



# Audit Report



OIG-15-006

Fiscal Service Successfully Established the Do Not Pay Business Center But Challenges Remain

November 6, 2014

Office of  
Inspector General

Department of the Treasury



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## Abbreviations

CMA	computer matching agreements
DAS	Data Analytics Services
GAO	Government Accountability Office
HUD	Department of Housing and Urban Development
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
JAMES	Joint Audit Management Enterprise System
MOU	memoranda of understanding
OMB	Office of Management and Budget
PACER	Payments, Claims, and Enhanced Reconciliation
PAM	Payment Automation Manager
SSA	Social Security Administration

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*The Department of the Treasury  
Office of Inspector General*

November 6, 2014

Sheryl Morrow  
Commissioner  
Bureau of the Fiscal Service

This report presents the results of our audit of the Bureau of the Fiscal Service's (Fiscal Service) Do Not Pay program.<sup>1</sup> In response to the Administration's efforts to combat improper payments<sup>2</sup> in Federal programs, the Office of Management and Budget (OMB) tasked the Department of the Treasury (Treasury) to create and initiate the Do Not Pay program. Fiscal Service worked with its fiscal agents,<sup>3</sup> the Federal Reserve Banks of St. Louis and Kansas City, to establish the Do Not Pay Business Center. The Do Not Pay Business Center includes the Do Not Pay portal and Data Analytics Services (DAS) to help users identify ineligible recipients and prevent fraud or errors before making payments or awards. The Do Not Pay portal is a single-entry web-based portal that allows agencies to check various databases to identify ineligible recipients before making payments or awards. DAS provides agencies specific customized analysis to combat improper payments, to include analyzing payment files for irregularities and matching payment files against available data sources.

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<sup>1</sup> The Do Not Pay program was first developed by the Bureau of the Public Debt. Effective October 2012, Treasury consolidated the Financial Management Service with the Bureau of the Public Debt to form the Bureau of the Fiscal Service. Although most matters discussed in this report occurred while the program was administered by the Bureau of the Public Debt, we refer to Fiscal Service throughout this report.

<sup>2</sup> An improper payment is defined as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. This includes any payment to an ineligible recipient, any payment for an ineligible service, any duplicate payment, payments for services not received, and any payment that does not account for credit for applicable discounts.

<sup>3</sup> A fiscal agent is defined as an organization such as a bank or trust that acts on behalf of another party performing various financial duties. As of October 2013, Fiscal Service had 35 business lines with Federal Reserve Banks, including the Do Not Pay program. 12 USC § 391 states that moneys held in the general fund may, at the direction of the Secretary of the Treasury, be deposited in the Federal Reserve Banks which shall act as fiscal agents of the United States.

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The objective of our audit was to assess the Do Not Pay Business Center's efforts to assist Federal agencies in reducing improper payments. We reviewed: (1) the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) and other laws and Federal guidance related to improper payments, (2) the Do Not Pay Business Center components and services, (3) the Do Not Pay program enrollment and onboarding processes, (4) Fiscal Service's documentation supporting the use of the Federal Reserve Banks of St. Louis and Kansas City as fiscal agents to provide services for the Do Not Pay program, (5) Fiscal Service's Do Not Pay user outreach efforts, and (6) feedback from agencies that use the Do Not Pay Business Center. We interviewed Fiscal Service officials and staff, reviewed policies and procedures, and examined documents related to the Do Not Pay program. Appendix 1 contains a more detailed description of our objectives, scope, and methodology.

## Results in Brief

Fiscal Service established the Do Not Pay Business Center as directed by OMB; however, we identified several challenges facing the program that warrant continued action. Specifically, we found that the Social Security Administration's (SSA) full death data<sup>4</sup> is not available to the Do Not Pay Business Center; and two of the six IPERIA-required databases, the Department of Housing and Urban Development's (HUD) Credit Alert System and SSA's Prisoner Update Processing System, are not included in the Do Not Pay portal.<sup>5</sup> Additionally, Fiscal Service has not specified the actions

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<sup>4</sup> Fiscal Service purchased the public version of the Death Master File, which does not include deaths reported by state agencies.

<sup>5</sup> IPERIA required OMB to establish a working system for pre-payment and pre-award review and that no later than June 1, 2013, agencies review all payments and awards for all programs through that system. According to the act, the five databases that should be reviewed, at minimum, before payment and award are (1) SSA's Death Master File, (2) the General Service Administration's Excluded Parties List System, (3) Treasury's Debt Check Database; (4) HUD's Credit Alert System or Credit Alert Interactive Voice Response System; and (5) the Department of Health and Human Services Office of Inspector General's List of Excluded Individuals/Entities. Information regarding incarcerated individuals maintained by the Commissioner of Social Security under sections 202(x) and 1611(e) of the Social Security Act was added to IPERIA as a sixth required database by the enactment of Public Law 113-67, Bipartisan Budget Act of 2013, on December 26, 2013. The Prisoner Update Processing System maintains this information. Appendix 2 contains a more detailed description of each database.

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needed to ensure that records in Treasury's Working System are sufficiently accurate and complete as required by OMB.<sup>6</sup> Further, while Fiscal Service officials told us that they periodically meet with OMB to discuss the performance of the Do Not Pay program, a formal reporting process for the Do Not Pay program has not been established.

