



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D. C. 20503

April 12, 2012

M-12-11

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Jeffrey D. Zients
Acting Director

SUBJECT: Reducing Improper Payments through the "Do Not Pay List"

In November 2009, in Executive Order 13520 on *Reducing Improper Payments*,¹ the President emphasized that "[w]hen the Federal Government makes payments to individuals and businesses as program beneficiaries, grantees, or contractors, or on behalf of program beneficiaries, it must make every effort to confirm that the right recipient is receiving the right payment for the right reason at the right time." Accordingly, the President directed Federal agencies to identify "ways in which information sharing may improve eligibility verification and prepayment scrutiny." The President further reinforced the importance of reducing payment errors, and recovering improperly paid amounts, in his Memorandum of March 2010 on *Finding and Recapturing Improper Payments*.²

Building on these initiatives, the President in June 2010 issued the Memorandum on *Enhancing Payment Accuracy Through a "Do Not Pay List,"*³ in which he underscored that:

"While identifying and recapturing improper payments is important, prevention of payment errors before they occur should be the first priority in protecting taxpayer resources from waste, fraud, and abuse. In those cases where data available to agencies clearly shows that a potential recipient of a Federal payment is ineligible for it, subsequent payment to that recipient is unacceptable. We must ensure that such payments are not made."

To that end, the President directed agencies to "review current pre-payment and pre-award procedures and ensure that a thorough review of available databases with relevant information on eligibility occurs before the release of any Federal funds." So as "to ensure that only eligible recipients receive Government benefits or payments," the President directed the establishment of a "single point of entry" through which agencies would access relevant data – in a network of databases to be collectively known as the "Do Not Pay List" – before determining eligibility for a benefit, grant or contract award, or other federal funding.

¹ Executive Order 13520 of November 20, 2009 (74 Fed. Reg. 62201; November 25, 2009).

² Memorandum of March 10, 2010 (75 Fed. Reg. 12119; March 15, 2010).

³ Memorandum of June 18, 2010 (75 Fed. Reg. 35953; June 23, 2010).

This memorandum directs each agency to develop the agency's plan for using the Do Not Pay solution for pre-payment eligibility reviews. As outlined below, each agency shall submit a draft of its plan to the Office of Management and Budget (OMB) **by no later than June 30, 2012**.

In response to the President's June 2010 directive, the Federal Government has worked aggressively to develop tools that will enable the centralized, detailed review of relevant databases envisioned as part of the "Do Not Pay List." As a first step, agencies reviewed internal controls and processes surrounding its existing pre-payment and pre-award procedures and databases monitored pursuant to those procedures. Building on these reviews, OMB and the Department of the Treasury (Treasury) have established the Do Not Pay solution, available for use by all agencies. The Do Not Pay solution is comprised of two components geared toward reducing improper payments:

- A web-based, single-entry access portal that enables agencies to access the data sources identified in the June 2010 Memorandum (including the Death Master File, the Excluded Parties List System, Treasury's Debt Check Database, and the List of Excluded Individuals and Entities). In addition, Treasury will continue to add other high-value data sources to the portal.
- Data Analytics Services that utilize additional data sources which are not available through the Portal. These include Treasury's Office of Foreign Assets Control List, zip code data, prison information, and several privately available sources. The sources are augmented by advanced data analytic activities for identifying trends, risks, and patterns of behavior that may warrant further review by the agency.

In addition, the Recovery Accountability and Transparency Board (RATB) established the Recovery Operations Center to leverage cutting-edge forensic technology to prevent fraud and waste in Recovery Act programs. The RATB is currently conducting pilot programs with Federal agencies to expand this platform into a system called "Fast Alert" that would be a central portal for agencies to perform eligibility checks on Federal awards and prevent improper payments. Moreover, in its recent report to the President, the Government Accountability and Transparency Board (GATB) recommended the Federal Government develop a centralized fraud framework to track and oversee Federal spending.

These initiatives represent critical progress in implementing the President's June 2010 Memorandum that called for the establishment of a "Do Not Pay List," as well as the President's directive under Executive Order 13576 on *Delivering an Efficient, Effective, and Accountable Government* to "advance efforts to detect and remediate fraud, waste, and abuse in Federal programs." The next step must be for the Federal Government to integrate these solutions into a cohesive "single point of entry" that all agencies can use. To advance this integration process, Federal agencies must take immediate steps to use the centralized solutions that are already in place for pre-payment eligibility reviews.

Therefore, **by no later than June 30, 2012**, the Chief Financial Officer (CFO) of each Federal agency (or the accountable official for improper payments and program integrity, under

Executive Order 13520) shall submit to OMB the draft of the agency's plan for using these centralized solutions. OMB will work closely with agencies in reviewing the draft plans and will provide comments **by no later than July 31, 2012**. The agency shall then finalize its plan, and submit a copy of it to OMB, **by no later August 31, 2012**.

