

## ***CONTROLLER ALERT: THE IMPROPER PAYMENTS ELIMINATION AND RECOVERY IMPROVEMENT ACT AND THE DO NOT PAY INITIATIVE***

*Controller Alerts are designed to bring your attention to emerging financial management issues that may require agency attention or action. These Alerts are intended to ensure awareness among the Chief Financial Officer (CFO) community of key issues where the Office of Management and Budget (OMB) believes further action may be warranted, but do not constitute official guidance or require specific tasks for agencies beyond consideration of appropriate steps to address the issue.*

This Controller Alert describes the newly enacted [Improper Payments Elimination and Recovery Improvement Act of 2012](#) (IPERIA), Public Law 112-248, emphasizing how the law reinforces and accelerates the President's "Do Not Pay" effort already underway across agencies based on OMB Memorandum [M-12-11](#) of April 12, 2012 (Reducing Improper Payments through the "Do Not Pay List").

When the President took office, the government-wide improper payment rate was on the rise. Since then, the Administration has taken forceful steps to cut down on improper payments, including:

- issuing [Executive Order 13520](#) of November 20, 2009 (Reducing Improper Payments), which established new measures to increase agency transparency and accountability;
- issuing Presidential Memorandums directing agencies to [intensify and expand](#) efforts to recover improper payments and establishing a ["Do Not Pay List"](#) for agencies to check before making payments; and
- signing into law the landmark [Improper Payments Elimination and Recovery Act of 2010, Public Law 111-204](#).

As a result, the government-wide error rate has decreased from 5.42 percent in FY 2009 to 4.35 percent in FY 2012, and the Government has [avoided making \\$47 billion](#) in improper payments over the last three years.

On January 10, 2013, the President signed into law IPERIA, which will enhance the Administration's efforts to combat improper payments. Consistent with existing protections for individual data privacy, the new law will help improve the determination of improper payments by agencies, improve recovery of improper payments, and reinforce and accelerate the President's "Do Not Pay" efforts.

In particular, IPERIA requires OMB on an annual basis to identify high-priority programs and, in coordination with the agencies, establish performance targets for those high-priority programs (as EO 13520 already requires); report to their Inspectors General (IGs) on all identified high-priority programs; and adhere to enhanced guidance for estimating improper payments (to be issued by OMB within six months of IPERIA's enactment).

In addition, the new legislation includes a number of requirements for the Do Not Pay Initiative, including the following actions:

- Within 60 days of enactment: Based on consultation with agencies, OMB will submit to Congress a plan to integrate into the Do Not Pay Initiative additional databases that substantially assist in preventing improper payments (for example, additional data on excluded parties).
- Within 90 days of enactment: OMB will establish an “initial working system,” which will include Treasury’s “Do Not Pay” portal. In doing so, OMB will focus on establishing centralized prepayment internal controls. OMB will also consider potential use of other Government systems under the Do Not Pay Initiative.
- Within 120 days of enactment: OMB will submit to Congress a plan for improving the quality, accuracy, and timeliness of death data maintained by the Social Security Administration.
- By June 1, 2013: Agencies must review, as appropriate, all payments and awards for all programs through the initial working system.
- Within 6 months of enactment: OMB will issue implementing guidance—addressing, among other things, cost reimbursement, records retention and destruction, and prohibitions on duplication and re-disclosure of records—based on consultation with specified agencies and stakeholders.

In addition, OMB will issue data-correction procedures for the Do Not Pay Initiative and for other relevant databases. OMB plans to continue to work with the CFO Council in developing Do Not Pay guidance.

IPERIA reinforces the Administration’s vision and requirements for Do Not Pay and will require agencies to accelerate implementation of their Do Not Pay plans to meet the June 1, 2013, statutory deadline. Agencies must now determine how to intensify efforts to review pre-award and pre-payment processes, complete onboarding processes, and expand the volume of transactions checked through Treasury’s Do Not Pay portal as needed. So that we collectively meet IPERIA requirements for Do Not Pay, OMB and Treasury will work with agencies in the coming weeks to finalize business rules and processes to implement the Do Not Pay Initiative for each agency and ensure the adequacy of agency plans.

If you have any questions regarding this alert, please contact Mary Ellen Wiggins ([mwiggins@omb.eop.gov](mailto:mwiggins@omb.eop.gov)).