



BUREAU OF THE  
**Fiscal Service**  
U.S. DEPARTMENT OF THE TREASURY

***Fiscal Service's Office of Payment Integrity Update***  
**Shared Services Forum**

**July 13, 2023**



**OPI** OFFICE OF  
PAYMENT  
INTEGRITY

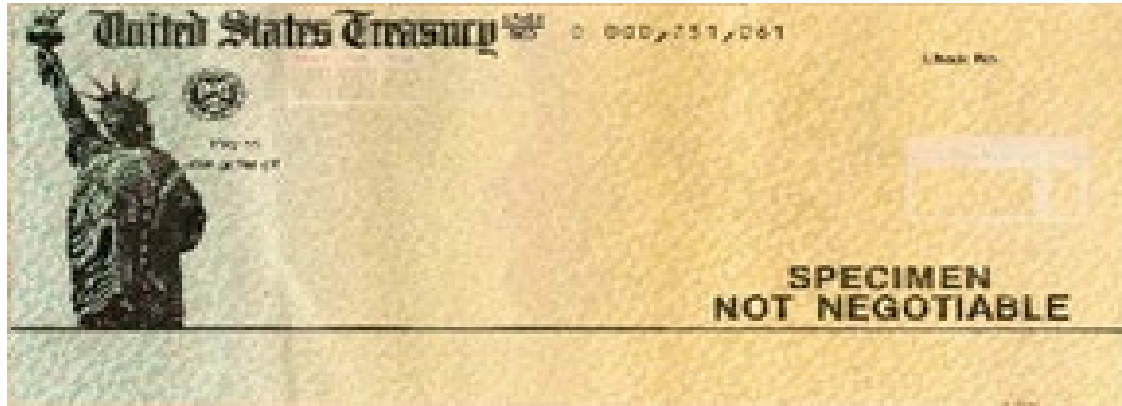
BUREAU OF THE FISCAL SERVICE

# Agenda

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- Federal Government Payments Overview
- Office of Payment Integrity (OPI)
- Data Sources and Services
- Cross-Government and Agency-Specific Solutions
- Impact & Results
- What's Next for OPI
- Contact Information

# The Payments Business



Fiscal Service issues 90% percent of all federal payments as the US government's central disbursing agency. Examples Include:

- Internal Revenue Service (IRS) tax refunds
- Benefits from Social Security Administration (SSA), Veterans Administration (VA), and other benefit agencies
- Direct or federally-guaranteed loans, e.g., Education, Small Business Administration (SBA)
- Payments to a vendor for goods or services
- Grants
- Funds for state and local government agencies
- Non-benefit federal payments



Payment integrity characterizes the various systems, processes and controls that exist in the flow of funds throughout the Government, to ensure payments are made to the right recipient, accurate amount, for the correct reason and at the right time.

# Payments Background

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- **Fiscal Service securely disbursed 1.4 billion payments totaling more than \$5.3 trillion in FY 2022:**
  - These payments went to 100+ million people and entities, with **92%** disbursed electronically for agencies such as SSA, SSI, VA, Office of Personnel Management (OPM) and IRS.
  - Provided mission critical support to the IRS through disbursing 108 million Advanced Child Tax Credit (ACTC) payments totaling \$47.2 billion dollars and 1.8 million Economic Impact Payments (EIP) totaling \$3.8 billion dollars.
- **Of the 1.4 billion payments, approximately 0.8% resulted in a “post-payment exception,” including IRS EIPs and ACTC Payments:**
  - **10.6 million claims and cancellations** including:
    - ✓ **6.4 million** returned payments
    - ✓ **3.3 million** stale dated checks that were not cashed within one year
    - ✓ **274 thousand** payee claims of non-receipt
    - ✓ **351 thousand** agency claims of non-entitlement (e.g., deceased payees)
    - ✓ **Resulting in \$35.5 billion returned to Agencies in FY 2022.**

*\* Fiscal Service represents ~ 89% of funds disbursed by volume for the Federal Government in FY 2022.*

# Office of Payment Integrity Mission, Vision & Goals

## One Mission

Provide Governmentwide partnership, guidance, and solutions through well-messaged, integrated, and cost-efficient payment integrity services that are easily adapted to existing or newly authorized programs to assist federal and state agencies in making informed decisions to support the identification, prevention, and recovery of improper payments and fraud.