In its plan, each agency must address the process and timetable by which the agency will reach agreement with Treasury on its use of the Do Not Pay solution in order to continue progress in complying with the President's directive. The plan can also provide, as an interim step, for the agency's possible piloting of the Fast Alert solution.

Attached to this memorandum are instructions and a sample template for agency plan submissions. Agencies should submit their draft and final plans via email to Mike Wetklow (mwetklow@omb.eop.gov), who is the Chief of the Accountability, Performance, and Reporting Branch within OMB's Office of Federal Financial Management (OFFM). Mr. Wetklow and OFFM staff can also respond to questions that your agency may have about this memorandum.

In addition, while the agency plans should be based on the existing legal framework of statutes and regulations (to enable the immediate implementation of the plans), agencies are encouraged to submit to OMB – for OMB and interagency consideration – suggestions for possible revisions to statutes or regulations that could have the potential to improve the Federal Government's ability to access data or develop and use central solutions for pre-payment eligibility reviews. As these suggestions will be considered on a separate, parallel track, an agency should submit them to OMB separately from the agency's submissions of its draft and final plans.

Finally, contracting officers shall continue to use the Federal Awardee Performance and Integrity Information System (FAPIIS) to establish whether a contractor has the integrity and business ethics to receive a federal contract, in accordance with applicable statutes and regulations. To the extent that additional information provided by the Do Not Pay solution is helpful to contracting officers, in their efforts to ensure that the Federal Government does business with responsible parties, contracting officers are encouraged (but not required) to review the Do Not Pay solution for this purpose. The agency's Chief Acquisition Officer shall work with its CFO (or the other relevant official who is accountable for complying with the President's "Do Not Pay List" directive) to evaluate the extent to which the information provided by the Do Not Pay solution can assist contracting officers as a complement to FAPIIS. Acquisition officials are encouraged to periodically review the Do Not Pay solution to determine if the information provided would be useful in the agency's acquisition process.

We appreciate your assistance in this matter.

Attachment

Attachment

Agency Plan for Using the Do Not Pay Solution

I. Instructions.

In accordance with this memorandum, each agency shall submit to OMB, by June 30, 2012, the agency's draft of its agency-specific plan for adopting a robust, centralized fraud-detection and prevention solution.

OMB will review the draft and provide the agency with comments on it by July 31, 2012.

The agency will then finalize its plan, and submit a copy of it to OMB, by August 31, 2012.

The agency's plan will consist of two parts:

- Part One will outline the agency's commitment to enroll with the Do Not Pay solution to reduce improper payments. Alternately, agencies with investigative business needs can provide a justification for piloting Fast Alert as an interim solution.
- Part Two will address how the agency will use and incorporate these central solutions into the agency's existing business practices.

The agency's plan (in both its draft and final forms) must be approved by the Chief Financial Officer -- or, when applicable, by the accountable official established under Executive Order 13520 "Reducing Improper Payments and Eliminating Waste in Federal Programs."

Agencies should submit their draft and final plans to OMB via email to Mike Wetklow (mwetklow@omb.eop.gov), who is the Chief of the Accountability, Performance, and Reporting Branch within OMB's Office of Federal Financial Management (OFFM). Mr. Wetklow and OFFM staff can also respond to questions that your agency may have about this memorandum.

The next page is a Sample Template that agencies may use in preparing their plans.

II. Sample Template for Agency Plan.

AGENCY NAME

Part I – Agreements

Central Solution: *[Describe the status of Do Not Pay solution enrollment, including a timeline on when the agency will enroll and which of the services the agency will use. Also, if applicable, provide a justification for the agency participating in an interim pilot arrangement with Fast Alert.]*

Explanation of Need: *[Outline the proposed use for the Do Not Pay or Fast Alert solutions for your various business processes. For example, will the agency be able to begin using the Do Not Pay portal immediately to reduce improper payments or is a phased approach required? Will the agency be considering changing business processes or policies to include the use of the Do Not Pay solution?]*

Expected Data Sources Required: *[Which databases provided by Do Not Pay or Fast Alert does your agency need access to? The Do Not Pay solution currently cross-checks the following databases: General Services Administration's (GSA) Excluded Parties List System (EPLS); Social Security Administration's (SSA) Death Master File; Department of Health and Human Services (HHS) IG's List of Excluded Individuals/Entities; and the Do Not Pay solution also provides direct in-system access to Google to return publicly available information not found in these databases.]*

Part II – Utilization

Incorporation in Existing Business Processes: *[How will you incorporate the new functionality provided by Do Not Pay and/or Fast Alert into your existing business processes? Identify how online, continuous monitoring, or batch processing functionality will be used. Outline your change management strategy to ensure adoption of new process. What is the plan for ensuring the program workforce responsible for accessing and using the information is aware of policies, procedures, or record keeping requirements? Note: Different existing business processes may need to identify separate adoption paths to accommodate their different existing processes. Where this is the case, agencies should address this section separately for each of its programs or functionalities.]*

NAME OF CHIEF FINANCIAL OFFICER OR ACCOUNTABLE OFFICIAL (PRINTED)

SIGNATURE

DATE