



Audit Report



OIG-20-025

Fiscal Service

Performance Metric Policy Needed for the Fiscal Service Do Not Pay Business Center's Data Analytics Services

January 28, 2020

Office of
Inspector General

Department of the Treasury

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Abbreviations

AIR	Agency Insight Report
DAS	data analytics services
DNP	Do Not Pay
Fiscal Service	Bureau of the Fiscal Service
FRB-Kansas City	Federal Reserve Bank of Kansas City
FRB-STL	Federal Reserve Bank of St. Louis
GAO	Government Accountability Office
GPRA	Government Performance and Results Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012

Contents

JAMES	Joint Audit Management Enterprise System
OIG	Office of Inspector General
OMB	Office of Management and Budget
SOP	Standard Operating Procedure
SSA	Social Security Administration
Treasury	Department of the Treasury

***The Department of the Treasury
Office of Inspector General***

January 28, 2020

Timothy E. Gribben
Commissioner
Bureau of the Fiscal Service

This report presents the results of our audit of data analytics services (DAS) provided by the Department of the Treasury (Treasury) Bureau of the Fiscal Service's (Fiscal Service), Do Not Pay (DNP) Business Center (hereinafter Business Center).¹ Fiscal Service established the Business Center in 2011 to support Federal agencies in their efforts to reduce the number of improper payments made through programs funded by the Federal Government.^{2,3} Fiscal Service partnered with the Federal Reserve Bank of St. Louis (FRB-STL), through a fiscal agent agreement, to develop and provide the Business Center DAS to agencies at no cost.⁴ In addition, Fiscal Service partnered with the Federal Reserve Bank of Kansas City (FRB-Kansas City) to develop and operate the DNP portal for agencies to utilize DNP data. Through these DAS, the Business Center assists agencies by identifying trends and patterns through complex analyses of agency payments and other information that may be indicative of improper payments and provides this information to the agencies for further study. The Business Center reports to Fiscal Service senior management and to the Office of Management and Budget (OMB).

¹ Effective October 2012, Treasury consolidated the Financial Management Service with the Bureau of the Public Debt to form Fiscal Service.

² The Business Center was established by the Bureau of the Public Debt in response to the Presidential Memorandum dated June 18, 2010, *Enhancing Payment Accuracy Through a "Do Not Pay List,"* Federal Register 75, No. 120, 35953. Through this memorandum, the President directed the establishment of a single point of entry through which agencies would access relevant data before determining eligibility for a benefit, grant, contract award, or other Federal funding.

³ An improper payment is defined as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. This includes any payment to an ineligible recipient, payment for an ineligible service, duplicate payment, and payment for services not received.

⁴ A fiscal agent is an organization such as a bank or trust that acts on behalf of another party performing various financial duties.

The objective of our audit was to assess how the Business Center DAS support the Federal Government's efforts to identify and prevent improper payments. To accomplish this objective, we interviewed officials from the Business Center and FRB-STL analytics division. We also interviewed officials from seven Federal agencies that participated in DAS projects, and reviewed documentation for DAS projects completed from the inception of the program through September 2016. We performed our fieldwork from March 2016 through November 2016, with additional follow-up through October 2019. Appendix 1 provides a more detailed description of our audit objective, scope, and methodology.

Results in Brief

Fiscal Service developed the Business Center to provide DAS to help Federal agencies identify and prevent improper payments. We concluded that performance metrics developed by Fiscal Service to measure the effectiveness of the Business Center DAS need to be strengthened. Specifically, we noted that Fiscal Service developed performance metrics for measuring the effectiveness of completed DAS projects. For example, the metrics summarize the number and types of DAS projects initiated by the Business Center, business process mapping activities, and newly adopted DNP functionalities requested based on completed projects. However, the metrics did not include criteria such as specific dollar amounts of and percentage of improper payments identified or prevented as a result of completed DAS projects and agency follow-up. Without performance metrics that include the measurement of the actual impact of DAS projects on agencies' efforts to prevent improper payments, Fiscal Service cannot fully measure if DAS are meeting the Business Center's objectives. In addition, we found that Fiscal Service had not established a formal policy for the development, implementation, and periodic review of performance metrics for DAS.

We are recommending that the Commissioner of Fiscal Service establish a formal policy to develop, implement, and periodically review performance metrics to measure the impact of the Business Center DAS on agencies' efforts to identify and prevent improper payments. This includes, but is not limited to, the development of

performance metrics based on the dollar value and percentage of customer agencies' reduced improper payments as a result of completed DAS projects and agency follow-up.

In addition, during our fieldwork, we found that although Fiscal Service had a process in place for customer agencies to provide feedback regarding the improper payments identified, feedback was provided for less than 50 percent of the completed DAS projects. Further, information about the participating agencies' customary payments would also be useful for analyses of payment patterns that were acceptable and not representative of improper payments. With that said, after the completion of our fieldwork and in response to our findings, Fiscal Service consulted with counsel and OMB to produce language for all DAS agency agreements to require customer agency feedback by a certain date and to quantify (a) the actual or projected number and dollar amount of improper payments identified and/or prevented; (b) costs avoided or projected to be avoided through process improvements or other results of the analytics project; and/or (c) other direct or indirect benefits flowing from the project. Based on our review of the language produced for the agency agreements, we are satisfied that Fiscal Service worked with OMB to improve the process to obtain feedback from customer agencies. Therefore, we are not making any related recommendations.

We also found, during our fieldwork, that FRB-STL was not centrally tracking approvals of project deliverables to ensure all required approvals were obtained prior to release of the end products to the customer agency. Rather, the FRB-STL analytics team recorded approvals of DAS project deliverables through email messages stored in individual project folders. This approach was not consistent with the methodology used prior to the project initiation phase, in which FRB-STL tracked approvals and other items through its governance tracker. Similarly, FRB-STL was not centrally recording the results of lessons-learned reviews of completed projects to facilitate sharing of the review results. The Business Center and FRB-STL could benefit from these records being centrally recorded and available to all project teams. These records could also be used to improve future analytic projects and avoid problems encountered on completed projects.

