2017 Material Programs

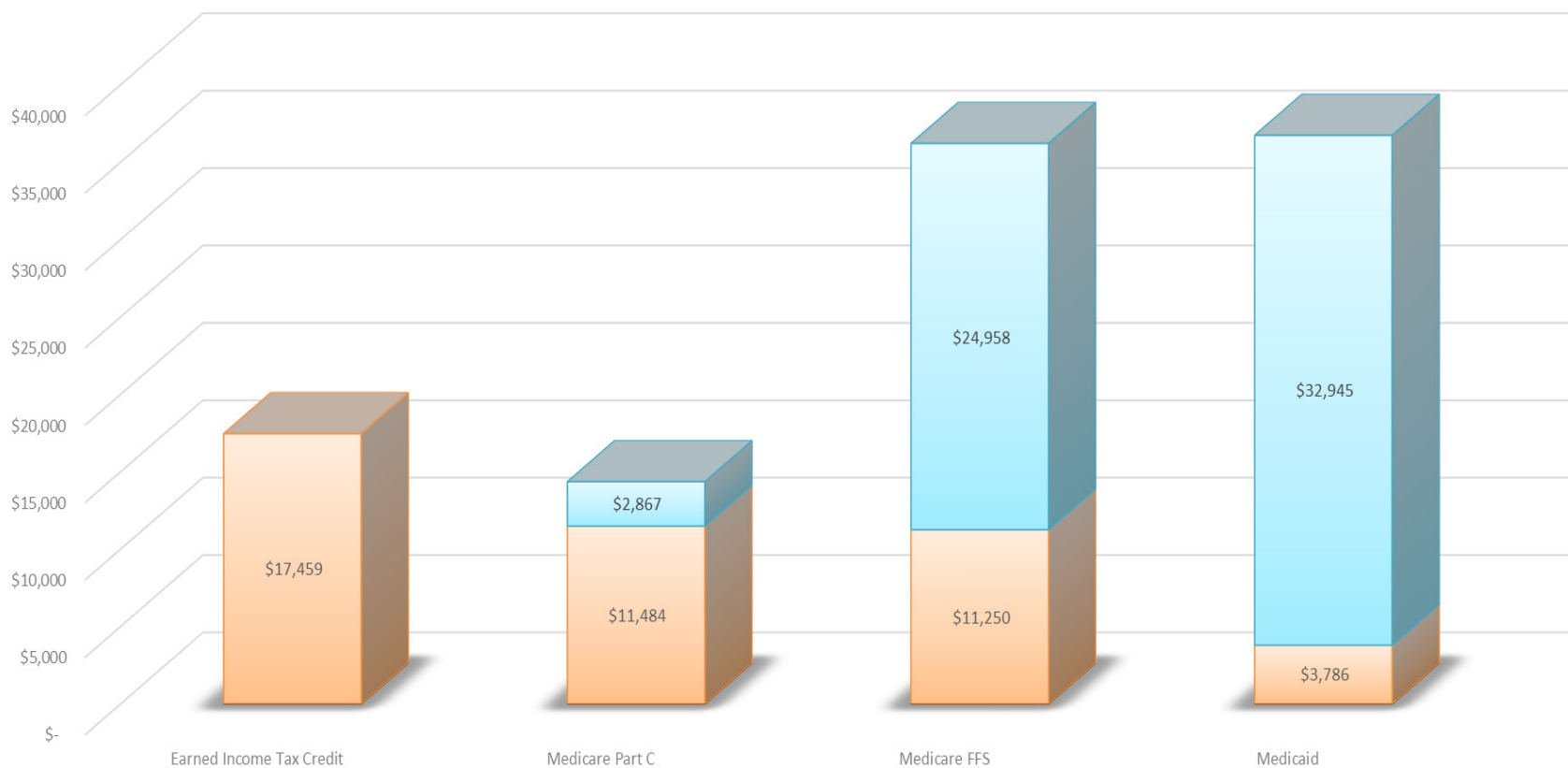
Material Improper Payments Programs (\$ in Millions)





FY 2017 Improper Payment Classification

FY 2016 v FY 2017 Material Programs Monetary Loss Breakout
(\$ millions)



■ FY 2017 Non-Monetary Loss: An amount that was paid to the right recipient for the correct amount but failed to follow procedures.

