



**U.S. Office of Personnel Management
Office of the Inspector General
Office of Audits**

Final Audit Report

**Audit of the U.S. Office of Personnel Management's
Utilization of the Improper Payments Do Not Pay Initiative**

**Report Number 4A-CF-00-20-029
February 14, 2022**

Executive Summary

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Why Did We Conduct the Audit?

The objective of our audit was to determine if the U.S. Office of Personnel Management's (OPM) Retirement Services, Office of the Chief Financial Officer (OCFO), Healthcare and Insurance, and Office of Procurement Operations (OPO) have access to and are utilizing the appropriate Do Not Pay (DNP) data sources and tools that are available to help minimize and prevent improper payments.

What Did We Audit?

The Office of the Inspector General completed a performance audit of OPM's utilization of the improper payments' DNP Initiative. Our audit was conducted virtually from November 5, 2020, through October 14, 2021.



Michael R. Esser
*Assistant Inspector General
for Audits*

What Did We Find?

We determined that Retirement Services, OCFO, and OPO are utilizing the DNP Portal and data sources. Specifically:

- Retirement Services uses the DNP Portal to match annuitant payments to death data sources, such as the Death Master File.
- The OCFO uses the U.S. Department of the Treasury (Treasury) Offset Program Debt Check, which collects past-due debts owed to state and Federal agencies for payroll.
- The OPO uses the System for Award Management (SAM) to determine if merchants or vendors appear on the SAM Registration list but not on the SAM Exclusions list at the time of the payment or contract for purchase cards and vendor contracts.

However, we also determined that:

- Retirement Services paid three deceased annuitants, out of 197 sampled, a total of \$421,040 in potential improper payments.
- Retirement Services' internal controls did not include a supervisory level review over Treasury's monthly DNP report, entitled *Do Not Pay Match Results for Payment*.
- Healthcare and Insurance had not been using the DNP Portal for new carrier applicants since 2017.
- As a best practice, OPM should continue to maintain an active relationship with the DNP Business Center to make the most of their analytic services and new data sources continually being added in the DNP Portal.

Abbreviations

DNP	Do Not Pay
FEHBP	Federal Employees Health Benefits Program
IPERIA	Improper Payments Elimination and Recovery Improvement Act
OCFO	Office of the Chief Financial Officer
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
OPO	Office of Procurement Operations
SAM	System for Award Management
Treasury	U.S. Department of the Treasury

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I. Background

This final audit report details the findings, conclusions, and recommendations resulting from our performance audit of the U.S. Office of Personnel Management's (OPM) Utilization of the Improper Payments Do Not Pay (DNP) Initiative. The audit was performed by OPM's Office of the Inspector General (OIG), as authorized by the Inspector General Act of 1978, as amended. This is the first audit of OPM's utilization of the DNP Initiative by the OIG. We performed an improper payments rate methodology performance audit and the annual improper payments reporting compliance audits of OPM that served as catalysts for performing this audit.

The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) established the DNP Initiative. The Federal Improper Payments Coordination Act of 2015 expanded the IPERIA authority for the legislative and judicial branches to use the DNP Initiative, including the U.S. Department of the Treasury's (Treasury) DNP Business Center, for the purpose of verifying payment or award eligibility for payment. Additionally, the Payment Integrity Information Act of 2019 directs each executive agency to review prepayment and pre-award procedures and ensure that a thorough review of available databases, with relevant information on eligibility, occurs to determine program or award eligibility and prevent improper payments before the release of any Federal funds. The U.S. Office of Management and Budget designated Treasury to host the *Working System*, which includes the DNP Portal to assist agencies in detecting and preventing improper payments.

DNP Portal

Treasury's Bureau of the Fiscal Service operates the DNP Business Center, which provides tools, such as the DNP Portal¹, data analytics services, and support to Federal and state Government agencies in the identification, detection, and prevention of improper payments under IPERIA. The mission of DNP is to protect the integrity of the Federal Government's payment processes by assisting agencies in mitigating and eliminating improper payments in a cost-effective manner while safeguarding the privacy of individuals.

Treasury's DNP Portal is a no cost web-based portal that provides multiple data sources for agencies to verify the pre-award, prepayment, or post payment eligibility of a vendor, grantee, loan recipient or beneficiary for Government agencies who receive Federal funds. DNP provides users with a summary of matches and the name of the data sources where they were found. This information is intended to assist DNP customer agencies in determining payment eligibility based on the agency's internal policies and business processes.