After completion of our fieldwork and in response to our findings, Fiscal Service developed a project administrative closure form to provide central tracking of approvals for DAS project deliverables and completion of lessons-learned reviews. We reviewed the administrative closure form, which includes a checklist that tracks, among other things, the Fiscal Service approvals and the fulfillment of a lessons-learned review for each completed DAS project. In addition, FRB-STL's Analytics Projects standard operating procedure (SOP) requires that the administrative closure form be completed and saved on the FRB-STL Analytics SharePoint Site. Furthermore, Fiscal Service responded that common issues from project level lessons-learned reviews are rolled up by category to the portfolio level and discussed by Fiscal Service leadership and analytics staff during a quarterly vision meeting. The portfolio level lessons-learned are also centrally stored and tracked on the FRB-STL Analytics SharePoint Site. Based on our review of the Analytics Projects SOP and the new processes put in place, we are satisfied that Fiscal Service has completed actions to centrally track approvals of project deliverables and lessons-learned reviews, as well as to ensure that the results of all lessons-learned reviews are considered by analytics teams in conducting future projects. Therefore, we are not making any related recommendations.

In a written response, which is included in its entirety as appendix 3, Fiscal Service management concurred with our recommendation. Fiscal Service management stated that Fiscal Service and the Business Center DAS have established an internal working group to evaluate current metrics and recommend new metrics that will measure the effect of DAS on both the number and dollar amount of improper payments. These metrics will also seek to measure the percentage of reduced improper payments as communicated by customer agencies. At the exit conference discussing our audit results, the current Executive Director of the Business Center stated that Fiscal Service will establish a formal policy that documents the process on how the bureau measures the impact of DAS towards customer agencies' efforts in identifying and preventing improper payments.

Management's response and its corrective actions, taken and planned, meet the intent of our recommendation. Management will

need to record the estimated date for completing its planned corrective actions as well as the actual date of completed corrective actions in the Joint Audit Management Enterprise System (JAMES), Treasury's audit recommendation tracking system.

Background

In response to the Administration's efforts to combat improper payments and in accordance with the June 2010 Presidential Memorandum discussed above, OMB directed Treasury to establish the Business Center as part of the overall government-wide DNP Initiative to identify and prevent improper payments. During April 2012, OMB directed agencies to develop plans for pre-payment eligibility reviews and how to identify improper payments.⁵

The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) codified the Administration's efforts regarding improper payments by requiring Federal executive agencies, no later than June 1, 2013, to review, as appropriate, all payments and awards. OMB was designated to establish a DNP working system for agencies to perform prepayment eligibility reviews using specified databases.⁶ OMB's August 2013 memorandum provides the roles and responsibilities for OMB, Treasury, payment issuing agencies such as Fiscal Service, and Federal agencies that have the data that is used by a payment-issuing agency to perform eligibility reviews.⁷ OMB designated Treasury to host the DNP working system. The DNP working system includes the system of records

⁵ The centralized DNP solution referenced by OMB Memorandum M-12-11, *Reducing Improper Payments through the "Do Not Pay List"* (April 12, 2012), refers to the Fiscal Service Business Center.

⁶ P.L. 112-248 (January 10, 2013) requires agencies to review five databases, at a minimum, including (1) the Social Security Administration's (SSA) Death Master File; (2) the General Services Administration's Excluded Parties List System; (3) Treasury's Debt Check Database; (4) the Department of Housing and Urban Development's Credit Alert System or Credit Alert Interactive Voice Response System; and (5) the Department of Health and Human Services Office of Inspector General's (OIG) List of Excluded Individuals/Entities. Information regarding incarcerated individuals maintained by the Commissioner of Social Security under sections 202(x) and 1611(e) of the Social Security Act was added to IPERIA as a sixth required database by the enactment of P.L. 113-67, Bipartisan Budget Act of 2013, on December 26, 2013. The Prisoner Update Processing System maintains this information.

⁷ OMB Memorandum M-13-20, *Protecting Privacy while Reducing Improper Payments with the Do Not Pay Initiative* (August 16, 2013)

for DNP used for the detection of improper payments through analytic technology techniques.

Business Center

The Business Center, established within Fiscal Service's Debt Management Services division, is responsible for administering the Fiscal Service programs and services relating to the identification and prevention of improper payments. The Business Center's management team reports to Fiscal Service senior management and OMB.

Fiscal Service partnered with FRB-Kansas City and FRB-STL to develop and operate the Business Center's DNP portal, and DAS components.⁸ Officials from the Business Center's outreach teams work with Federal agencies to educate them on the suite of no cost services available through the Business Center, the value of these services, and the process of on-boarding agencies to participate in the DNP program.⁹ Appendix 2 presents a timeline of significant events relating to the development of the Business Center as the host of the working system established by OMB to meet the requirements of IPERIA.

DNP Portal

The DNP portal provides participating Federal agencies with an online, single point of entry to the Business Center's DNP data sources.¹⁰ Through the portal, agencies can assess recipient eligibility to receive federal payments or engage in federal contracts or grants. Agencies can perform individual online searches across the DNP data sources, or utilize the portal's batch processing capabilities to have recipient records included in agency submitted files evaluated against DNP data sources.

The Business Center also offers a continuous monitoring service to agencies. With this service, files of agency provided recipient

⁸ The FRB-STL and FRB-Kansas City provide services to the Business Center under a fiscal agent agreement with Fiscal Service.

⁹ Outreach teams are comprised of officials from FRB-STL and the Business Center.

¹⁰ The DNP portal is operated by the FRB-Kansas City on behalf of Fiscal Service.

information are retained by the Business Center and continuously evaluated against DNP data sources. Agencies are notified by email of potential recipient eligibility changes and can view the details of the changes through the portal. Agencies also use the portal to retrieve information on agency payment records that matched information from either of two DNP data sources that are queried by Fiscal Service through its payment integration process.¹¹

DAS

Beginning operation in 2014, DAS were the last major DNP function implemented by the Business Center. DAS are provided by FRB-STL through a fiscal agent agreement with Fiscal Service to assist agencies by identifying trends and patterns in agency payment data, and risks associated with fraud or systemic sources of improper payments. DAS have also been used on projects to assess the quality of data in the DNP data sources and to create new business processing rules for agencies interested in refining the criteria used in portal matching to reduce false positives.