■ FY 2017 Monetary Loss: An amount that must not have been paid and in theory should/could be recovered.



Reducing Improper Payments

- The most efficient way to reduce improper payments is to stop them before they occur.
- After identifying the improper payments within a program the agency will identify the root causes and put in place appropriate strategies to mitigate them from occurring in the future.
- Agencies use pre-defined root cause categories to assist their extensive corrective action plan development.



Root Cause Categories - Definitions

Failure to Verify Data:

1. Death Data
2. Financial Data
3. Excluded Party Data
4. Prisoner Data
5. Other Data

When an agency (Federal, State, or local), or another party administering Federal dollars, fails to verify appropriate data to determine whether or not a recipient should be receiving a payment.

Administrative Process Errors

6. Made by Federal
7. Made by State
8. Made by Other

Errors caused by incorrect data entry, classifying, or processing of applications or payments.

9. Insufficient Documentation to Determine

Where there is a lack of supporting documentation necessary to verify the accuracy of a payment identified in the improper payment testing sample.

10. Program Design or Structural Issue

When improper payments are the result of the design of the program or a structural issue.

11. Medical Necessity

A situation in which a medical provider delivers a service or item that does not meet coverage requirements for medical necessity.

12. Inability to Authenticate Eligibility

A situation in which an improper payment is made because the agency is unable to authenticate eligibility criteria.

