

REDUCING IMPROPER PAYMENTS THROUGH THE *DO NOT PAY LIST*

Top 10 Things Agencies Need to Know About *Do Not Pay*

Eliminating improper payments has been a key objective of the federal government for the past 10 years, beginning with the issuance of the Improper Payments Information Act (IPIA) and Recovery Auditing Act in 2002. Over the past decade, the Office of Management and Budget (OMB) has provided guidance to assist agencies with implementing these laws—for example, OMB Circular A-123, Appendix C—and has monitored progress during this time. Despite the requirements, guidance, and efforts that agencies have put forth, improper payments remain a sizeable challenge, with an estimated \$115 billion in improper payments reported for FY2011. Given the current state of the federal government's budget and debt, this is a problem that must be addressed—in fact, the taxpayers are demanding it.

In June 2010, President Obama issued the memorandum on *Enhancing Payment Accuracy Through a Do Not Pay List* which emphasized the importance of preventing improper payments and leveraging available data to ensure payments are not made to those who should not receive them. The President directed that a “single point of entry” be established through which agencies may access relevant data. OMB and U.S. Department of the Treasury rose to the challenge and, in a very short time period, developed the “*Do Not Pay Solution*.” In April 2012, OMB issued memorandum M-12-11, *Reducing Improper Payments Through the “Do Not Pay List,”* which requires that all agencies submit a plan to OMB outlining how they intend to use the *Do Not Pay* solution.

MorganFranklin has prepared this summary of the top 10 things agencies need to know about *Do Not Pay*. Some agencies may be directly responsible for implementation of *Do Not Pay* and may have already submitted draft plans, while others may have only just heard of *Do Not Pay* and may be wondering what the buzz is about. This top 10 list may prompt agencies to consider new angles or elements as they work with OMB to finalize and implement their plans over the coming months.

1. Will *Do Not Pay* tell agencies who they should not pay?

The *Do Not Pay* solution is a tool for verification. There is a common misconception that it will tell agencies who they should not pay. Rather, the solution provides access to a number of databases containing information that, when compared to agency payee data, will help agencies determine whether they should pay.

2. What data sources are currently accessible in *Do Not Pay*?

Seven data sources are presently available in the *Do Not Pay* solution, and Treasury continually evaluates new data sources, adding them to the solution through multiple releases each year. Treasury is seeking an active user community to drive requirements going forward, so agencies are encouraged to share new data source ideas. The following data sources are currently available:

- **Excluded Parties List System (EPLS)**—Maintained by the General Services Administration (GSA) and used to record information for individuals excluded under the non-procurement or procurement debarment and suspension system.
- **Office of Foreign Assets Control (OFAC)**—Publishes a list of Specially Designated Nationals (SDN) that includes individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries.
- **Death Master File (DMF)**—Maintained by the Social Security Administration (SSA) and used by leading government, financial, investigative, credit reporting, and medical research organizations as well as other industries to verify death, prevent fraud, and comply with the USA Patriot Act.
- **List of Excluded Individuals/Entities (LEIE)**—Maintained by the Department of Health and Human Services Office of Inspector General (HHS OIG), the list provides names of individuals and entities excluded from participation in Medicare, Medicaid, the Children's Health Insurance Program (CHIP), and all federal health care programs.
- **Debt Check**—Treasury system that allows agencies and outside lenders to obtain information on whether applicants for federal loans, loan insurance, or loan guarantees owe delinquent child support or non-tax debt to the federal government.
- **The Work Number**—User-paid employment and income verification system maintained by Equifax, Inc.

- **Central Contractor Registration (CCR)**—Official U.S. government online registrant database that collects, validates, stores, and disseminates data in support of agency acquisition and award missions.

3. How does *Do Not Pay* work?

Currently, there are four ways to use the *Do Not Pay* solution:

- **Single Online Search**—Agencies can sign in to the *Do Not Pay* solution and search for particular payees to determine, on the spot, if any flags indicate potential reasons not to pay.
- **Batch Matching**—Agencies can send large files of payment data (before or after payment) to the *Do Not Pay* solution, and the data will be bumped up against the desired data sources to determine if any flags indicate potential reasons not to pay. These flags can then be investigated by the agencies to determine if payments should be avoided or recaptured. The results of Batch Matching are typically posted on the online portal within one business day.
- **Continuous Monitoring**—Agencies can send large files of payee information to the *Do Not Pay* solution, and the data will be bumped up against the desired data sources on a regular basis to determine if any flags arise on those payees. The tool is especially useful if an agency continues to make payments to the same payee, as that payee's status may change over time.
- **Data Analytics Services**—Customized for each agency, the *Do Not Pay* solution can create specialized matching, data analytics, and other custom analysis aimed at preventing improper payments. Additional data sources that are not available through the portal are available under Data Analytics Services at no additional charge.