We are recommending that Fiscal Service (1) continue efforts to gain access to SSA's full death data for use in the Do Not Pay program, and seek legislative authorization as needed; (2) continue efforts to obtain the IPERIA-required HUD and SSA data sources for the Do Not Pay program; (3) consult with OMB to clarify Treasury's responsibilities for data accuracy and implement appropriate processes to ensure records in Treasury's Working System are sufficiently accurate, complete, and up-to-date; and (4) consult with OMB to formalize requirements for periodic Do Not Pay program reports.

In a written response, provided as appendix 3, Fiscal Service management stated that they concurred with our findings and recommendations. Fiscal Service will continue efforts to obtain additional databases, and continue to consult with OMB regarding its expectations of the Do Not Pay program. Pursuant to Treasury Directive 40-01, "Responsibilities of and to the Inspector General," Fiscal Service will need to record its specific actions taken and planned for the recommendations, and target dates for any incomplete corrective action, in the Joint Audit Management Enterprise System (JAMES), Treasury's audit recommendation tracking system.

## Background

As estimates of improper payments reached \$105 billion for fiscal year 2009, the Administration began an initiative to reduce improper payments and eliminate waste in Federal programs. Executive Order 13520, issued in November 2009, started a Government-wide effort to reduce payment errors and eliminate fraud, waste, and abuse, by increasing transparency,

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<sup>6</sup> OMB M-13-20, *Protecting Privacy while Reducing Improper Payments with the Do Not Pay Initiative* (Aug. 16, 2013)

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accountability, and coordination of Federal programs, especially those with high-dollar improper payments. Congress enacted the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and its associated improvement act, IPERIA, to intensify efforts to identify, prevent, and recover payment error, waste, fraud, and abuse within Federal spending. The following sections provide an overview of the Government-wide guidance and laws issued to reduce improper payments.

Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs* (November 23, 2009)

This order directed OMB to identify Federal programs with the highest dollar value or majority of Government-wide improper payments and work with those programs on setting targets for reducing improper payments. Section 3 requires agency officials responsible for operating high-priority programs to provide reports to their Inspector General regarding the agency's (1) methodology for identifying and measuring improper payments and (2) plans for meeting improper payment reduction targets and ensuring the initiative would not unduly burden program access and participation by eligible beneficiaries.

Presidential Memorandum, *Enhancing Payment Accuracy through a Do Not Pay List* (June 18, 2010)

This memorandum required agencies to ensure their pre-payment and pre-award procedures include a thorough review of available databases with eligibility information before releasing any Federal funds. The memorandum identified five databases that should be reviewed, as permitted by law: (1) SSA's Death Master File; (2) the General Services Administration's (GSA) Excluded Parties List System; (3) Treasury's Debt Check Database; (4) HUD's Credit Alert System or Credit Alert Interactive Voice Response System; and (5) the Department of Health and Human Services (HHS) Office of Inspector General's (OIG) List of Excluded Individuals/Entities. The memorandum designated this network of databases, as well as any databases designated by the Director of OMB, as the "Do Not Pay List." Appendix 2 contains a more detailed description of the databases included in the Do Not Pay Business Center.

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Improper Payments Elimination and Recovery Act of 2010 (IPERA)  
Public Law. 111-204 (July 22, 2010)

IPERA amended the Improper Payments Information Act of 2002<sup>7</sup> and incorporated most of the requirements of the June 18, 2010 Presidential Memorandum into law. IPERA expanded on the specifics of improper payments elimination and recovery, and identified required risk assessments and reports. IPERA also requires the Inspector General of each agency to determine whether the agency complied with IPERA and to issue a report on that determination each fiscal year.<sup>8</sup>

OMB Memorandum M-12-11, *Reducing Improper Payments through the "Do Not Pay List"* (April 12, 2012)

This memorandum directs agencies to develop a plan for using the Do Not Pay solution<sup>9</sup> for pre-payment eligibility reviews. Prior to the issuance of M-12-11, Treasury and OMB had established the Do Not Pay solution, which is comprised of two components aimed at reducing improper payments: (1) a web-based, single-entry access portal (the Do Not Pay portal) that enables agencies to access the data sources listed in the June 2010 Presidential Memorandum and (2) DAS to assist agencies in identifying trends, risks, and patterns. The memorandum required each agency to submit a plan to OMB for using these centralized solutions.

Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), Public Law 112-248 (January 10, 2013)

IPERIA was enacted to intensify efforts to identify, prevent, and recover payment error, waste, fraud, and abuse within Federal spending. IPERIA expanded on the Do Not Pay Initiative and pre-payment, pre-award procedures. Section 5 stated that at minimum

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<sup>7</sup> The Improper Payments Information Act of 2002, Public Law 107-300 (Nov. 26, 2002), required that the head of each agency annually review all programs and activities that it administers and identify all such programs and activities that may be susceptible to significant improper payments.

<sup>8</sup> Treasury OIG performs an annual IPERA compliance audit for Treasury. Our most recent report was OIG-14-032, issued April 15, 2014, *The Department of the Treasury Was Not in Compliance With the Improper Payments Elimination and Recovery Act for Fiscal Year 2013*.