## One Vision

Be a trusted partner of federal and federally funded state administered programs issuing federal funds by providing actionable business insights and solutions that transform how agencies approach identification, prevention, and recovery of improper payments and fraud.



The ***Office of Payment Integrity (OPI)*** represents integration of the Do Not Pay (DNP) and Payment Integrity Center of Excellence (PICOE) programs that provides a comprehensive governmentwide payment integrity offering to deliver on behalf of its stakeholders.

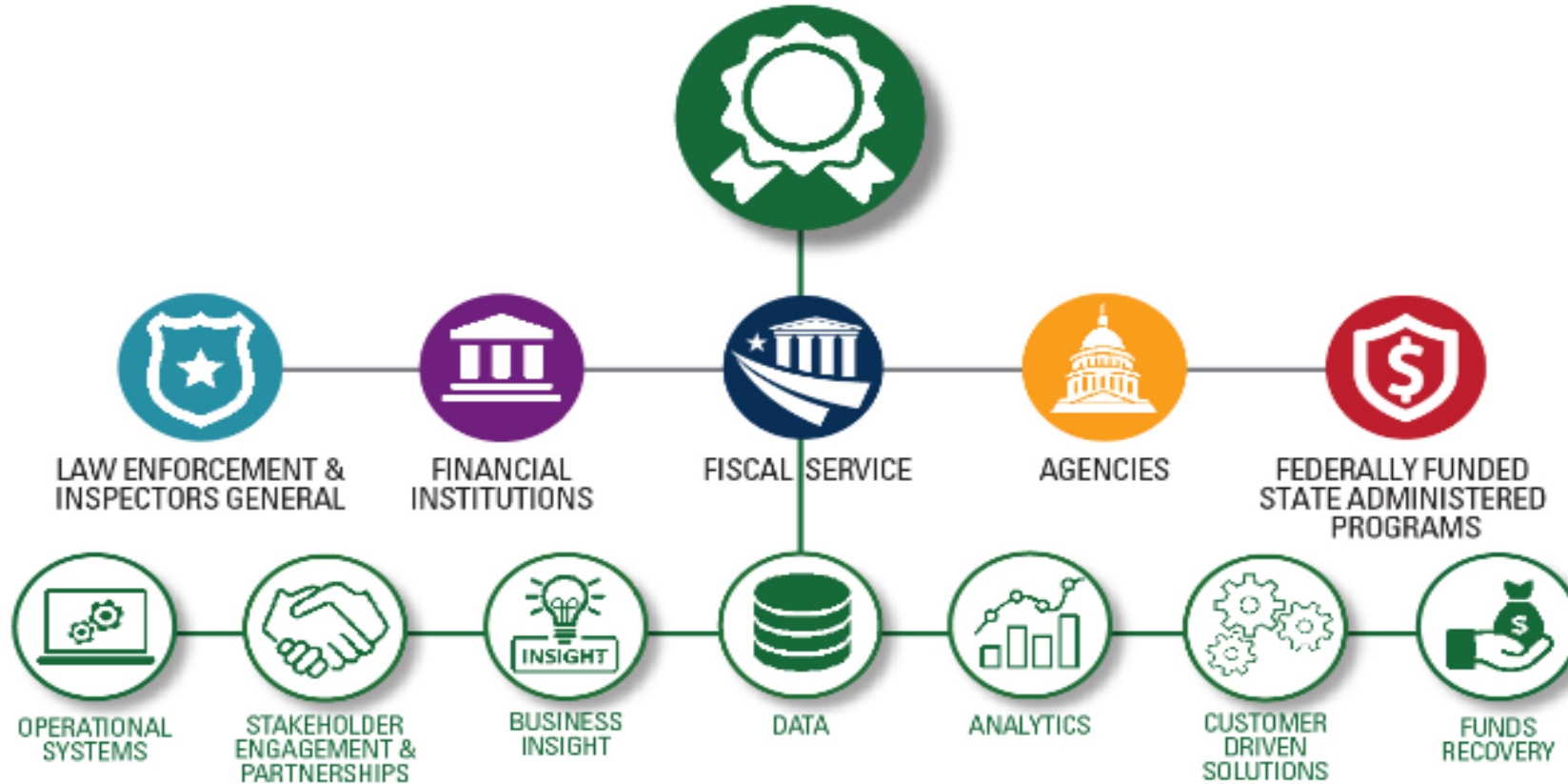


## One Set of Goals

1. Maximize the use of quality, complete data available to federal agencies and FFSA programs to prevent improper payments.
2. Promote partnerships across federal agencies and FFSA programs to establish OPI as a trusted source for payment integrity solutions.
3. Address improper payment challenges by offering solutions driven by data and expertise that allow our customers to maintain their mission and strategic focus.
4. Identify opportunities to strengthen Governmentwide policy, guidance, and legislation to increase the public's trust in Government payments.
5. Develop expertise and insight to advance governmentwide improper payments and fraud prevention efforts.

# Payment Integrity Stakeholder Community

## PAYMENT INTEGRITY CENTER OF EXCELLENCE



### COMMON CROSS-GOVERNMENT CHALLENGES

#### Payee Eligibility

*(Are they entitled to payment?)*

- Payments to the Deceased
- Inter-Agency Benefit Eligibility

#### Identity Validation

*(Is the payment going to the right payee?)*

- Payee Account Validation
- Risk-Based Evaluations
- Central Source of Compromised Payees and Accounts

*Leveraging Stakeholder Relationships to Bring New Payment Integrity Solutions to Life!*



# OPI Focus Areas



## Data Sharing

*Legal agreements that allow data to be cross-referenced across Government while maintaining appropriate privacy protections.*



## Cross-Government Solutions

*Solutions implemented to meet improper payments challenges faced by federal and state agencies.*



