Risks 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)

This is the first in a series of communications that have been designed and jointly prepared by both OMB and the PRAC. These communications are intended to bring awareness on key issues where the 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 of 2020, the Federal Government has passed more than $5 trillion in COVID-19 related stimulus funding. This significant amount of funding has highlighted already known issues while also creating new ones related to payment integrity. With the recent passage of the American Rescue Plan ($1.9T), it is imperative that agencies and their programs institute lessons learned and mitigating strategies to risks and issues identified during previous rounds of COVID-19 stimulus packages. OMB and the PRAC have coordinated on this issue 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: There are an increased number of risks associated with the creation of a new program managed by an agency, including familiarity with disbursing program funds and activities required to establish control of the disbursement process. Additionally, as with any new program, there is an increased risk associated 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 certain program policies and procedures.

Change to Existing Program Eligibility Rules: When program eligibility rules are abruptly changed, as can be the case during disaster situations, the direct impact to an agencies payment integrity functions are directly affected.

Increased Volume of Program Applications: An increase in volume, often dramatic in size and unexpected, can have direct negative consequences for agencies and their programs. Often both resource and operational constraints exist, limiting efficiency and reducing adherence to payment integrity functions.

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 which maintain a program’s key functions.

Limited Amount of Time to Disburse: Time limits tied to stimulus funding disbursements can potentially lead to an increase in payment errors if an agency is forced to decrease the level of internal control over the program. Other risks associated with increased expediency due to time constraints that have negative impacts to payment integrity also exist.

Increase in Funding: An increase in funding typically signals that there is also a potential increase in another payment integrity risk factor such as an increase in the volume of applications, an increase in the volume of awards, an addition of a program function, or even an increase in temporary staff.

Mitigation Strategies

Agencies have a variety of options for responding to an increased risk of IPs. Agencies should consider what strategies are available and make the most sense to implement based on their unique risk environment. Some specific strategies, as identified by OMB and the PRAC, are detailed below to assist Agencies in preventing and detecting IPs.

Improving Access to and Leveraging Data

Agencies are encouraged to leverage currently existing data centers and other Centers of Excellence, such as the System for Award Management, the Treasury Working System (Do Not Pay Business Center) 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 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 and/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[1]. 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. By tracking supplemental funds separately, there is an enhanced capability to report on the use of COVID-19 relief funds and identify improper payments. As a result, this will allow for an easier process of tracking how specific supplemental funds are being used, conducting audits, and improves 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.

[1] 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

Consulting with Your Office of Inspector General

Agencies can request information from their respective OIG on fraud indicators and control weaknesses the OIG has identified based on audits and investigations. Agencies can also request regular briefings with their OIG on fraud trends relevant to programs within the agency's purview. Given the speed with which fraud schemes evolve, maintaining current information on how fraud is being perpetrated against an agency through its OIG will help agencies put in place new preventative controls in response to the changing threat.

Appointing Accountable Officials

The lack of an accountable official within new programs has led 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 payment integrity risks, such as increased automation, that can limit errors; behavioral interventions that aim to deter dishonesty; and internal process or policy changes, such as random audits.

For examples of other 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)*.