<sup>9</sup> The centralized Do Not Pay solution required by M-12-11 refers to the Do Not Pay Business Center. In April 2012, Fiscal Service partnered with the Federal Reserve Banks of St. Louis and Kansas City to develop the Do Not Pay Business Center, which includes the Do Not Pay portal and DAS.

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and before issuing any payment or award, agencies shall review, as appropriate, the five databases referred to as the Do Not Pay List. It also required that OMB establish a working system for pre-payment and pre-award review, and that by no later than June 1, 2013, all agencies review all payments and awards for all programs through the working system. A sixth database, information regarding incarcerated individuals maintained by the Commissioner of Social Security, was added to Section 5 of IPERIA in December 2013 with the enactment of the Bipartisan Budget Act of 2013.

OMB Memorandum M-13-20 (OMB M-13-20), *Protecting Privacy while Reducing Improper Payments with the Do Not Pay Initiative* (August 16, 2013)

This memorandum implements section 5 of IPERIA and provides guidance to Federal agencies on reducing improper payments with the Do Not Pay Initiative. Part 4 of the memorandum provides the specific roles and responsibilities for OMB, Treasury, original data source agencies, and payment issuing agencies. Treasury's primary responsibility is to host a working system (referred to in OMB M-13-20 as "Treasury's Working System")<sup>10</sup> for the Do Not Pay Initiative that allows agencies to perform the pre-payment eligibility reviews required by IPERIA using the Do Not Pay portal.

OMB M-13-20 also details Treasury's responsibilities for coordinating with original data source agencies, payment issuing-agencies, and OMB. The memorandum states that Treasury is responsible for submitting periodic reports to OMB. This memorandum was issued during our audit fieldwork. Accordingly, we assessed Treasury's performance of its responsibilities as prescribed by the memorandum.

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<sup>10</sup> Treasury's Working System is a system of records as defined by the Privacy Act of 1974. A system of records is defined as a group of any records under the control of any agency from which information is retrieved by the name of the individual or by some identifying number, symbol, or other identifying particular assigned to the individual.

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## Audit Results

### **Fiscal Service Established the Do Not Pay Business Center to Assist Federal Agencies in Preventing Improper Payments**

Part 4 of OMB M-13-20 provided the specific roles and responsibilities for OMB, Treasury, original data source agencies, and payment issuing agencies. Treasury established its Do Not Pay program and Business Center before this guidance was issued; however, new requirements entailed changes to the program. The following is a discussion of Treasury responsibilities and its progress in meeting these responsibilities.

1. *Treasury Responsibility Host a working system (Treasury's Working System) for the Do Not Pay Initiative that includes a system of records for Do Not Pay that allows agencies to perform pre-payment eligibility reviews, as required by IPERIA.*

Progress Made To support the effort of reducing improper payments, Fiscal Service partnered with the Federal Reserve Banks of St. Louis and Kansas City, to develop the Do Not Pay Business Center. The Do Not Pay Business Center was established to provide two services: (1) the Do Not Pay portal, a centralized system that would provide access to the databases required for pre-payment and pre-award review (the Do Not Pay List), and (2) DAS, to provide agencies with additional customized analysis for further improper payment prevention.

According to a Fiscal Service official, in December 2010, Treasury was tasked with providing centralized access to the required databases for pre-payment and pre-award review. The official stated that the bureau did not have the resources to immediately initiate the Do Not Pay program internally. Because of the urgency and importance of this task, Fiscal Service considered (1) operating the Do Not Pay program as a franchise; (2) using a private vendor to assist Fiscal Service in implementing and operating the program; and (3) using the Federal Reserve, Treasury's fiscal agent, to assist Fiscal Service in implementing and operating the program.

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According to this official, operating the Do Not Pay program as a franchise was not a viable option, as Fiscal Service management did not think there would be enough business to operate the program that way. Fiscal Service also pursued the option of using private vendors to implement and operate the program. In March 2011, the bureau invited private vendors to a 2-day event in Washington, DC, to present how they would operate the program. A Fiscal Service official stated that 14 vendors attended the event and submitted proposals to establish and operate the Do Not Pay program. However, the official stated that none of the private companies had the necessary technology to provide implementation or operations assistance to Fiscal Service within the established timeline. The official also stated that the aggressive timeline to implement the program did not allow Fiscal Service to address the privacy and information security concerns that would have resulted if private vendor was selected.

Fiscal Service also sought proposals from its fiscal agents, the Federal Reserve Banks. Fiscal Service personnel met with individuals from the Federal Reserve Banks of Kansas City, Richmond, St. Louis, and San Francisco to discuss providing support for the Do Not Pay program. Fiscal Service considered all four banks capable of operating the Do Not Pay Business Center.

In May 2011, Fiscal Service selected the Federal Reserve Bank of Kansas City to operate the Do Not Pay program and the Federal Reserve Bank of St. Louis to provide related support services. These Federal Reserve Banks were selected based on their expertise in Fiscal Service's payment processes, experience with other bureau initiatives, information technology capabilities, geographic locations near Fiscal Service payment processing centers, and overall costs. A Fiscal Service official stated that working with the Federal Reserve Banks in an internal, Federal environment was considered an additional benefit for the Do Not Pay program as it eliminated some privacy and security concerns. As of April 2, 2014, Fiscal Service paid \$20.8 million in total to the two Federal Reserve Banks for services in connection with Do Not Pay.