## Agency-Specific Solutions

*Solutions implemented to meet specific agency challenges related to improper payments.*



## Data Analytics

*Garnering data insights to identify opportunities that meet improper payment challenges faced across Government.*



## Access to Data

*Providing agencies with centralized access to identified data sources that provide insight to eligibility decisions, including Do Not Pay data sources.*

***Fiscal Service offers modern, seamless, and secure technology to address our customers' payment integrity challenges***

# Data Sources and Services

## Death Data

- Social Security Administration (SSA) Death Master File (DMF)
- American InfoSource (AIS) Obituary and Probate Records
- Department of Defense (DOD) Death
- Department of State (DOS) Death
- Electronic Verification of Vital Events Facts of Death (EVVE FOD)

## Debarment Data

- List of Excluded Individuals and Entities (LEIE) - Public & Restricted (HHS OIG)
- Automatic Revocation of Exemption List (ARL) – Public (IRS)
- Office of Foreign Assets Control (OFAC) - Public (Treasury)

## Barred Foreign Entities

- Department of Treasury (TREAS) Office of Foreign Asset Controls (OFAC)

## Registered Entities/ Non-Profit

- General Services Administration (GSA) System for Award Management (SAM) Entity Registration Records
- Internal Revenue Service (IRS) Tax Exemption Lists
- *990-N (e-postcard), Publication 78 (Pub78), Automatic Revocation of Exemption List*

## Delinquent Debtors

- Credit Alert System (CAIVRS) with input from HUD, SBA, and USDA: *Restricted Data Source*
- Treasury Offset Program (TOP) Debt Check - Restricted (Treasury)

## Additional Data Services/Sources

- Account Verification Service (AVS)
- Cross Government Payment Information
- Identity Verification

*Data can be made available via a combination of API, portal, batch match, continuous monitoring and analytics projects.*



# OPI Cross-Government and Agency-Specific Solutions

## COMMON CROSS-GOVERNMENT CHALLENGES

### Payee Eligibility

(Are they entitled to the payment?)