The U.S. Office of Management and Budget strongly encourages agencies to use the DNP Business Center as part of their pre-payment eligibility verification process as well as at any time during the payment lifecycle, to determine the eligibility before the release of any Federal funds. Treasury's DNP Portal can be personalized to fit an agency's particular needs and automatically

¹ The Do Not Pay Portal is a multi-functional analytical tool and a data shop that provides users with a secure online single-entry point to check multiple data sources (e.g., Death Master File, List of Excluded Individuals and Entities, and System for Award Management Entity Registration Records).

match the data from the portal. Furthermore, upgrades and improvements to Treasury’s DNP Portal, such as new databases like the American InfoSource, have added death data from a variety of sources, including probate records and published obituaries. The Bureau of the Fiscal Service has data analytics specialists that work with customer agencies of DNP to determine and target the best DNP processes and data sources to meet the agency’s program needs.

Retirement Services

The Retirement Services office issues annuity payments on a recurring monthly basis to eligible individuals. Retirement Services’ process includes an initial review to determine the retiree or survivor’s eligibility prior to the issuance of any benefit payments. Once eligibility is determined, monthly annuity payments continue until Retirement Services receives some form of verification to stop the payments.

Retirement Services uses a variety of methods to identify deceased annuitants, such as the U.S. Social Security Administration’s death data information, which is used to perform the annual Death Master File Match² and the Weekly Consolidated Death Match³. Since annuity payments are recurring, the reviews performed by Retirement Services can be considered a pre-payment review, since future payments can be stopped. When Retirement Services learns that an annuitant is deceased, they remove or drop the annuitant from the annuity roll. Retirement Services may also suspend an annuity in situations where it suspects that the annuitant is deceased but has not confirmed his or her death in order to stop additional payments from being disbursed. Prompt identification of death and any associated improper payment is required for other OPM offices to do their part to recover improper payments already paid out.

Treasury’s DNP Portal is another tool available to Retirement Services to prevent improper payments. The DNP Business Center provides Federal agencies with various methods and an array of data sources (e.g., Death Master File) to use during “any time in the payment lifecycle,” such as pre-award, pre-payment, and pre-enrollment, as well as at the time of payment to verify and re-verify eligibility.

Retirement Services’ Fraud Branch reviews monthly reports of death received from Treasury’s DNP Portal to determine whether the deaths have been reported to OPM. If a death has already been reported to OPM and OPM has taken appropriate action, no further action is needed. If the death has not been reported to OPM, the Fraud Branch attempts to verify the death. If the death is verified, Retirement Services stops the annuitants’ annuity payments and initiates reclamation actions if post-death payments were made.

² The Death Master File is a U.S. Social Security Administration file that contains all the deaths that the Social Security Administration has on record of potential deceased individuals. The file is matched against annuity payments on a yearly basis.

³ The Consolidated Death Master File is a U.S. Social Security Administration file that contains data of potential deceased individuals that have been reported in the previous week. The file is matched against annuity payments on a weekly basis.

A match on Treasury's DNP Portal may be erroneous, have the wrong date of death, or refer to a person with the same name as a retirement annuitant, but who is not the annuitant. Retirement Services downloads and investigates the matches received from Treasury's DNP Portal. Retirement Services uses LexisNexis⁴ and public internet sites, such as legacy.com and google.com, to search for records showing if the annuitant is deceased. If Retirement Services does not find a death record, they send the annuitant an address verification/proof of life letter. If they do not receive a response, they suspend the annuity payments until they can verify the annuitant's living status.

Healthcare and Insurance

The Healthcare and Insurance office is responsible for the Government-wide administration of insurance and benefit programs for Federal employees, retirees, and their families, and in some cases, active and retired members of the uniformed services and their family members. The Federal Employees Health Benefits Program (FEHBP) is the largest employer-sponsored health insurance program in the world, covering more than eight million Federal employees, retirees, and eligible family members. New plans coming into the FEHBP should be verified using the U.S. Department of Health and Human Services List of Excluded Individuals and Entities through the DNP Portal.

Office of the Chief Financial Officer

The Office of the Chief Financial Officer (OCFO) is responsible for the financial leadership of OPM. This includes responsibility for all OPM disbursements and accountability processes. The OCFO manages and oversees OPM's payroll, accounting, billing, and vendor payments.

The OCFO generates a daily payment file, which in turn automatically generates a payment request file to Treasury. There are two separate payment processes - (1) Vendor Payments and (2) Travel Reimbursements. Anytime the OCFO generates a payment request file it goes to Treasury through the Treasury Offset Program. The Treasury Offset Program is a centralized program, administered by the Bureau of the Fiscal Service's Debt Management Services, to collect debt owed to Federal agencies.