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On December 9, 2013, in accordance with the Privacy Act of 1974, Fiscal Service published a System of Records Notice in the Federal Register that proposed the establishment of a new system of records entitled, "Department of the Treasury/Bureau of the Fiscal Service .023 – Do Not Pay Payment Verification Records." According to the notice, the creation of Do Not Pay as a system of records allows Fiscal Service to collect, maintain, analyze, and disclose records that will assist Federal agencies in identifying, preventing, and recovering payment error, waste, fraud, and abuse within Federal spending, as required by IPERIA. Designating Do Not Pay as a system of records also gives Fiscal Service the ability to add more data sources, customize data searches to provide better matches for user agencies, track Do Not Pay matches, and more easily assess system performance. Do Not Pay became a system of records in January 2014.

2. *Treasury Responsibility Develop memoranda of understanding (MOUs) with original source agencies and periodically review the MOUs to determine whether the terms are sufficient.*

Progress Made We obtained and reviewed the existing MOUs and interagency agreements between Fiscal Service and the original data source agencies and noted no concerns with the terms. However, given that Do Not Pay has become a system of records in accordance with OMB M-13-20, Fiscal Service is tasked with developing new MOUs that will describe how it will use the records provided by the original data source agency. The new MOUs were in process, but none were finalized during our review.

3. *Treasury Responsibility Enter into computer matching agreements (CMAs) with payment-issuing agencies.*

Progress Made Prior to OMB M-13-20, Fiscal Service had not engaged in matching programs as defined under the Privacy Act. Accordingly, Fiscal Service did not enter into any computer matching agreements for its Do Not Pay program

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during our review.<sup>11</sup> That said, a Fiscal Service official informed us that Fiscal Service intends to establish computer matching agreements with the payment-issuing agencies. The term of the agreements would be 3 years with an option to renew the agreement for another 3 years.

OMB M-13-20 also required that all Do Not Pay computer matching agreements be published on the public Do Not Pay website. Although Fiscal Service had not established any computer matching agreements as of May 2014, the bureau added a computer matching agreement section to its Privacy Program component of the public Do Not Pay website, <http://www.donotpay.treas.gov/>.

4. *Treasury Responsibility Periodically reassess whether all of the data in Treasury's Working System (the Do Not Pay Business Center) are relevant and necessary to meet the objectives in section 5 of IPERIA and deleting or expunging any data that are not.*

Progress Made IPERIA states that at minimum, before issuing any payment or award, agencies shall review, as appropriate, the following databases: (1) SSA's Death Master File; (2) GSA's Excluded Parties List System; (3) Treasury's Debt Check Database; (4) HUD's Credit Alert System or Credit Alert Interactive Voice Response System; (5) HHS OIG's List of Excluded Individuals/Entities; and (6) SSA's Prisoner Update Processing System.

A Fiscal Service official informed us that Fiscal Service is determining how it will periodically reassess whether all data in the Do Not Pay Business Center are relevant and necessary. Accordingly, Fiscal Service is working with a contractor on methodologies for evaluating data sources. Fiscal Service plans to include the data assessments in periodic reports to OMB. While Fiscal Service is working on a methodology to evaluate the relevancy and necessity of data sources, we

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<sup>11</sup> According to OMB Memorandum M-13-20, a computer matching agreement is a written agreement between a source agency and a recipient agency (or multiple source and/or recipient agencies, as appropriate) or a non-Federal agency that allows the parties to engage in a matching program. In a Do Not Pay matching program, original source agencies need not be a party to a computer matching agreement between Treasury and a payment-issuing agency.

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noted the following as it relates to the Do Not Pay Business Center's current data sources:

- Full death data is not available to the Do Not Pay Business Center; and
- The Do Not Pay portal does not include two required data sources.

These two matters are discussed in findings 1 and 2, respectively.

5. *Treasury Responsibility Take reasonable steps to ensure that records in Treasury's Working System (the Do Not Pay Business Center) are sufficiently accurate, complete, and up-to-date as is reasonably necessary to ensure fairness to the individual record subjects.*

Progress Made Fiscal Service receives data source uploads weekly to update records for the Do Not Pay program. The bureau has worked with original data source agencies to ensure that all data provided to Do Not Pay meets agency information quality standards, as required by section 515 of the Treasury and General Government Appropriations Act for Fiscal Year 2001 (Public Law 106-554).<sup>12</sup> The newly required MOUs with the original data source agencies will describe how the source agency will ensure that data provided to Fiscal Service meets accuracy standards. The MOUs were not finalized at the time of our review, but were in process. Consequently, Fiscal Service has not conducted reliability tests for data sources.

This matter is discussed in finding 3.

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<sup>12</sup> Among other things, the act required Federal agencies to (1) issue guidelines ensuring and maximizing the quality, objectivity, utility, and integrity of information (including statistical information) disseminated by the agency and (2) establish administrative mechanisms allowing affected persons to seek and obtain correction of information maintained and disseminated by the agency that does not comply with the guidelines.