Federal agencies can request DAS support on projects that meet the agencies' business needs. The FRB-STL analytics team can also initiate projects that focus on agencies that might benefit from DAS. DAS projects include customized analyses of agencies' payment information for irregularities and patterns indicative of improper payments. DAS projects also include the matching of agency payment or other information to DNP data sources and the matching of payment information from multiple Federal agencies to identify common recipients that may be indicative of improper payments. The Business Center outreach teams promote DAS services and facilitate communication with agencies to determine the types and depth of custom analyses to be conducted.

In developing the initial set of analytics projects with Federal agencies, the Business Center's Outreach and Business Processes division, as instructed by OMB, focused its research on Federal

¹¹ Through payment integration, many agency payments processed by Fiscal Service are matched to records included in SSA's Death Master File and the General Services Administration's System for Award Management Exclusion Records. The results of these matches are made available to the agency through the DNP portal for adjudication.

agencies that had high rates of improper payments rooted in eligibility verification errors and did not receive funding to develop internal payment integrity programs.¹² The Business Center continued this approach during our audit, along with vetting any other agency requests for DAS support.

The Business Center staff, which includes personnel from Fiscal Service, worked with FRB-STL analytics management to establish a governance process. This process was designed to ensure that proposed analytics projects involving data matching or relying on information included in restricted DNP data sources are reviewed and approved by Business Center management, and that all legal and privacy issues are resolved.¹³ The Business Center management team developed a governance tracking application to monitor the status of proposed analytics projects, document governance decisions, and ensure that required approvals are obtained prior to the initiation of the planning phase for each project.

At the conclusion of the project, deliverables for the customers are approved by Fiscal Service and FRB-STL prior to release. These deliverables may include reports that provide specific information about payments such as dates, amounts, payee names, and the sources of data related to payments identified as potentially improper. FRB-STL is responsible for maintaining the official record of documentation for the deliverables. Fiscal Service relies on FRB-STL for the official records for DAS projects.

Similarly, FRB-STL is responsible for maintaining the official records of the lessons-learned reviews, which serve as a source of information for Fiscal Service. FRB-STL implemented a lessons-learned review process as part of its operating procedures for completed analytics projects. The lessons-learned reviews are intended to identify areas that went well during the execution of each project, process improvements that can be made, and pitfalls to be avoided in future projects.

¹² The Department of Health and Human Services, Internal Revenue Service, SSA, and the Department of Labor have received funding from Congress to develop analytical capabilities to identify and prevent improper payments through payment integrity programs.

¹³ The Business Center management is responsible for determining the analytics projects that require data governance approval.

In 2015, the Business Center introduced Agency Insight Reports (AIR) to Federal agencies. AIRs are high-level summary reports that Fiscal Service began providing to selected Federal agencies.¹⁴ AIRs show patterns and anomalies in agency payment data that may warrant further in-depth study. The Business Center's outreach teams present AIRs to agencies to help them understand the information provided and the value of DAS, as well as to facilitate communication between agency and DAS representatives in developing in-depth analytical projects based on AIRs.

As of March 16, 2018, there were 37 DAS analytics projects completed for 13 Federal agencies and 46 internal analytics analyses of the usefulness of payment data sources for the Business Center's informational purposes. These internal analyses may include a background of the data that was analyzed, information about the scope of the analysis including the data elements analyzed, data trends from payment information analyzed, and commentary on the agency's payment data quality based on the analysis.

Audit Results

Finding 1 Fiscal Service's Performance Metrics for Measuring the Effectiveness of the Business Center DAS Need to Be Strengthened

We concluded that performance metrics developed by Fiscal Service to measure the effectiveness of the Business Center DAS need to be strengthened. We noted the performance metrics summarized the number and types of in-depth analytics projects, business process mapping activities, and newly adopted DNP functionalities requested based on completed projects. However, performance metrics did not include criteria to measure the actual amount of improper payments identified or prevented. As a result, the impact

¹⁴ The Business Center selected the following agencies that were considered to have the highest rate of improper payments and did not receive substantial program integrity funding: the Department of Agriculture, the Department of Education, the Department of Housing and Urban Development, the Department of Veterans Affairs, the Small Business Administration, and the Department of Defense.

of the Business Center DAS on agencies' efforts to prevent improper payments could not be determined. In addition, Fiscal Service had not established a formal policy for the development, implementation, and periodic review of performance metrics for DAS. We also found that customer agency feedback was provided for less than 50 percent of the completed DAS projects. Further, it would be useful for agencies to also provide feedback on payments unique to their operations that may appear as improper but are valid payments.

Performance Metrics Did Not Include Criteria to Measure the Effectiveness of the Business Center DAS on Agencies' DNP Efforts

The Business Center DAS performance metrics were adopted by Fiscal Service following a fiscal year 2016 presentation to OMB. As OMB's designated agency for administration of the DNP initiative, Treasury in conjunction with Fiscal Service, creates and develops performance metrics that are reported to OMB. The former Executive Director of the Business Center stated that the performance metrics in use resulted from a verbal agreement between Fiscal Service and OMB. The metrics for quarterly reporting were developed to assess how well the Business Center was meeting its goals to provide:

- timely, accurate, and actionable information to assist agencies with eligibility verification in order to reduce improper payments;
- clear and understandable information using data analytics regarding the nature, causes, and magnitude of improper payments; and
- timely, accurate, and actionable information about improper payments.

To assess the impact DAS have in assisting agencies in their improper payments efforts for reporting to OMB, Fiscal Service measures the items listed below.

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- AIR Outcomes
 - The number and type of newly adopted DNP functionalities resulting from AIRs,
 - the number and type of business process mapping activities resulting from AIRs, and
 - the number and type of in-depth analytics projects resulting from AIRs.
 - Business Process Mapping Outcomes
 - The number and type of newly adopted DNP functionalities resulting from business process mapping activities.
 - Multi-Agency/Government-Wide Projects Initiated
 - The number of cross-agency/government-wide high-level research reviews, and
 - the number of cross-agency/government-wide in-depth analytics projects.