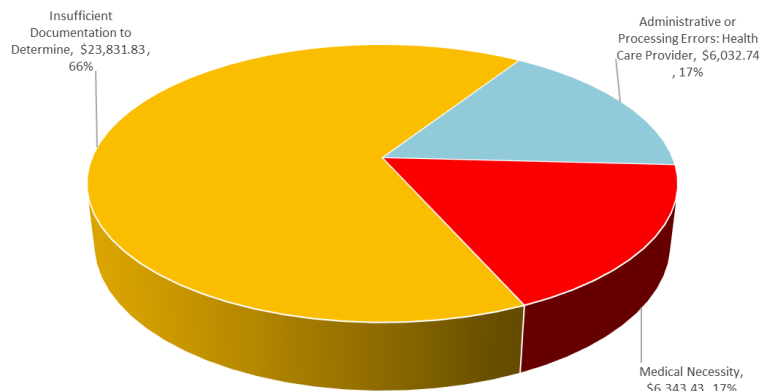
13. Other

A situation that does not fit in any other category

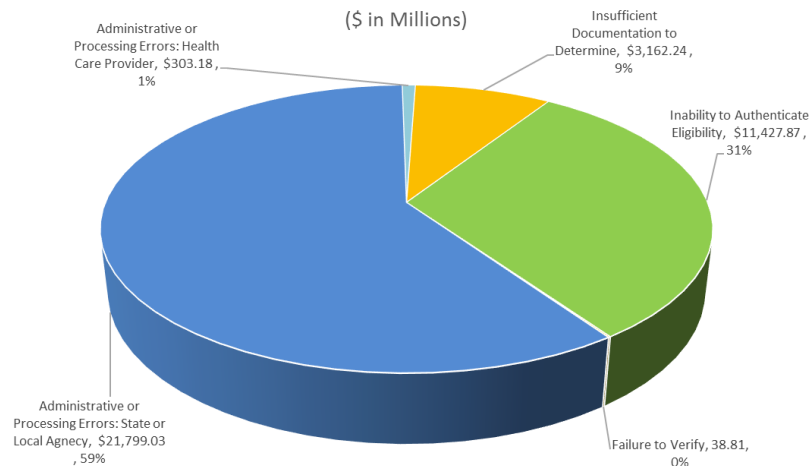


FY 2017 Root Causes for Material Programs

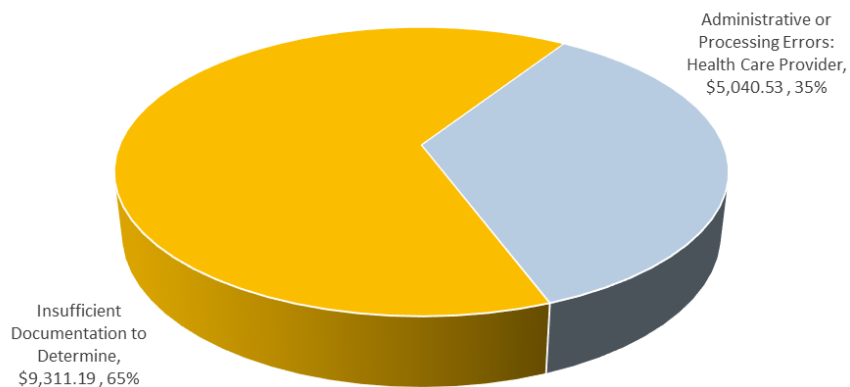
Medicare FFS FY 2017 Root Causes
(\$ in Millions)



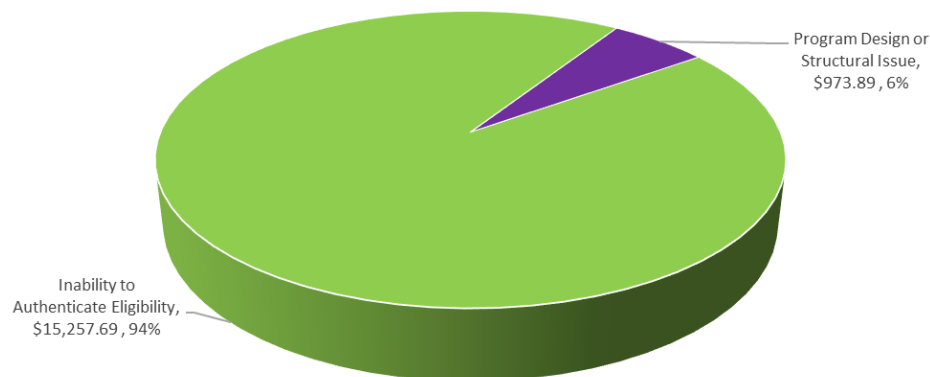
Medicaid FY 2017 Root Causes
(\$ in Millions)



Medicare Part C FY 2017 Root Causes
(\$ in Millions)



Earned Income Tax Credit FY 2017 Root Causes
(\$ in Millions)



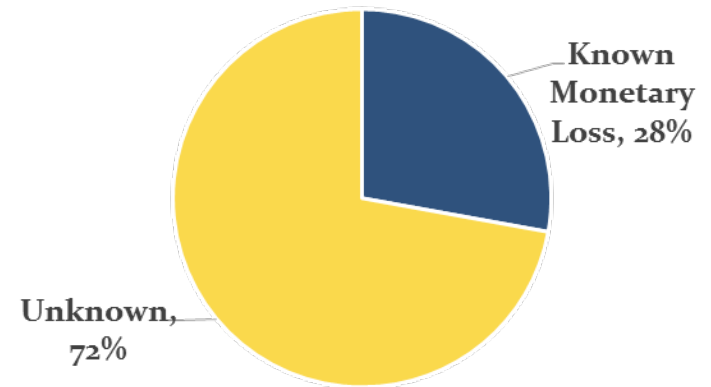
CMS Improper Payments



CMS Improper Payments

Program	2017 Improper Payments (\$ Billions)		
	Known Monetary Loss	Unknown	Total
Medicaid	\$3.8	\$32.9	\$36.7
Medicare FFS	\$11.2	\$25.0	\$36.2
Part C	\$9.3	\$5.0	\$14.4
Part D	\$0.5	\$0.8	\$1.3
CHIP	\$0.2	\$1.0	\$1.2
Total	\$25.0	\$64.8	\$89.8

2017 CMS Improper Payments



CMS Improper Payments - Examples

Known Monetary Loss

- Service not medically necessary
- Provider billed for wrong code
- Provider not enrolled in program
- Recipient not eligible for program

Unknown

- Insufficient medical documentation
- No medical documentation submitted
- State did not follow required process (state-administered programs)

CMS Key Corrective Actions

Known Monetary Loss

- Numerous medical review strategies
- Automated edits
- Enhanced provider screening and enrollment processes

Unknown

- Numerous medical review strategies
- Documentation requirements simplification project
- State partnership, assistance, & oversight