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6. *Treasury Responsibility Coordinate with original source agencies to develop a process that allows individuals to request the correction of data.*

Progress Made Fiscal Service had procedures for requesting the correction of data in place before the issuance of OMB M-13-20. Do Not Pay user agencies could either send Fiscal Service updated files, request that the Do Not Pay portal be updated, or contact the Do Not Pay customer support help desk to request the data correction. The public Do Not Pay website provides contact information for the help desk, which is operated by the Federal Reserve Bank of St. Louis. In addition, a Fiscal Service official stated that the bureau is working with original data source agencies to develop formal processes for requesting data correction, which will be defined in the new MOUs. The official added that Fiscal Service plans to record and track any accuracy issues with data sources and report the number of corrections made in periodic reports to OMB.

7. *Treasury Responsibility Prepare and submit to OMB a written assessment to document the suitability of any commercial databases that could be designated for use in Treasury's Working System (the Do Not Pay Business Center).*

Progress Made As of June 2014, Fiscal Service had not recommended that OMB designate any commercial databases to become part of the Do Not Pay program or the Do Not Pay Business Center. Accordingly, Fiscal Service had not prepared or submitted any written assessments.

8. *Treasury Responsibility Maintain the central Do Not Pay Initiative website that includes all relevant information, including all relevant CMAs, system of records notices, and privacy impact assessments.*

Progress Made Fiscal Service developed a public website for the Do Not Pay program, maintained at <http://www.donotpay.treas.gov/>. The website includes relevant information about the Do Not Pay program including the purpose of the program, pertinent laws and guidance, program

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presentations, the onboarding process, and the Do Not Pay Business Center components. The December 2013 system of records notice for Do Not Pay (“Department of the Treasury/Bureau of the Fiscal Service .023 – Do Not Pay Payment Verification Records”) was also published on the website. Additionally, Fiscal Service added sections to the website for Do Not Pay CMAs and privacy impact assessments, though none had been completed and published as of May 2014.

9. *Treasury Responsibility Comply with all applicable requirements in the Privacy Act and other applicable laws, regulations and policies, as well as with the terms of all relevant CMAs and MOUs.*

Progress Made As noted previously, Fiscal Service is developing new MOUs with original data source agencies, and CMAs with payment-issuing agencies. A Fiscal Service official informed us that Fiscal Service hired a senior privacy expert for the Do Not Pay program to ensure compliance with all applicable requirements in the Privacy Act and other applicable laws, regulations and policies, as well as with the terms of all relevant CMAs and MOUs.

10. *Treasury Responsibility Submit periodic reports to OMB.*

Progress Made Fiscal Service officials told us that they periodically meet with OMB to discuss the performance of the Do Not Pay program; however, Fiscal Service has not submitted formal reports to OMB because a reporting process had not been established. A Fiscal Service official also stated that prior to becoming a system of records; Fiscal Service was not authorized to retain records covered by the Privacy Act and therefore was unable to report on matters like program performance and total improper payments avoided. Fiscal Service management informed us that designating the Do Not Pay Business Center as a system of records will allow them to track matches, assess system performance, and gauge the number of improper payments prevented as a result of the program. While OMB did not prescribe the form, content, or frequency for the periodic reporting required by

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OMB M-13-20, the memorandum does require Treasury to submit annual reports to OMB on the total number of requests made to Treasury for the correction of data and the number of requests that actually led to corrections of records. A Fiscal Service official stated that Fiscal Service is currently consulting with OMB on developing a process for reporting Do Not Pay results.

This matter is discussed in finding 4.

### **Do Not Pay Initiatives**

Fiscal Service is the primary disburser of payments on behalf of Federal agencies. In fiscal year 2013 Fiscal Service disbursed more than a billion payments with a dollar value of more than \$3 trillion. Although the Do Not Pay Business Center helps users identify ineligible recipients and prevent fraud or errors before making payments or awards, Fiscal Service recognized the need to implement a payment integration plan to have all Federal payments run against the Do Not Pay portal. Fiscal Service, upon direction from OMB, developed a three phase payment integration plan for comparing the payments it makes on behalf of Federal agencies against data sources utilized in the Do Not Pay Business Center.

On June 1, 2013, Fiscal Service implemented Phase 1 of the Do Not Pay payment integration plan. During this phase, Fiscal Service began running the agencies' Payments, Claims, and Enhanced Reconciliation (PACER) payment files it processes against the public version of the Death Master File and the public Excluded Parties List System post-payment, providing any matches to agencies via email. Agencies were then given 2 months to review the matches and complete an adjudication report. Agencies did not have to be enrolled in the Do Not Pay portal to receive these matches or process adjudications.

On November 16, 2013, Fiscal Service implemented Phase 2 of the payment integration plan, which provided a pre-payment review of Federal payments against the two Do Not Pay data sources using

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agencies' Payment Automation Manager (PAM) files.<sup>13</sup> Agencies enrolled in the Do Not Pay portal could review their matches in the portal. Agencies not enrolled in the Do Not Pay portal received their matches via email; Fiscal Service plans to support this reporting method through October 2014. Although the payments are run against the two Do Not Pay data sources pre-payment, the payment is still made regardless if there is a Do Not Pay match. It should be noted that according to IPERIA, each agency is required to review the required databases, as appropriate, prior to the release of any Federal funds, and therefore the responsibility of the pre-payment, pre-award review lies with the agency, not Fiscal Service.