4. Should agencies start by addressing high-risk programs?

It is the responsibility of each agency to propose to OMB how it would like to implement *Do Not Pay*. In some cases, an agency may feel that it can maximize the solution and make the biggest impact by tackling the highest-risk program—identified through the agency's Improper Payments Elimination and Recovery Act (IPERA) risk assessment and error rate estimation procedures. Based on the complexity of programs, another agency may choose to begin with a smaller, less complex program and then pilot the solution to better understand how it works and to get it up and running faster. OMB and Treasury will work with each agency to arrive at the plan that is most appropriate and effective for that agency.

5. Will *Do Not Pay* cost or save agencies money?

Currently, the *Do Not Pay* solution is provided at no charge to agencies. Clearly, avoiding or preventing improper payments through use of the tool will save agencies money. In addition, if an agency is currently paying for external data sources, such as The Work Number, it can save money by canceling those contracts/agreements and accessing the data sources through the *Do Not Pay* solution at no cost.

6. Can states use *Do Not Pay*?

As long as states are administering federal payments, they can use the *Do Not Pay* solution. Treasury and OMB are currently developing several pilot programs to demonstrate the benefits that the tool can provide to states, presenting additional incentives for states to leverage the solution. States are often an integral and critical part of the payment chain. Therefore, gaining state participation may be necessary to maximize the effectiveness of agency solutions.

7. If an agency uses a shared service provider, does it still need to consider *Do Not Pay* requirements?

Ultimately, agencies are responsible for ensuring that they are using the *Do Not Pay* solution in some form or another. In cases where a shared service provider is involved in the payment process, agencies will need to work closely with their providers to develop and implement plans to use the *Do Not Pay* solution. Most shared service providers have been proactive in communicating with their customers, and will work closely with agencies to ensure the most efficient and effective deployment of the *Do Not Pay* solution. Communication is critical.

8. How can agencies be confident that data will be secure and privacy requirements met?

The four core values of the *Do Not Pay* solution are: data security, minimal effort, privacy, and relevant and useful data. Working closely with the Federal Reserve Banks of St. Louis and Kansas City, Treasury developed the solution in a way that will enable privacy and data security requirements to be met. When data is transmitted from agencies to the *Do Not Pay* solution, those files must be encrypted. Treasury will work closely with each agency to understand specific privacy considerations when determining how an agency can most effectively implement the solution.

9. Do contracting officers need to use *Do Not Pay* before awarding contracts?

At this time, contracting officers are encouraged but not required to use the *Do Not Pay* solution. Contracting officers should continue to use the Federal Awardee Performance and Integrity Information System (FAPIIS) to determine if a contractor possesses the necessary ethics and integrity to receive a federal contract. Chief Acquisition Officers should work with Chief Financial Officers (or other accountable officials) to evaluate if *Do Not Pay* can add value to the contracting process.

10. Where can agencies find more information about *Do Not Pay*?

Each agency is assigned a customer service representative in the *Do Not Pay Agency Support Center* who will work closely with personnel to plan and implement the solution. For more information contact:

Do Not Pay Agency Support Center
 donotpay@stls.frb.org
 1.855.837.4391
<http://donotpay.treas.gov>



MorganFranklin brings expertise in federal financial management and performance improvement. As agencies begin to implement the *Do Not Pay* solution, many will require additional expertise in IPERA, Data Management and Business Intelligence, Business Process Re-engineering, Internal Controls, and Program and Project Management. MorganFranklin personnel have extensive experience with IPIA and Recovery Auditing Act activities, as well as hands-on experience implementing IPERA guidance. Our professionals have developed risk assessment and cost-effectiveness methodologies, and have supported organizations in performing recapture audits and statistical testing for IPIA. We welcome the opportunity to discuss the challenges agencies are facing when implementing the *Do Not Pay* solution, and can provide the guidance, expertise, and extra hands needed to tackle this high-stakes challenge. Visit us online at www.morganfranklin.com.

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