Office of Procurement Operations

The Office of Procurement Operations (OPO) provides support to OPM's programs and provides assisted acquisition services in support of other Federal agencies that require support under OPM contracts. The OPO is responsible for planning, soliciting, evaluating, awarding, and administering the contracts on behalf of the agency. In addition, OPO handles OPM's vendor

⁴ LexisNexis is a corporation providing computer assisted legal research.

and purchase card programs, procurement oversight and compliance, policy development, data tracking, and reporting.

The Procurement Information System for Management is a contract writing software used by OPO. OPM's contract specialists input contract information into the Procurement Information System for Management and check the System for Award Management before awarding a contract. An exclusion record from SAM.gov indicates that the individual or organization is disqualified from receiving any Federal Government contracts.

II. Objective, Scope, and Methodology

Objective

The objective of our audit was to determine if OPM's Retirement Services, Healthcare and Insurance, Office of the Chief Financial Officer, and Office of Procurement Operations have access to and are utilizing the appropriate DNP data sources and tools that are available to minimize and prevent improper payments.

The recommendations included in this final report address the objective.

Scope and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards as established by the Comptroller General of the United States. 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 objective.

We performed our audit fieldwork virtually from November 5, 2020, through October 14, 2021. The scope of our audit covered:

- Annuitant beneficiary payments matched to DNP death data sources from October 1, 2019, through September 30, 2020;
- Vendor and purchase card transactions matched to the DNP System for Award Management from October 1, 2019, through September 30, 2020;
- Payroll matched to DNP death data sources and the Treasury Offset Program for the pay period ending November 21, 2020; and
- Calendar year 2020 health care vendors from OPM's FEHBP.

To accomplish our audit objective noted above, we:

- Interviewed Retirement Services, OCFO, Healthcare and Insurance, and OPO personnel;
- Worked as the liaison between the DNP Business Center and OPM program offices to ensure that OPM provided Treasury's DNP Business Center with the following data files: (1) retirement annuity, (2) vendor/purchase cards, (3) payroll, and (4) Federal Employee Health Benefits vendors' files;
- Reviewed Retirement Services' procedures and policies regarding the DNP Portal;
- Reviewed supporting documentation for potential DNP matches obtained from the DNP Business Center;

- Reviewed supporting documentation to ensure all vendors have a contract with OPM and that OPM is utilizing DNP in their eligibility verification process;
- Reviewed results of the DNP Business Center’s match analysis to inform OPM of any potentially ineligible payment recipients so that they can take appropriate action; and
- Followed-up on potential improper payments, if any.

In planning our work and gaining an understanding of the internal controls over the DNP process, we considered, but did not rely on, OPM’s internal control structure to the extent necessary to develop our audit procedures. These procedures were analytical and substantive in nature. We gained an understanding of management’s procedures and controls to the extent necessary to achieve our audit objective. The purpose of our audit was not to provide an opinion on internal controls but merely to evaluate controls over the DNP process.

In conducting our audit, we relied to varying degrees on computer-generated data. To assess the reliability of computer-processed data, we obtained annuitant payments and identifying information from the Annuity Roll Processing System; purchase card transactions and vendor contracts from the Procurement Information System for Management; payroll file transactions for the pay period ending November 21, 2020; and Benefits Plus database containing healthcare vendors and looked for obvious errors in accuracy and completeness. We did not evaluate the effectiveness of the general application controls over computer-processed performance data.

The DNP Business Center matched the following files to the respective databases.

- Annuitant payments and the payroll file were matched to the Death Master File; Department of Defense Death Data; Department of State Death Data; American InfoSource Probate; and American InfoSource Obituary.
- Vendor and purchase card transactions were matched to the System for Award Management Entity and System for Award Management Exclusions – Restricted.
- Health care vendors were matched to the List of Excluded Individuals and Entities.

DNP’s Death Record Confidence Scoring Tool is designed to aid an agency’s eligibility verification process by providing additional information regarding the reliability of the matches to death data sources. It consolidates and compares all deaths accessible to DNP to provide all available information at the payee level. It also estimates the accuracy of the information. The research priority of each payee is based on the likelihood of death, strength of the match, dollars at risk, and the anticipated date of the next payment.