These performance metrics allowed Fiscal Service to summarize the number and types of DAS projects undertaken or new business processes developed through the DAS program. Statistical data derived from these metrics demonstrated that the Business Center was reaching out to Federal agencies regarding data analytics through AIRs and other products, and developing in-depth analytical projects with the agencies. In fiscal year 2017, Business Center management updated the presentation of these performance metrics to provide OMB and Fiscal Service management with visual summaries of the results of DNP efforts, and to display trend information.

The Business Center DAS performance metrics, however, did not include criteria for Fiscal Service to determine the impact of its efforts. For example, specific dollar amounts of improper payments that were actually identified or prevented as a result of the completed in-depth DAS projects and agency follow-up on the results were not included. DAS projects identified areas of concern

for agencies, and in some cases, potential payments that may have been improper. The determination of which would only be known after agencies completed follow-up reviews on deliverables provided by the Business Center.

The Government Performance and Results Act (GPRA) Modernization Act of 2010 requires Federal agencies to annually submit performance plans covering each program activity set forth in the agency's budget.¹⁵ The performance plans should establish performance goals to be achieved, which should be expressed in objective, quantifiable, and measurable form unless an alternative form has been authorized by OMB. While the Business Center DAS performance metrics are measurable, they do not provide for a measurement of the true impact of DAS on agencies' efforts to identify and prevent improper payments.

The Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* state,

*Management establishes processes to evaluate performance against the entity's expected standards of conduct and address any deviations in a timely manner. Management determines whether performance measures for the defined objectives are appropriate for evaluating the entity's performance in achieving those objectives. For quantitative objectives, performance measures may be a targeted percentage or numerical value. For qualitative objectives, management may need to design performance measures that indicate a level or degree of performance, such as milestones.*¹⁶

While the DNP program currently has performance metrics, we believe they can be enhanced. Without performance metrics that include the measurement of the actual impact of in-depth DAS projects on agencies' efforts to prevent improper payments, Fiscal Service cannot fully measure if DAS are meeting the Business Center's objectives. The Business Center reported that metrics were

¹⁵ P.L. 111-352, *GPRA Modernization Act of 2010* (January 4, 2011), Section 3, 1115, Federal Government and agency performance plans

¹⁶ GAO, *Standards for Internal Control in the Federal Government* (Sept. 2014).

added for internal purposes in fiscal year 2017 to aid Fiscal Service management in assessing the Business Center DAS. However, we found no evidence that the metrics were sufficient to assess the effectiveness of DAS based on the dollar value and percentage of customer agencies' reduced improper payments. As an additional follow-up, in March 2018, we asked Fiscal Service if its performance metrics have changed since May 2017 and Fiscal Service replied that OMB has not asked DNP for new metrics.

Fiscal Service Did Not Have a Formal Policy for DAS Performance Metrics

We noted Fiscal Service did not have a formal policy for DAS performance metrics. That said, the Business Center is in a unique position regarding performance metrics. Treasury, through Fiscal Service, operates the program for OMB. As a result, Fiscal Service is responsible for reporting to OMB regarding the results of the DNP initiative. The Business Center's former Executive Director stated that Fiscal Service has been reporting to OMB on performance metrics quarterly since fiscal year 2016. However, to ensure that Fiscal Service maintains consistent reporting on the DNP initiative, we believe it should establish a formal policy. This policy should provide for the development, implementation, and periodic review of performance metrics measuring the impact of the Business Center DAS on agencies' efforts to identify and prevent improper payments.

According to Fiscal Service, decisions about Business Center DAS performance metrics and related processes are developed considering input from OMB. While Fiscal Service does not have a formal policy regarding development of Business Center DAS performance metrics, the bureau has a process in place using an ad-hoc cross-functional team of DAS representatives to periodically refresh metrics to meet OMB expectations.

The Business Center's former Executive Director recognized the importance of a formalized policy for performance metrics, but stated that because the Business Center DAS were relatively new, Fiscal Service had not had the time to develop a formal policy. The former Executive Director believed that Fiscal Service was fully

aware of the effectiveness of DAS efforts through continued dialog with officials at the agencies served and with the analytics team at FRB-STL, along with the increased number of analytics projects completed, underway, or planned. When asked, Fiscal Service stated a formalized policy for performance metrics had not been implemented because it had a verbal agreement with OMB regarding quarterly reporting of AIR outcomes, business process mapping outcomes, and multi-agency/government-wide projects initiated.

GAO's *Standards for Internal Control in the Federal Government* state, "Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system" and that "management should implement control activities through policies."¹⁷

We believe that Fiscal Service needs to formalize its practices regarding the development, implementation, and periodic review of performance metrics into a written policy. The policy should ensure that periodic reviews of the performance metrics in use are completed to determine if the metrics remain appropriate for assessing the performance of Business Center DAS and meet the needs of OMB and Fiscal Service management. These performance metrics should be written so that the Business Center consistently collects the data necessary to report the impact of its efforts to identify and prevent improper payments.

The Process to Obtain Customer Agency Feedback on the Completed DAS Projects Needs Improvement

At the conclusion of DAS projects, the Business Center held project closeout meetings with agency officials and FRB-STL analytics teams to discuss the deliverables, obtain agency feedback on the DAS process, and identify improvements for future analytics projects. It should be noted that the effectiveness of the DAS projects was not available at the time of these meetings because agencies needed to complete their research to determine if the payments were improper. Following these meetings, Fiscal Service had a process in place for agencies to provide the results of their research and conclusions once complete; however, feedback was

¹⁷ GAO, *Standards for Internal Control in the Federal Government* (Sept. 2014).

provided in less than 50 percent of the DAS projects completed.

The purpose of the DNP program is to help in the government-wide effort to reduce improper payments by assisting agencies in their efforts to prevent improper payments.¹⁸ In order for Fiscal Service to fully determine if the Business Center DAS are meeting this objective, Business Center management needs to seek feedback from its customer agencies regarding DAS projects. In addition, to make DAS projects more effective, it would be beneficial to know the types of payments made by the agencies, which should include unique patterns to be considered when the Business Center is performing DAS.