- Payments to the Deceased
- Inter-Agency Benefit Eligibility

### Identity Validation

(Confirm or deny a claimed identity is correct)

- Payee Account Validation
- Risk-Based Evaluations



*Use comprehensive data sources to answer practical business questions*

## Payee View

Questions Fiscal Service can answer about a payee:

- What Agencies make payments to them?
- Do they have a bank account? With which banks?
- How are they paid (ACH, Check, Wire, Debit Card)?
- What is their mailing address?
- What types of payments do they receive?
- Are they deceased?
- Have they been victims of identity theft or fraud?
- When is the last time they were paid?
- Payee history and sequence of events
- Reinforced with external identity and decedent validation services



## Account/Address View

Questions Fiscal Service can answer about an account and/or address:

- What payees receive payments to the account?
- Have payments been returned from the account?
- Why were payments returned?  
*Administrative, Death, Fraud, Other reasons*
- When was the last payment received?
- Account payment history and sequence of events
- Has the account been compromised?
- Who is the account owner?
- Who was the last withdrawer?
- Reinforced with external account and address validation services

# Supporting Identity Validation and Payment Accuracy: AVS

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- Challenge: Strengthen integrity of bank accounts entered in IRS' public facing portals
- Solution: Commercial account verification service (AVS) pilot through partnership with Early Warning Service and GIACT (via PNC)
  - Launched to reduce improper payment risk associated with Economic Impact Payments (implemented for EIP3)
  - Assessed long term, government wide potential to mitigate fraud and improper payment risk
- AVS Bank Account and Ownership Coverage
  - Confirms existence and status for approximately 80% of domestic bank accounts
  - Confirms account ownership for approximately 65% of domestic bank accounts

# AVS and EVVE FOD Use Cases – FY23 through May

## FEMA Individuals & Households and COVID Funeral Programs

- Screening Critical Needs and Funeral Assistance applications
- 1.2 million applicants and decedents screened
- **\$103.9 million in potential fraud and improper payments identified for review**

**AVS prevented \$222 million in potentially fraudulent and/or improper payments between Fiscal Years 2021 and 2022**

## IRS Taxpayer Protection Program (Tax Refund)

- IRS identifies suspected ID theft returns
- Uses AVS and cross-gov't data to expedite resolution of false ID theft selections
  - 3.3 million tax returns, \$16.4 billion screened
  - 1 million tax returns, **\$6.2 billion validated and eligible for expedited release**

# Converting Checks to Direct Deposit: Bank Account Matching

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- **Challenge**: Maximize use of direct deposit to deliver Economic Impact Payments (EIP) and Advanced Child Tax Credit (ACTC) payments by matching potential pandemic relief payments to bank accounts in Fiscal Service systems (e.g., SSA, VA, etc.)
- **Solution**: Expand relationship with IRS to provide cross-government analysis and banking information contained within FS records.
- In FY21 and FY22, Fiscal Service helped IRS convert **70.2 million** EIPs and ACTC payments from check to direct deposit with a **99.6%** successful delivery rate.
  - Enabled faster and more accurate delivery of critical pandemic relief payments
    - Using historical exception rates, an estimated 3 million exceptions were avoided as a result of bank matching
    - Reduced pressure on U.S. Treasury check infrastructure
  - Avoided **\$33 million** in check production costs (check stock, envelope, and postage costs).

# Reducing Lead Time in the Payment Schedule

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- As part of the several pilots, OPI performed root cause analysis on various payment exceptions, fraud, and improper payments.
- Analysis showed the lead time associated with recurring benefit payments contributes to improper payments.
- OPI partnered with Federal Disbursement Services (FDS) and SSA to pilot a revised schedule that gave SSA an additional day to process select payments in December 2021.
- **SSA and Fiscal Service implemented a revised schedule for select payments in May 2023 resulting in \$25 million in improper payments prevented through June 2023.**
  - **SSA projects to prevent \$64 million in FY23 and \$160 million in FY24.**
- OPI and FDS are assessing future opportunities, e.g., additional SSA payments, additional agencies, industry, and internal system modernization.