We selected the following DNP matches for our testing:

DNP Match Result Samples Selected			
Audit Area	Match Results	Sample Size	Sample Selection Methodology
Annuitant Beneficiary Matches	9,560	197	Judgmentally selected the first 186 by priority ranking from the <i>Payment Change Before Date of Death</i> and the first 11 by priority ranking from <i>Payment Change After Date of Death</i> by DNP priority. DNP priority ranking is identified by the DNP Business Center based on likelihood of death, strength of match, and total dollars at risk.
Purchase Card Matches – SAM Registration and Exclusion - Positive ⁵	56	4	Judgmentally selected transactions over \$2,500 using Microsoft Excel
Purchase Card Matches – Neither SAM Registration and Exclusion - Positive	6,806	16	Judgmentally selected transactions over \$10,000 using Microsoft Excel
Purchase Card Matches – SAM Registration and Exclusion - Negative ⁶	1	1	Not Applicable
Purchase Card Matches – Neither SAM Registration and Exclusion - Negative	504	20	Judgmentally selected transactions over \$100 and every twentieth match identified by the DNP Business Center using Microsoft Excel

⁵ Positive means that the matches are positive transaction amounts.

⁶ Negative means that the matches are negative transaction amounts.

Audit Area	Match Results	Sample Size	Sample Selection Methodology
Vendor Contract Matches – Positive	71	16	Judgmentally selected every fifth match identified by the DNP Business Center using Microsoft Excel
Vendor Contract Matches – Negative	1	1	Not Applicable
Payroll Treasury Offset Program Matches	61	61	Not Applicable
Payroll Death Match	1	1	Not Applicable

Healthcare and Insurance had no matches and, therefore, no samples. The samples selected during our review were not statistically based. Consequently, the results from our samples were not projected to the populations tested.

III. Audit Findings and Recommendations

The sections below detail the results of our audit of OPM's Utilization of the DNP process. We determined that the OCFO, the OPO, and Retirement Services are utilizing the DNP Portal; however, Healthcare and Insurance has not used the DNP Portal since 2017. We also identified three areas in which OPM should strengthen controls over its DNP process and a best practice for utilizing the DNP Business Center.

1. Do Not Pay Utilization

Based on our review of payroll matches, non-health care vendor payment matches, purchase card transaction matches, annuity payment matches, health care vendor matches, and other documentation provided, we determined that the OCFO, the OPO, and Retirement Services were utilizing the DNP Portal and data sources as stated below

A. OCFO

The OCFO is using the Treasury Offset Program matched against payroll for debts owed by employees to state or Federal agencies. DNP matched the pay period ending November 21, 2020, to the Treasury Offset Program Debt Check and death databases. No improper payments were identified for payroll due to debts owed by the Treasury Offset Program or the DNP death data sources, specifically the Death Master File.

B. OPO

The OPO is using the System for Award Management matched against the non-healthcare vendors and purchase card transactions. We reviewed 41 samples out of 7,367 payments to 2,956 merchants for FY 2020, totaling \$5.2 million, and found no potential improper payments. In addition, the Do Not Pay Business Center matched 1,130 non-healthcare vendor contracts awarded during FY 2020. DNP found 71 contracts with 33 vendors, totaling \$25 million, that were at risk of being improper. The vendors were identified as potentially improper because they must appear on the System for Award Management registration list and not on the System for Award exclusion list at the time of payment or contract. We sampled 17 out of the 71 contracts and found no improper payments.

C. Retirement Services

Retirement Services is using the DNP Portal to adjudicate monthly payments to annuitants against the death data sources. Despite this, we identified three deceased annuitants out of 197 annuitant matches we sampled that were still receiving annuity payments, totaling \$421,040 of potential improper payments, which is described in the following finding, Retirement Services Paid Deceased Annuitants.

2. Retirement Services Paid Deceased Annuitants

We judgmentally selected 197 out of 9,560 annuitant matches from October 1, 2019, through September 30, 2020, identified by the DNP Business Center through the eligibility data sources available to DNP to determine if there were any potential improper payments. We identified three deceased annuitants out of the 197 annuitant matches sampled that received potential improper payments totaling \$421,040. Specifically, the matches are:

OPM paid three deceased annuitants a total of \$421,040 in potential improper payments.

Annuitant Matches to Death Data Sources					
Number	Stop Payment Date	Date of Death	Date of Death Identified in the DNP Portal	Check Cancellation for Payments Made to Annuitants	Potential Improper Payment To Be Recovered ⁷
1	8/17/2021	6/2/2019	6/19/2019	\$123,510	\$123,510
2	8/19/2021	6/13/2016	10/17/2018	\$226,940	\$226,940
3	8/25/2021	6/12/2019	7/17/2019	\$70,590	\$70,590
Total					\$421,040 ⁸

In addition, Retirement Services placed a hold on an annuity payment check of \$2,750, to annuitant number 3, that would have been issued if the annuitant had not been matched in the DNP Portal.