Treasury's fiscal year 2015 Citizens' Report stated that Treasury had improved its analytics capabilities and developed agency-specific reports that provide a particular agency (or program within an agency), a high-level summary of statistical observations that may contribute to improper payments.¹⁹ The Citizens' Report noted that these observations may call for more in-depth analytical projects to assess the potential improper payments, determine the root cause, and develop internal control methodologies to eliminate the improper payments.

Subsequently, in its September 2016 *Improper Payments Data Analysis Report to Congress* required by the Federal Improper Payments Coordination Act of 2015,²⁰ Treasury cited numerous success stories regarding the services provided to agencies by the Business Center through the portal and payment integration. Regarding DAS, Treasury noted several projects that had identified potential duplicate payments and that the customer agencies were conducting research to determine if the payments were duplicate payments. We believe the Business Center needs to obtain agency information in order to determine the effectiveness of its DAS

¹⁸ Objective 3.2 of the Treasury Fiscal Year 2014-2017 Strategic Plan calls for Treasury to reduce improper payments made by the U.S. Government. Treasury's improper payment efforts are led by the functions implemented by the DNP Business Center. However, Treasury's Strategic Plan 2018 -2022 did not have any objectives related to improper payments.

¹⁹ The Treasury Citizens' Report, *Summary of Performance and Financial Information, Fiscal Year 2015* (February 16, 2016)

²⁰ P.L. 114-109, (December 18, 2015), Section 4, *Data Analytics*

program. For example, agencies should provide data on the confirmed number or dollar value of identified improper payments.

When reaching out to customer agencies during our fieldwork, officials stated that they planned to provide feedback to the Business Center at some point. Further, officials at four agencies told us that while the DAS project results were helpful, further research by the agencies was needed to determine if the payments were, in fact, improper. In some cases, agency officials believed that based on their knowledge of the payment types or other factors that the Business Center was not aware of, the payments identified by DAS were not improper. That said, obtaining this feedback will help the Business Center streamline future analysis which, in turn, will help agencies prevent improper payments.

For example, one project where the Business Center, using an agency provided file, identified beneficiaries that were included on SSA's Death Master File, the agency deactivated the recipient records in its internal system. While the results of this project may have prevented improper payments, without further agency feedback, the Business Center could not determine the actual impact of the project on the agency's improper payment efforts. We believe it would benefit future DAS projects if agencies provided the Business Center the types and patterns of their payments. In addition, this information could help the Business Center identify those payments that are improper.

Based on our review of the SOPs provided to us in April 2018, we found that Fiscal Service had not implemented any new policies and procedures for obtaining feedback for the Business Center. Recognizing that Fiscal Service does not have the authority to compel agencies to provide feedback, we believe the critical nature of this information in assessing the impact of DAS projects on agency improper payments, as well as more focused planning for future projects, warrants heightened Fiscal Service effort in this area. The lack of customer agencies' interest to provide feedback inhibits the Business Center's ability to obtain information about the impact of these projects to reduce improper payments.

After the completion of fieldwork and in response to our findings, Fiscal Service consulted with counsel and OMB to produce language for all DAS agency agreements that were not yet signed as of October 1, 2019. The language requires customer agency feedback by a certain date, which will be determined at the time of the engagement, taking into account the scope and complexity of the engagement. It also requires the customer agency to quantify (a) the actual or projected number and dollar amount of improper payments identified and/or prevented; (b) costs avoided or projected to be avoided through process improvements or other results of the analytics project; and/or (c) other direct or indirect benefits flowing from the project. With the language produced for the agency agreements, we are satisfied that Fiscal Service worked with OMB to improve the process to obtain feedback from customer agencies. Therefore, we are not making related recommendations to this finding.

Recommendation

We recommend the Commissioner of Fiscal Service:

1. Establish a formal policy to develop, implement, and periodically review performance metrics to measure the impact of the Business Center DAS on agencies' efforts to identify and prevent improper payments. This includes, but is not limited to, the development of performance metrics based on the dollar value and percentage of customer agencies' reduced improper payments as a result of the completed DAS project and agency follow-up.

Management Comments

Fiscal Service management concurred with the recommendation. According to its response, Fiscal Service and the Business Center DAS have established an internal working group to evaluate current metrics and recommend new metrics that will measure the effect of DAS on both the number and dollar amount of improper payments. These metrics will also seek to measure the percentage of reduced improper payments as communicated by customer agencies. At an exit conference

discussing our audit results, the current Executive Director of the Business Center stated that Fiscal Service will establish a formal policy that documents the process on how the bureau measures the impact of DAS towards customer agencies' efforts in identifying and preventing improper payments.

Office of Inspector General (OIG) Comment

Management's response and planned and taken corrective actions meet the intent of our recommendation.

Finding 2

Approvals of Project Deliverables Are Not Centrally Tracked and Improvements Are Needed in the Lessons-Learned Review Process

FRB-STL, as the fiscal agent, did not centrally track project deliverable approvals to ensure all required approvals were obtained prior to release of deliverables to customer agencies. In addition, FRB-STL's controls did not ensure that the results of its lessons-learned reviews performed on completed projects were centrally summarized to make useful information readily available for future projects. Fiscal Service should ensure that the fiscal agent agreement with FRB-STL provides for improved tracking of approvals for DAS project deliverables and requires controls to ensure lessons-learned reviews are performed for all projects, and the results of these reviews are centrally summarized.

FRB-STL Did Not Centrally Track Approvals for DAS Project Deliverables

DAS projects authorized by the Business Center's Executive Director are performed by FRB-STL analysts under the supervision of FRB-STL analytics management.²¹ The analytics teams work with outreach staff to obtain clarification from customer agency officials and modify project requirements, as needed. FRB-STL's Analytics Projects SOP provides levels of review of project deliverables by the

²¹ Each DAS project goes through five phases in its lifecycle including project initiation, project planning, project execution, project delivery, and project closure.

project team and FRB-STL analytics management to ensure the deliverables are accurate and meet customer needs. The SOP also provides for review by Fiscal Service regarding privacy and legal matters to ensure deliverables are appropriate for release to the customer agency, and do not violate privacy restrictions. The Business Center's Executive Director authorizes the release of project deliverables to customer agencies.