Phase 3 is intended to provide Fiscal Service the capability to stop payments from being made when there is a Do Not Pay match, thus avoiding a potential improper payment. The implementation of this function depended on Fiscal Service's ability to complete CMAs with source agencies and identify business rules that will enable Fiscal Service to stop a payment on behalf of the agency. Based on the direction of the agency, Fiscal Service will stop or flag payments deemed improper before they are disbursed once agreed upon business rules are put in place. A Fiscal Service official told us that the deployment of this phase was completed in September 2014.

We did not, as part of this audit, verify or assess the implementation of these initiatives. However, we do plan to review the initiatives in future audits.

## **Finding 1      Full Death Data Is Not Available to the Do Not Pay Business Center**

The Do Not Pay Business Center provides agencies access to the public version of the Death Master File, which Fiscal Service obtains from the Department of Commerce's National Technical

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<sup>13</sup> The PAM project is an effort to modernize the current mainframe-based software applications that are used to disburse approximately 1 billion Federal payments annually. Fiscal Service requested that Federal agencies complete their conversion from PACER payment files to PAM prior to Phase 2 of the payment integration plan. Fiscal Service planned to no longer use any legacy payment formats after October 1, 2014.

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Information Service at a cost of \$9,800 per year.<sup>14</sup> The Death Master File is a subset of the full death data maintained by SSA; it does not include death data reported by state agencies. In accordance with the Social Security Act, SSA shares its full death data only with Federal benefit-paying agencies for the purpose of preventing improper payments.

Fiscal Service officials informed us that they had been unsuccessful in obtaining access to full death data for the Do Not Pay program as SSA did not deem Fiscal Service's planned use of the full death data permissible under the Social Security Act. A Fiscal Service official informed us that pending legislation would provide them the statutory authority needed to access full death data. Specifically, the proposed Improper Payments Agency Cooperation Enhancement Act of 2013 (S. 1360 and H.R. 3555) would require SSA to create a National Deaths Registry using its full death data and enter into cooperative agreements with agencies for access. SSA would be required to provide the National Deaths Registry in full and without limitation to the agency for purposes of making authorized payments or for the prevention, identification, or recovery of improper payments.<sup>15</sup>

The Government Accountability Office (GAO) reported in November 2013<sup>16</sup> that SSA denied the Department of the Treasury access to full death data for the Do Not Pay Business Center even though it serves the purpose of preventing improper payments. According to the GAO report, SSA directly provides the full Death Master File to the Centers for Medicare & Medicaid Services, the Department of Defense (Defense Manpower Data Center), the Department of Veterans Affairs, the Internal Revenue Service, the Office of Personnel Management, the Pension Benefit Guaranty Corporation, and the Railroad Retirement Board. GAO also receives full Death data for audit purposes. GAO noted that SSA officials could not provide documentation outlining their rationale for denying Treasury

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<sup>14</sup> The National Technical Information Service, which is part of the Department of Commerce, sells the public Death Master File.

<sup>15</sup> As of June 2014, the last action taken on S.1360 was in December 2013 to place the legislation on the Senate's General Calendar and the last action taken on H.R. 3555 was in November 2013 to refer the legislation to the House Committee on Ways and Means and Committee on House Oversight and Government Reform.

<sup>16</sup> GAO, *Social Security Death Data – Additional Action Needed to Address Data Errors and Federal Agency Access* (GAO-14-46; Nov. 27, 2013)

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access and did not have written guidance for determining agency access to full death data. The GAO report stated that the public Death Master File contains about 10 percent fewer records than the full death file, and officials expect that difference to increase over time.

The inability to access full death data reduces the effectiveness of the Do Not Pay Business Center as a tool to identify and prevent improper payments.

## **Finding 2**

### **Two Required Data Sources Are Not Included in the Do Not Pay Portal**

The Do Not Pay Business Center does not have access to HUD's Credit Alert System or to SSA's Prisoner Update Processing System, two of the six databases mandated by IPERIA.

Fiscal Service officials told us that adding the HUD Credit Alert System has been a difficult process, as the system is complex and incorporates data from multiple agencies. HUD's Credit Alert System is comprised of data sources from the Department of Justice, the Department of Education, the Small Business Administration, the Department of Agriculture, Department of Veterans Affairs, and HUD. According to Fiscal Service officials, Fiscal Service and OMB sought to obtain the data directly from HUD. However, HUD had concerns regarding the disclosure of Credit Alert System data to Do Not Pay users. The officials told us that HUD informed Fiscal Service that it does not own the Credit Alert System data; instead, the data is owned by the six agencies providing data to HUD for use in the system, where each agency has their own discrete legal, privacy and technical requirements. Therefore, Fiscal Service is currently pursuing MOUs with the six agencies that provide the Credit Alert System data.

SSA's Prisoner Update Processing System was added to the list of IPERIA-mandated databases on December 26, 2013, with the enactment of the Bipartisan Budget Act of 2013. According to the Do Not Pay website, an MOU allowing the use of this database is pending.