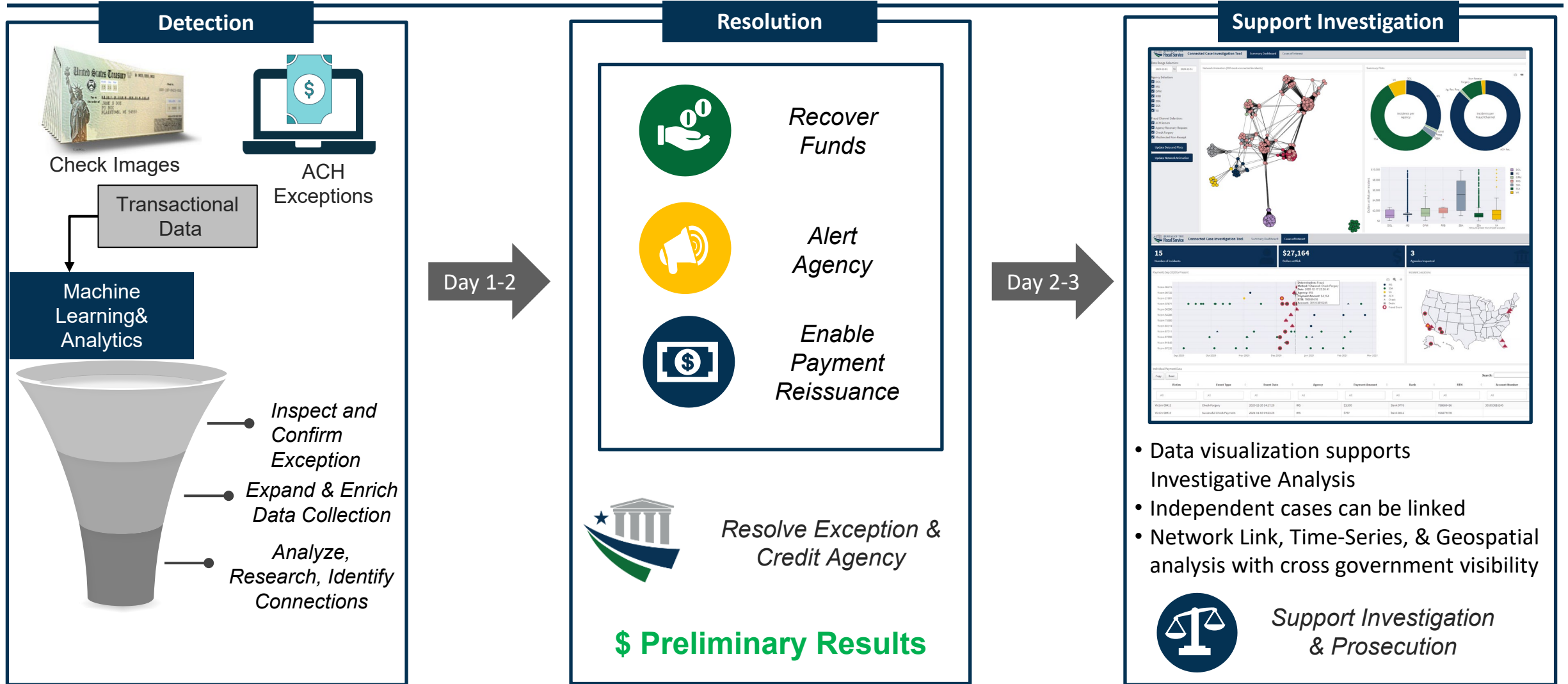
# Suspected Fraud Monitoring – Cross-Agency Pilot

## Business Problem to Address:

- Since the dramatic spike in Economic Impact Payments and Advance Child Tax Credit checks, there has been a sharp uptick in U.S. Treasury check fraud.
  - A specific scenario we're observing is fraudsters stealing U.S. Treasury checks and altering only the name on the check vs. amount or other identifying information.
  - Unfortunately, FRB and Fiscal Service operational systems traditionally did not detect when the name on a U.S. Treasury check is altered.
  - Situation not typically detected until a payee claimed non-receipt to issuing agency (often long after fraud occurred, also after time limits to recover from FI).
  - Law enforcement challenged in recovering evidence (e.g., ATM footage) to prosecute, as well as identifying organized fraud at the transactional level.



# Suspected Fraud Monitoring – Pilot Process



# Providing IG Support

SBA OIG and DNP partnered to evaluate concerns regarding Paycheck Protection Program (PPP) Loans and Economic Injury Disaster Loans (EIDL):

## SBA PPP and EIDL Evaluation Partnership

- DNP assessed 5.2M loans totaling \$525B issued as of August 2020 for the following:
  - Federal debarments or suspensions
  - Delinquent federal loans
  - Defaults on federal loans
- DNP identified 57k loans valued at \$3.6B, with \$280M undisbursed as of August 2020, and 10 high risk loan servicing locations.