FRB-STL and Fiscal Service, however, did not have a methodology for centrally tracking approvals of project deliverables through the later stages of each project's lifecycle. This was in contrast to the governance process used to track proposed analytics projects and document approvals from Fiscal Service and FRB-STL analytics officials through the start of the project planning phase. FRB-STL's Analytics Projects SOP requires that an independent review of each project deliverable be performed by a project team member to verify the general soundness of the deliverable.²² This review is recorded in the FRB-STL verification tracker application. However, FRB-STL does not centrally track the approvals of project deliverables by FRB-STL analytics management and Fiscal Service officials.

FRB-STL's Director of Analytics told us that approvals for project deliverables at both the FRB-STL and Fiscal Service levels are documented in e-mail messages stored in electronic project folders maintained by FRB-STL. In addition, operational procedures provide for self-audits on completed analytics projects by the FRB-STL risk management analyst. Self-audits, performed at a minimum of once per quarter, include all analytics projects completed since the prior self-audit. As part of the self-audits, the risk management analyst evaluates project compliance with all approvals outlined in FRB-STL SOP, and ensures that emails approving project deliverables, a lessons-learned document, and a copy of all project deliverables were documented in the project folders.

We believe both Fiscal Service and FRB-STL management would benefit from a centralized methodology for tracking required approvals of project deliverables similar to the governance tracker

²² In April 2017, FRB-STL consolidated operational procedure documents for analytics requests, governance determination, and the analytics project lifecycle into an SOP document for analytics projects.

used to track approvals prior to the initiation of DAS projects. The governance tracker allows Fiscal Service and FRB-STL analytics management to determine the status of proposed analytics projects and identify approvals needed and obtained prior to the initiation of the planning phase for authorized projects. Centralized tracking of deliverable approvals would similarly help ensure all appropriate approvals at both FRB-STL and Fiscal Service levels are obtained prior to the release of any deliverables to customer agencies.

GAO's *Standards for Internal Control in the Federal Government* state, "Management documents internal control to meet operational needs. Documentation of controls, including changes to controls, is evidence that controls are identified, capable of being communicated to those responsible for their performance, and capable of being monitored and evaluated by the entity." The standards also state, "Documentation also provides a means to retain organizational knowledge and mitigate the risk of having that knowledge limited to a few personnel, as well as a means to communicate that knowledge as needed to external parties, such as external auditors." FRB-STL's Director of Analytics agreed that a centralized tracking methodology for deliverable approvals could help Fiscal Service and FRB-STL management ensure all required approvals are obtained. The director added that FRB-STL continues to work on improving the analytics project management processes and that a centralized tracker for approvals of project deliverables would be considered.

After the completion of fieldwork and in response to our findings, FRB-STL developed a project administrative closure form to provide central tracking of approvals for DAS project deliverables. This form includes a checklist that tracks Fiscal Service approvals before the release of deliverables to customer agencies. In addition, FRB-STL's Analytics Projects SOP requires that the administrative closure form be completed and saved on the FRB-STL Analytics SharePoint Site as part of project closure. We are satisfied that Fiscal Service has completed actions to centrally track approvals of project deliverables; and therefore, we are not making any related recommendations.

Improved Controls Over Lessons-Learned Reviews Are Needed

FRB-STL implemented a lessons-learned review process for completed analytics projects during September 2015. The lessons-learned reviews are intended to identify areas that went well during the execution of each project, process improvements that can be made, and pitfalls to be avoided in future projects. The Director of Analytics stated that lessons-learned reviews, conducted by both FRB-STL analytics management and the project team, are to be performed during project closeout. FRB-STL's SOP for self-audits on completed projects requires the FRB-STL risk management analyst to verify that a lessons-learned document (template) was included in each project folder, but do not call for any type of review to ensure the lessons-learned review was adequately completed and documented in the template.

FRB-STL's revised Analytics Projects SOP implemented in April 2017, only states that lesson-learned reviews are completed by requiring that project staff ensure a lessons-learned document (template) is populated and saved in the administrative project folder. However, the revised SOP does not state what information should be captured in the lessons-learned template. Although the SOP does not outline how lessons-learned reviews are to be performed, the lessons-learned template includes a description of what information should be captured during the review.

In February 2017, the Business Center and FRB-STL analytics team adopted what they refer to as an "agile" framework for analytics project management. The strategy document developed by the Business Center for this framework provides for bi-weekly retrospective meetings for on-going projects, along with an overall project retrospective meeting conducted at the conclusion of each project. The project retrospective findings are to be documented in project folders. The combined retrospective meetings reportedly comprise a lessons-learned process used for each project. However, our review determined that none of the language regarding retrospective meetings as part of a lessons-learned process were incorporated into FRB-STL's revised SOP.

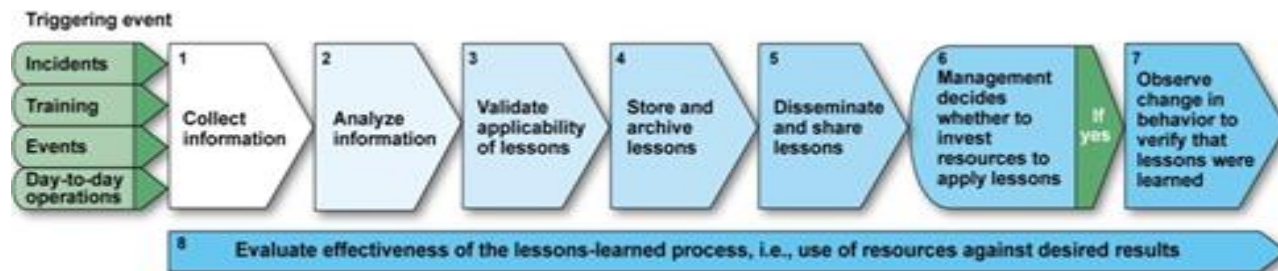
In our review of lessons-learned documents provided by FRB-STL for 16 completed DAS projects, we found spreadsheets summarizing the project objectives, the project team, and the lessons learned from the project. Each of these lessons-learned spreadsheets were stored in respective project folders on the FRB-STL Analytics SharePoint Site. Therefore, to identify lessons learned on completed projects that may have recurring issues, staff had to review documentation in all project folders for completed DAS projects. FRB-STL's analytics management did not utilize a centralized summary of lessons-learned by issues categorized in DAS projects so that similar or recurring issues encountered under these projects could be easily identified by analytics staff.²³ The lack of a centralized summary makes it increasingly more difficult for FRB-STL and Business Center management to identify similar or recurring issues encountered under projects, as well as the approaches taken to resolve the issues as more projects are completed by DAS. As part of the February 2017 agile project management framework adopted by the Business Center and FRB-STL, high-level lessons-learned identified in project retrospective meetings are also captured on project administrative closure forms.