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**Finding 3****Fiscal Service Has Not Specified the Actions Needed to Ensure Records Are Sufficiently Accurate and Complete**

OMB M-13-20 states that Treasury is responsible for taking reasonable steps to ensure that records in Treasury's Working System are sufficiently accurate, complete, and up-to-date as is reasonably necessary to ensure fairness to the individual record subjects. Treasury has not specified the steps that it will take to meet this requirement.

Fiscal Service officials told us that responsibility for data accuracy and completeness lies with the data source agencies and Do Not Pay users. Language to this effect is present in current MOUs with data source agencies and will be included in all new MOUs. Similarly, Do Not Pay enrollment forms state that users are solely responsible for verifying and determining the responsiveness of Do Not Pay results. OMB M-13-20 does not define the reasonable steps that Treasury must take and does not preclude Treasury from assigning responsibility for data accuracy to others. However, as OMB M-13-20 charges Treasury with a responsibility for data accuracy, we believe that it is important Treasury clarify the intent of this requirement with OMB, and determine whether additional actions should be implemented.

**Finding 4****A Formal Reporting Process for the Do Not Pay program Has Not Been Established**

OMB M-13-20 requires that Treasury submit periodic reports regarding the Do Not Pay program to OMB. At the time of our review, OMB and Fiscal Service had not established a formal reporting process for the Do Not Pay program. A Fiscal Service official stated that prior to becoming a system of records; the bureau did not have the ability to retain Do Not Pay results data or determine how it was being used by agencies and, therefore, was unable to report on matters like program performance and total improper payments avoided.

While OMB M-13-20 does require that certain items be reported to OMB, such as the total number of requests for data correction in Treasury's Working System on an annual basis, it does not provide guidance over the form, content, or frequency of program

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reporting, taken as a whole. Given that OMB M-13-20 requires that Treasury consult with OMB on most matters pertaining to the Do Not Pay program, we believe Fiscal Service should continue efforts with OMB to formalize a process to regularly report on program results.

## Recommendations

We recommend that the Fiscal Service Commissioner:

1. Continue efforts to gain access to SSA's full death data for use in the Do Not Pay program, and seek legislative authorization as needed.
2. Continue efforts to obtain the IPERIA-required HUD and SSA data sources for Do Not Pay Business program.
3. Consult with OMB to clarify Treasury's responsibilities for data accuracy under OMB M-13-20 and implement appropriate processes to ensure records in Treasury's Working System are sufficiently accurate, complete, and up-to-date.
4. Consult with OMB to formalize requirements for periodic Do Not Pay program reports.

### Management Response

In its written response, Fiscal Service management concurred with our findings and recommendations. Management noted that they will continue their efforts to obtain additional databases as recommended, and continue to consult with OMB regarding its expectations of the Do Not Pay program.

### OIG Comment

We consider Fiscal Service's concurrence as responsive to our recommendations. Fiscal Service will need to record its specific actions taken and planned for the recommendations, and target dates for any incomplete corrective action, in JAMES.

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We would like to extend our appreciation for the cooperation and courtesies extended to our staff during the review. If you have any questions, please contact me at (202) 927-6512 or Christen Stevenson, Audit Manager, at (202) 927-8117. The major contributors to this report are listed in Appendix 4.

/s/

James L. Lisle, Jr.  
Director, Fiscal Service Audits

Our audit objective was to assess the Bureau of the Fiscal Service (Fiscal Service) Do Not Pay Business Center's efforts to assist Federal agencies in reducing improper payments.

To accomplish our objective, we

- reviewed the laws, regulations, and Federal guidance pertaining to improper payments, including:
  - Executive Order 13520, Reducing Improper Payments and Eliminating Waste in Federal Programs
  - Presidential Memorandum, Enhancing Payment Accuracy Through a Do Not Pay List
  - Improper Payments Elimination and Recovery Act of 2010 (Public Law 111-204)
  - Office of Management and Budget (OMB) Memorandum M-12-11, Reducing Improper Payments through the "Do Not Pay List"
  - Improper Payments Elimination and Recovery Improvement Act of 2012 (Public Law 112-248)
  - OMB Memorandum M-13-20, Protecting Privacy while Reducing Improper Payments with the Do Not Pay Initiative
- Interviewed Fiscal Service officials and staff to obtain an understanding of the Do Not Pay program and Business Center
- Obtained and reviewed the documentation supporting the use of the Federal Reserve Banks of St. Louis and Kansas City as fiscal agents to provide services for the Do Not Pay program.
- Interviewed the Fiscal Service Federal Reserve Liaison responsible for the Do Not Pay business line.
- Obtained and reviewed Do Not Pay user outreach documentation, to include the public Do Not Pay website, [www.donotpay.treas.gov/](http://www.donotpay.treas.gov/), and meeting minutes from Do Not Pay user forums.
- Obtained an understanding of the Do Not Pay portal and its services, as well as its enrollment and onboarding processes, through system demonstrations and interviews.
- Obtained and reviewed Fiscal Service policies and plans related to the Do Not Pay program, including Do Not Pay

business and financial plans, interagency agreements, and memorandums of understanding.