## Outcome of Evaluation

- Identified impact of DNP portal review prior to award and/or release of funds.
- Helped identify areas of focus to loans associated with:
  - Potentially ineligible lenders that had undisbursed funds
  - Potentially ineligible recipients during loan forgiveness review or further disbursements
- Identified opportunity to strengthen controls in loan forgiveness process.

***“Treasury’s analysis of potentially ineligible recipients demonstrates the importance of front-end controls and careful review by SBA of the loans identified.”*** (p.5 of the “Paycheck Protection Program Loan Recipients on the Department of Treasury’s Do Not Pay List” Report 21-06)

# Additional Product Development

- Product Development

- In 2022, analytics products helped customers prevent and recover \$22.4 million in improper payments.
- Continued growth of products and stakeholder adoption of services will expand offerings and our impact in 2023 and beyond.

Product Name	Customer Base	Stage of Development	2022 Value
Cross-Agency Overlap (Monthly)	Federal Agencies	Iterate --> Maintain	\$17m Prevented and Recovered
Monthly Death Screen	Federal Agencies	Iterate	\$5.4m Prevented and Recovered
Medicaid Screening Service	States	Build --> Iterate	Successful pilot
Standard Eligibility and Risk Product	Federal & State	Build --> Iterate	Used in 2 projects
Cross-State Overlap	States	Plan --> Build	Scoped proof-of-concept
Income and Employment Validation	Federal & State	Plan	Data pilot in progress
Identity and Address Validation	Federal & State	Plan	Data pilot in progress
Bondholder Attributes	RSS	Iterate --> Maintain	\$139m Redeemed Debt
Support Outreach Strategy	IPP	Maintain	Customer growth

# FY23 YTD Results (through May/June)

Point of Reference:  
\$151.2 million prevented in FY22

**\$409.9 Million** Estimated Prevention and 'new' Recovery FY23 YTD\*

**\$194.5 Million**  
Recovered FY YTD\*  
*Recovered using new, machine learning solution to proactively identify and recover altered checks*

**\$31.2 Million**  
Prevented FY YTD\*  
*Prevented In DNP*

**\$25.4 Million**  
Prevented FY YTD\*  
*Prevented by SSA due to Reduction in Lead Time*

**\$80.5 Million**  
Estimated FY YTD\*  
*Potential Prevented Using Cross – Gov't Data*

**\$74.4 Million**  
Approximate FY YTD\*  
*Potential Prevented using AVS*

**\$3.9 Million**  
Approximate FY YTD\*  
*Potential Prevented using Electronic Verification of Vital Events (EVVE) Fact of Death (FOD)*

**Pending Agency Confirmation**

\*In addition to the \$33.0 billion returned to Agencies as a result of various post payment processes including returned U.S. Treasury checks (\$16.3 billion), ACH payments (\$9.4 billion), deceased payee claims (\$0.5 billion), etc., which is used as a source to identify potential fraud and improper payments. \*\*An additional \$40.9 million in potential FY22 identity theft prevention is still in an open status at IRS.

# What's Next

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1. OPI Services, Solutions, Capabilities and results are growing.
2. Solidifying path towards **\$1 billion in annual prevention.**
  - Market and implement existing services and solutions.
  - Prevention focus
  - Enable preparedness for emergencies and new programs.
3. And continue thinking bigger and better!
  - Assess current services holistically and implement lessons learned.
  - Solidify existing and form new partnerships.
  - Think big, long term, and be persistent.

# President's FY24 Budget Legislative Proposals

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1. Ensure the Treasury Do Not Pay Business Center (DNP) has full access to complete state death data.
2. Expand Treasury's access to the National Directory of New Hires (NDNH).
3. Modify the Fair Credit Reporting Act (FCRA) to allow the DNP to utilize consumer data for the purpose of identifying and preventing improper payments and minimizing fraud, waste, and abuse.
4. Expand Treasury's authority to require bank account verification, pre-certification.
5. Expand Treasury's authority to require bank account comparison (matching), pre-certification.



# How to Reach OPI

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**[OPI.Outreach@fiscal.treasury.gov](mailto:OPI.Outreach@fiscal.treasury.gov)**