A GAO study on lessons-learned practices among several Federal agencies identified an eight step process that can be used to identify and apply lessons learned.²⁴ The eight steps are identified in Figure 1.

²³ Issues are categorized in each lessons-learned spreadsheet regarding what could be improved for future projects. These include the need to: (1) establish agency contacts for additional data sources necessary to complete future projects; (2) further educate the outreach team, consisting of FRB-STL and the Business Center personnel, on the details of the project so they may better inform customer agencies when they provide them with the project results; and (3) ensure project results are consistently documented.

²⁴ GAO, *Federal Real Property Security: Interagency Security Committee Should Implement a Lessons-Learned Process* (GAO-12-901; issued September 10, 2012)

Figure 1: GAO's 8-Step Lessons-learned Process



Source: GAO

Steps 4 and 5 of GAO's lessons-learned process address the storage and dissemination of the results of lessons-learned reviews. In the study, GAO stated, "The storage of lessons usually involves entering lessons into an electronic database to disseminate and share information." Additionally, GAO stated, "A critical step in any lessons-learned process is the sharing and disseminating of the knowledge gained. Agencies can disseminate lessons through many venues, such as briefings, bulletins, reports, emails, websites, database entries, the revision of work processes or procedures, and training."

Subsequently, in March 2018, we inquired whether Fiscal Service personnel had any new or updated SOPs for documenting a centralized summarization for lessons-learned reviews and there were none. We believe SOPs should be updated to require the results of the lessons-learned to be centrally summarized. Centrally summarizing the results of the lessons-learned would ensure that all lessons-learned are considered by analytics teams in conducting future projects, and in turn, would enhance the effectiveness of the DAS provided to agencies. It should be noted that the FRB-STL Director of Analytics agreed that a centralized summarization document for lessons-learned reviews could be beneficial and would be considered.

As discussed above, after the completion of our fieldwork and in response to our findings, FRB-STL developed a project administrative closure form to provide central tracking of approvals for DAS project deliverables. The form was also developed to verify that lessons-learned reviews were performed. This form includes a

checklist that tracks the lessons-learned review for every completed DAS project. In addition, FRB-STL's Analytics Projects SOP requires that the administrative closure form be completed and saved on the FRB-STL Analytics SharePoint Site as part of project closure. Furthermore, Fiscal Service responded that common issues from project level lessons-learned reviews are rolled up by category to the portfolio level and discussed by Fiscal Service leadership and analytics staff during a quarterly vision meeting. The portfolio level lessons-learned are centrally stored and tracked on the FRB-STL Analytics SharePoint Site. We are satisfied that Fiscal Service has completed actions to centrally track lessons-learned reviews, as well as to ensure that the results of all lessons-learned reviews are considered by analytics teams in conducting future projects. Therefore, we are not making any related recommendations.

* * * * *

We appreciate the cooperation and courtesies extended to our staff during the audit. If you wish to discuss the report, you may contact me at (617) 223-8638. Major contributors to this report are listed in appendix 4. A distribution list for this report is provided as appendix 5.

/s/

Sharon Torosian
Director, Manufacturing and Revenue

The objective of our audit was to assess how the Bureau of the Fiscal Service's (Fiscal Service) Do Not Pay (DNP) Business Center's data analytics services (DAS) support the Federal Government's efforts to identify and prevent improper payments. We performed our fieldwork from March 2016 through November 2016, with additional follow-up through October 2019.

To accomplish this objective, we interviewed individuals from Fiscal Service and the Federal Reserve Bank of St. Louis (FRB-STL) to gain an understanding of the operation of the DNP Business Center and DAS. We also interviewed representatives from the following Federal agencies to obtain their views on DAS projects completed for their agencies:

- Department of the Treasury's (Treasury) Administrative Resource Center;
- The Department of Veterans Affairs;
- The Department of Defense, Defense Finance and Accounting Service;
- The Department of Transportation;
- The Small Business Administration;
- The Department of Health and Human Services; and
- The Department of Agriculture.

To assess the processes used to initiate, execute, and finalize DAS projects, we reviewed policies and procedures relating to the Business Center and FRB-STL operations. In addition, we reviewed documentation and materials related to Business Center outreach services used to promote DAS, as well as metrics used to assess DAS performance. We also compared DAS performance metrics against the DNP program goals, Treasury's strategic plan, and relevant laws applicable to improper payments.

We obtained a list of DAS projects planned, in progress, completed, and terminated for the period April 2011 through March 2016. We reviewed information for 18 DAS projects listed as completed by Fiscal Service as of March 21, 2016. To determine whether the projects were executed in accordance with Business Center and FRB-STL procedures, we reviewed documentation contained in project folders maintained by FRB-STL, as well as

information in the governance and project trackers. We reviewed documentation of all 16 lessons-learned reviews performed on completed projects by FRB-STL since inception of this process in September 2015.²⁵ We also reviewed spreadsheets for all 19 self-audits performed on completed DAS projects through September 29, 2016.²⁶

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

²⁵ Projects completed prior to September 2015 were not subject to lessons-learned reviews.

²⁶ The self-audit process was implemented by FRB-STL in November 2015.

November 2009: Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs*: Focused on reducing improper payments by intensifying agencies' efforts to eliminate payment error, waste, fraud, and abuse in the major programs administered by the Federal Government, while continuing to ensure that federal programs serve and provide access to their intended beneficiaries.

March 2010: Presidential Memorandum, *Finding and Recapturing Improper Payments*: Directed executive departments and agencies of the Federal Government to expand the use of payment recapture audits for detecting and recapturing payment errors.