We performed our fieldwork from February to December 2013 at Fiscal Service's Liberty Center Building in Washington, D.C.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As of May 2014, the Do Not Pay Business Center provided access to four required databases. However, as noted in Finding 1 of this report, the Death Master File available through the Do Not Pay Business Center did not have full death data. As noted in Finding 2, the Do Not Pay Business Center did not provide access to two required databases: the Department of Housing and Urban Development's (HUD) Credit Alert System and the Social Security Administration's (SSA) Prisoner Update Processing System. Following is a description of the Death Master File accessible through the Do Not Pay Business Center and the five other required databases.

**SSA's Death Master File** – the public Death Master File, first created in 1980, is a file of all deaths reported to the Social Security Administration from sources other than states. It is not a complete file of all deaths and SSA does not guarantee the accuracy of the public Death Master File. The public Death Master File is sold by the Department of Commerce's National Technical Information Service.

**General Services Administration's Excluded Parties List System** – The Excluded Parties List System includes information regarding entities debarred, suspended, proposed for debarment, excluded or disqualified under the non-procurement common rule, or otherwise declared ineligible from receiving Federal contracts, certain subcontracts, and certain Federal assistance and benefits. Excluded Parties List System is now a part of the General Services Administration's System for Award Management. The Do Not Pay Business Center provides access to both the public and private Excluded Parties List System databases. The private database contains a data feed from the Office of Foreign Asset Control. This feed includes data from the Specifically Designated Nationals records and the Blocked Persons list. The Office of Foreign Asset Control data source is also available as a stand-alone database within the Do Not Pay program, meaning those records can be searched separately from the Excluded Parties List System, if needed.

**Department of the Treasury's Debt Check Database** – The Debt Check Database is maintained by the Bureau of the Fiscal Service and is used by Federal agencies and outside lenders engaged in

making Federal loans, loan insurance, and loan guarantees. Agencies are able to conduct a search of the Debt Check Database to confirm whether applicants for Federal financial assistance owe delinquent non-tax debt to the Federal Government or owe delinquent child support.

**Department of Health and Human Service Office of Inspector General's List of Excluded Individuals/Entities** – The List of Excluded Individuals/Entities provides information to the health care industry, patients, and the public regarding individuals and entities currently excluded from participation in Medicare, Medicaid, and other Federal health care programs. Individuals and entities who have been reinstated are removed from the List of Excluded Individuals/Entities.

**HUD's Credit Alert System** - The Credit Alert System is a Federal Government database of delinquent Federal debtors that allows Federal agencies to reduce the risk to Federal loan and loan guarantee programs. The system alerts participating Federal lending agencies when an applicant for credit benefits, or for a position of trust in support of the administration of a Federal credit program, has a Federal lien, judgment, or a Federal loan that is currently in default or foreclosure, or has had a claim paid by a reporting agency. The system has delinquent borrower records from HUD, the Department of Veterans Affairs, the Department of Education, the Department of Agriculture, the Small Business Administration, and the Department of Justice. This required database was not accessible through the Do Not Pay Business Center at the time of our audit.

**SSA's Prisoner Update Processing System** – The Prisoner Update Processing System provides information on persons reported to SSA as confined in certain institutions, including individuals reported by jails, prisons, other penal institutions or correctional facilities, certain mental health institutions, and various third parties such as media sources. The system facilitates the suspension of benefits to appropriate individuals, and the reinstatement of benefits to beneficiaries when such individuals are released from confinement. This required database was not accessible through the Do Not Pay Business Center at the time of our audit.

Appendix 3  
Management Response



DEPARTMENT OF THE TREASURY  
BUREAU OF THE FISCAL SERVICE  
WASHINGTON, DC 20227

October 28, 2014

Mr. James L. Lisle, Jr., CPA  
Director, Fiscal Service Audit  
Office of Inspector General  
Department of the Treasury  
740 15<sup>th</sup> Street, NW  
Suite 600  
Washington, DC 20220

Dear Mr. Lisle:

Thank you for the opportunity to comment on the draft audit report entitled "Fiscal Service Successfully Established the Do Not Pay Business Center but Challenges Remain." The objective of this audit was to evaluate Fiscal Service's implementation of the Do Not Pay program, which seeks to combat improper payments in federal programs. We have carefully reviewed the draft report and concur with the findings and recommendations. We will continue our efforts to obtain additional databases as recommended in the draft report, and continue to consult with the Office of Management and Budget (OMB) regarding its expectations of the Do Not Pay program.

We appreciate your recommendations for improving the Do Not Pay program. If you have any questions or wish to discuss these comments in more detail, please contact Deputy Commissioner Wanda Rogers or me on (202) 874-7000.

Sincerely,

A handwritten signature in black ink that reads "Sheryl R. Morrow".

Sheryl R. Morrow

Appendix 4  
Major Contributors to This Report

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Michael J. Maloney, Director (Retired)  
Christen J. Stevenson, Audit Manager  
John B. Gauthier, Auditor-in-Charge  
David W. Younes, Program Analyst  
Alex M. Taubinger, Referencer

**Department of the Treasury**

Deputy Secretary  
Office of Strategic Planning and Performance Management  
Office of the Deputy Chief Financial Officer, Risk and Control  
Group

**Bureau of the Fiscal Service**

Commissioner  
Executive Director, Do Not Pay Program  
Program Director, Do Not Pay Program  
OIG Liaison

**Office of Management and Budget**

OIG Budget Examiner