



President Signs Executive Order Addressing Improper Payments

On Nov. 23, President Obama signed an executive order on improper payments designed to decrease the number of federal improper payments, increase transparency, hold agencies accountable, and create strong incentives for compliance. The Office of Management and Budget announced the initiative earlier in November and released figures showing the level of improper payments in many federal programs (see chart below).

The executive order includes the following major elements:

- The order includes a strong message on identifying and reducing improper payments while acknowledging the need for program access: “The purpose of this order is to reduce improper payments by intensifying 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.”
- The order reflects several mandates already included in the Improper Payments Information Act, including issuance of targets for error reduction and procedures for issuing guidance, but in several cases with more frequent reporting timelines and higher targets for reduction.
- A significant new element is the establishment of “a working group consisting of Federal, State, and local officials to make recommendations to the Director of OMB designed to improve the Federal Government’s measurement of access to Federal programs by the programs’ intended beneficiaries.” The work group is to be established within 90 days of the order and its recommendations are due within 180 days of the order.
- Two other work groups to be established (again composed of federal and state officials and both within 30 days) include one to recommend improvements in the effectiveness of single audits and one to recommend administrative actions designed to “improve the incentives and accountability of state and local governments ... for reducing improper payments.”
- A new web site will be established where improper payments rates, methods of computation, targets for reduction will be posted together with the “entities that have received the greatest amount of outstanding improper payments (or, where improper payments are identified solely on the basis of a sample, the entities that have received the greatest amount of outstanding improper payments in the applicable sample).” According to federal officials who spoke at APHSA’s Policy Summit on Dec. 7, OMB is also soliciting proposals now for reducing improper payments that it will place on the site.
- Federal agency inspectors general will submit recommendations to “assess the level of risk associated with the applicable programs, determine the extent of oversight warranted, and provide the agency head with recommendations, if any, for modifying the agency’s methodology, improper payment reduction plans, or program access and participation plans.”

- OMB will develop policy recommendations, including legislation, “designed to reduce improper payments, including those caused by waste, fraud, and abuse, across federal programs without compromising program access” in the FY 2011 budget or through other vehicles.

APHSA has already had informal contact with OMB strongly expressing that APHSA should have a prominent role in these initiatives, and will follow up with formal contacts.

APHSA has also had informal discussions with OMB on a related initiative, the federal-state partnership proposed in the Administration’s FY 2010 budget and for which \$40 million has been proposed in pending appropriations legislation. The partnership will solicit state ideas for pilots that would streamline administration of assistance programs and generate savings in improper payments reductions equal to the cost of implementing the pilots. No formal requests for pilot proposals will be issued until after the appropriations legislation is passed.

Please direct questions and comments to Larry Goolsby, Director of Legislative Affairs, lgoolsby@aphsa.org.

Selected programs and their improper payment rate, as issued by OMB, include:

Program	Improper Payment Rate
Child Care Development Fund	11.9 %
Earned Income Tax Credit	25.5%
Foster Care Title IV-E	4.7%
Head Start	3%
Medicaid	9.6%
Supplemental Security Income	12.1%
Supplemental Nutrition Assistance Program	5 %
Workforce Investment Act	.2%