June 2010: Presidential Memorandum, *Enhancing Payment Accuracy Through a 'Do Not Pay List'*: 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 occurred before the release of any federal funds, to the extent permitted by law.

July 2010: P.L. 111-204, *Improper Payments Elimination and Recovery Act of 2010* (July 22, 2010): Expanded improper payment elimination and recovery efforts by performing and reporting on improper payment reviews and risk assessments.

April 2011: The Bureau of the Fiscal Service (Fiscal Service) partnered with the St. Louis and Kansas City Federal Reserve Banks as Department of the Treasury's (Treasury) Fiscal Agent, to develop the Do Not Pay (DNP) Business Center as part of the government-wide "Do Not Pay" Initiative.

November 2011: The Business Center became operational and available to agencies to use for performing prepayment eligibility reviews against available DNP data sources.

April 2012: Office of Management and Budget (OMB) Memorandum M-12-11, *Reducing Improper Payments through the 'Do Not Pay List'* (April 12, 2012): Directed executive agencies to take immediate steps to use the centralized solutions already in place for pre-payment eligibility reviews and for the Chief Financial

Officer of each agency to submit to OMB a plan for using centralized solutions.

January 2013: P.L. 112-248, *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA) (January 10, 2013): Reinforced the Administration's ongoing efforts by requiring executive agencies to perform prepayment eligibility reviews on all payments and awards through a DNP working system by June 1, 2013. IPERIA also designated OMB to establish a DNP working system for agencies to perform prepayment eligibility reviews.

August 2013: OMB Memorandum M-13-20, *Protecting Privacy while Reducing Improper Payments with the Do Not Pay Initiative* (August 16, 2013): Set forth implementation guidelines for the DNP Initiative to help ensure that the Federal government's efforts to reduce improper payments complied with privacy laws and policies and designated Treasury to host the DNP working system for agencies to perform prepayment eligibility reviews required by IPERIA.

As Treasury's payment-issuing agency, Fiscal Service was to ensure it had the legal authority to engage in a matching program for purposes of the DNP initiative, and for ensuring that matches were made against relevant and necessary data sources for the specific matching purpose to perform prepayment eligibility reviews as required by IPERIA.

May 2014: The Business Center initiated its first data analytics services project with a Federal agency. The project was designed to help officials at Treasury's Administrative Resource Center determine if it was beneficial to match the resource center's payee file against the private version of the General Services Administration's System for Award Management Exclusion Records.

June 2015: The Business Center began dissemination of Agency Insight Reports to selected external agencies providing high level overviews of patterns and anomalies in agency payments.

December 2015: P.L. 114-109, *The Federal Improper Payments Coordination Act of 2015* (December 18, 2015): Extended access to the DNP program to the legislative and judicial branches of the government as well as state governments, contractors, and agents for purposes of verifying payment or award eligibility. The legislation also required Treasury to submit a report to Congress on improper payments that included a description of the data analytics performed by the Business Center, the metrics used in determining whether the analytic and investigatory efforts have reduced, or contributed to the reduction of, improper payments or improper awards, and the target dates for implementing the data analytics operations.

June 2016: P.L. 114-186, *Fraud Reduction and Data Analytics Act of 2015* (June 30, 2016): The purpose of the act is to improve Federal agency financial and administrative controls and procedures to assess and mitigate fraud risks, and to improve Federal agencies' development and use of data analytics for the purpose of identifying, preventing, and responding to fraud, including improper payments.

Appendix 3
Management Comments



DEPARTMENT OF THE TREASURY
BUREAU OF THE FISCAL SERVICE
WASHINGTON, DC 20227

December 9, 2019

Sharon Torosian
Audit Director
Department of the Treasury
Office of Inspector General
408 Atlantic Avenue, Suite 330
Boston, MA 02110

Dear Ms. Torosian:

Thank you for the opportunity to respond to the Treasury Office of Inspector General's (OIG) draft report *Performance Metric Policy Needed for the Fiscal Service Do Not Pay Business Center's Data Analytics Services*, dated November 13, 2019. Treasury's Bureau of the Fiscal Service (Fiscal Service) is committed to the financial integrity and operational efficiency of the federal government through exceptional accounting, financing, collections, payments, and shared services.

As noted in the OIG's report, Fiscal Service established the Do Not Pay Business Center (Business Center) in 2011 to support Federal agencies in their efforts to reduce the number of improper payments made through programs funded by the Federal Government. Adhering to core values such as protecting individual privacy and providing relevant, useful data to customers, the Business Center delivers customer-centric data driven solutions to reduce the improper payment footprint across the federal community. The OIG's report recommends that the Fiscal Service:

Establish a formal policy to develop, implement, and periodically review performance metrics to measure the impact of the Business Center DAS [Data Analytics Services] on agencies' efforts to identify and prevent improper payments. This includes, but is not limited to, the development of performance metrics based on the dollar value and percentage of customer agencies' reduced improper payments as a result of the completed DAS project and agency follow-up.

Fiscal Service concurs with the OIG's recommendation. Fiscal Service and the Business Center DAS have established an internal working group to evaluate current metrics and recommend new metrics that will measure the effect of the DAS services on both the number and dollar amount of improper payments. These metrics will also seek to measure percentage of reduced improper payments as communicated by agency customers.

Appendix 3
Management Comments

If you have any questions or wish to discuss these comments in more detail, please contact me on (202) 874-7000.

Sincerely,

/S/

Timothy E. Gribben
Commissioner

Appendix 4
Major Contributors to This Report

Kenneth Dion, Audit Manager
Kar Lee, Auditor-in-Charge
James Shepard, Auditor
Virginia Shirley, Referencer

The Department of the Treasury

Secretary
Deputy Secretary
Fiscal Assistant Secretary
Deputy Assistant Secretary for Fiscal Operations and Policy
Office of Strategic Planning and Performance Improvement
Office of the Deputy Chief Financial Officer, Risk and Control
Group

Bureau of the Fiscal Service

Commissioner

Office of Management and Budget

Office of Inspector General Budget Examiner

U.S. Senate

Chairman and Ranking Member
Committee on Homeland Security and Governmental Affairs

U.S. House of Representatives

Chairman and Ranking Member
Committee on Oversight and Reform



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