

**EMBARGOED FOR DELIVERY  
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**Statement of Richard L. Gregg  
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**“Curbing Federal Agency Waste and Fraud:  
New Steps to Strengthen the Integrity of Federal Payments”  
Senate Committee on Homeland Security and Governmental Affairs  
May 8, 2013**

**Opening remarks**

Good morning Chairman Carper, Ranking Member Coburn, and members of the Committee. Thank you for the opportunity to provide the Committee with an update on the Treasury Department’s efforts to help federally funded programs prevent improper payments.

About two years ago I spoke to the Committee about Treasury’s work to help reduce improper payments by establishing a one-stop-shop for federal agencies to verify eligibility prior to issuing a payment or award. Today, I would like to provide the Committee with an update on Treasury’s work to implement the centralized business center —named Do Not Pay (DNP). I will also describe steps Treasury is taking to assist agencies in implementing the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA). Finally I will describe Treasury’s long-term vision to help reduce improper payments.

**Accomplishments**

Following the President’s June 2010 Memorandum<sup>1</sup> directing agencies to improve payment accuracy by using a “Do Not Pay List,” Treasury, in collaboration with the Office of Management and Budget (OMB), began developing centralized access to a set of databases. Since that time, the centralized database has evolved into a business center that is comprised of the DNP Portal and Data Analytics Service.

*DNP Portal*

Agencies can now access the DNP Portal to check several key databases to verify eligibility before making a payment or award. The DNP Portal provides secure access to all of its data sources, including information on deceased individuals, debarred contractors, commercially available wage and employment information, and information on individuals, businesses, and other entities that owe delinquent child support or delinquent non-tax debt to the federal government. It is important to note that agencies can only access these data sources in accordance with privacy laws and other applicable requirements.

An agency employee with proper credentials has several options to verify eligibility of an intended payment recipient using the DNP Portal. The employee may just check an individual record or, more commonly, submit a large group of files to verify eligibility. In addition the agency employee can request a file be put under continuous monitoring. Once the query is

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<sup>1</sup> Memorandum of June 18, 2010 (75 Federal Register 35953; June 23, 2010).

complete, the employee is presented with a summary screen of results, which the agency reviews to evaluate eligibility and the propriety of making the payment under review.

#### *Data Analytics Service*

Recognizing that a robust data analytics capability is essential in reducing improper payments, Treasury has developed a Data Analytics Service. This service provides the ability to review large data sets to identify trends, risks, and patterns of behavior that may warrant a more thorough analysis. Agencies can now use DNP's evolving Data Analytics Service to obtain customized matching and analysis of an agency's payment file to identify irregularities and potential fraud. Eventually DNP will be able to build business rules based on data trends and agency feedback to improve data quality to agencies.

#### *Agency Use of DNP*

Treasury has made significant progress in providing agencies access to its DNP business center. Currently 36 federal agencies have started using DNP to reduce improper payments. In addition, nine states are currently using DNP in administering federally funded programs on a voluntary basis.

#### **Assisting Agencies in Implementing IPERIA**

Treasury, in partnership with OMB, is well positioned to assist agencies in meeting the Do Not Pay Initiative requirements set forward by IPERIA. By June 1, 2013, IPERIA requires that executive agencies review, as appropriate, all payments and awards for their programs through the DNP system. To assist agencies in meeting this deadline, Treasury has already begun comparing agency-submitted payment information, including payment files from the Department of Defense, against the public versions of the Death Master File and the Excluded Parties List System, which includes information on suspended or debarred contractors, to prevent future improper payments.

Treasury is working with agencies to best meet the requirements under IPERIA. In the coming months it will be important for agencies to establish a robust adjudication process for payments that have been identified as potentially improper. To provide information that is useful to the agencies, Treasury needs to better understand not only the payment data, but also each agency's rules and processes for determining eligibility. Accordingly, beginning June 2014, DNP will verify pre-payment information through the DNP system for agencies based on agency-defined rules to either identify a payment as potentially improper for agency review or, if Treasury has been given authority, to stop an improper payment on behalf of an agency.

#### **Long-term Vision**

Treasury's long-term vision is to have our DNP business center and data analytics service become a robust, timely, and flexible service for the agencies to use in identifying and preventing waste, fraud, and abuse. To fully achieve this vision, Treasury will work to both improve the quality and availability of data as well as strengthen data DNP's data analytics capabilities.

### *Data Quality and Availability*

Treasury is seeking to make more and better data available to agencies, and is developing a disciplined, repeatable methodology to evaluate the value of alternative data sources. The Fiscal Year 2014 President's Budget proposes to expand Treasury's authority to access additional databases so we can compare those databases to the payments we are making. These databases include the National Directory of New Hires; the Prisoner Update Processing System; the more complete Death Master File including state-supplied death data. In addition, Treasury is working to obtain access to Credit Alert Verification Reporting System, commonly referred to as CAIVRS, which provides information on defaulted federal debtors and can be used to prescreen loan applicants.

While Treasury has made significant progress in providing DNP access to agencies, much work remains until agencies are able to fully utilize the functions and data available in the DNP business center. For example, we are working closely with OMB to help address questions related to computer matching. IPERIA has made some changes to these requirements and asks OMB to issue guidance to help implement them.

### *Data Analytics*

Treasury is also working to improve its Data Analytics Service. In the near-term Treasury will strengthen its DNP business center analytics capability and, as a result, improve data quality to achieve the goals of providing agencies with highly reliable results and minimizing false positives. In the long-term, Treasury is working to develop a forward-looking, continuous monitoring, fraud identification tool. Treasury is already working to provide a feedback loop with agencies to further refine results as well as report and detect potential fraudulent activity.

### **Conclusion**

Treasury is committed to reducing improper payments and assisting agencies with implementing IPERIA. I look forward to working with the Committee to continue in its efforts to significantly reduce the amount of improper payments made by the federal government. Thank you. I look forward to taking your questions.