Retirement Services stated that they were not aware of the three deceased annuitants until we notified them during our audit, and as a result, they stopped future payments. However, Retirement Services’ Fraud Branch, which was created in October 2018, started receiving monthly annuitant match reports from the DNP Portal in March 2019. Based on the August 2021 match results that we received from the DNP Business Center, we noted that the three deceased annuitants were added to the DNP Portal’s database between October 2018 and July 2019. Since these annuitants would have appeared on the reports sent to the Fraud Branch, Retirement Services should have been aware of the dates of deaths, should have adjudicated the

⁷ Check cancellation is the initiation by OPM to recover improper payments.

⁸ Amount rounded to dollar.

cases, and stopped any potential improper payments. The annuitant match details were communicated to Retirement Services separate from this report.

The General Accountability Office's *Standards for Internal Control in the Federal Government, Principle 10 – Design Control Activities*, states, "Transaction control activities are actions built directly into operational processes to support the entity in achieving its objectives and addressing related risks. 'Transactions' tends to be associated with financial processes (e.g., payables transactions), while 'activities' is more generally applied to operational or compliance processes. For the purposes of this standard, 'transactions' covers both definitions. Management may design a variety of transaction control activities for operational processes, which may include verifications, reconciliations, authorizations and approvals, physical control activities, and supervisory control activities."

The Treasury's *Do Not Pay Agency Implementation Guide for Treasury Working System*, April 2017, states, "During the adjudication process, you [agency] are responsible for reviewing matches generated through the matching process. As such, you [agency] must determine, based on further investigation and internal policies whether a match identified an invalid payee and constitutes an improper payment and if so, you [agency] must initiate the proper action. This research should confirm whether the match was an ineligible payee and the payment improper."

Not properly suspending or dropping deceased annuitants benefit payments from the annuity roll may have resulted in improper payments totaling \$421,040.

Recommendation 1: We recommend that Retirement Services investigate the three annuitant cases identified, with potential improper payments totaling \$421,040, and work with the OCFO to recover payments identified as improper.

OPM's Response: *"OPM concurs with this recommendation. Retirement Services (RS) has issued the check cancellation actions for the three cases." In addition, "Management agrees with the updated total, however the exact total including the cents totals \$421,040.08"*

OIG Comments: Since check cancellation actions are the initiation of the reclamation process when improper payments are identified, we would need to see supporting documentation for the amounts that are recovered, in order to close this recommendation during the audit resolution process.

Recommendation 2: We recommend that Retirement Services strengthen internal controls of the Do Not Pay process to ensure that all annuitant matches are properly adjudicated.

OPM’s Response: *“OPM concurs with this recommendation. RS has expanded its review to include all data sources within the DNP portal to ensure that all annuitant matches are properly adjudicated.”*

OIG Comments: Retirement Services has not provided documentation to show that they have expanded their review to include all data sources within the DNP Portal to ensure that all annuitant matches are properly adjudicated.

Recommendation 3: We recommend that Retirement Services research the three annuitant cases identified in this finding to determine the root cause(s) for the continued payments to the deceased annuitants spanning between two and five years, in spite of Retirement Services conducting death matches against the annuity roll and utilization of the DNP Portal, and implement controls to mitigate the root cause(s) identified.

OPM’s Response: *OPM “concur with this recommendation. Prior to FY2022, RS only used the Death Master File (DMF) to conduct death matches. As such, these three annuitant cases were not identified. These three cases only showed up in the AIS (American Info Source). RS has improved its internal controls and updated its SOP to use all data sources to include AIS (American Info Source), DOS (State Department), DOD (Defense Department), and the DMF to verify reports of death in the DNP portal.”*

OIG Comments: During our audit, we were informed that Retirement Services uses the American InfoSource Death Data-Obituary and American InfoSource-Probate. Retirement Services stated that they use the DNP Portal to adjudicate monthly payments to annuitants against the death data sources, and when they used American InfoSource it resulted in false positives. In addition, Retirement Services’ *Do Not Pay Standard Operating Procedures*, dated March 2019 (updated in April 2021), include American InfoSource Death Data-Obituary and American InfoSource-Probate as search tools in conducting death matches. Retirement Services did not provide support to show that American InfoSource was not being used to conduct death matches prior to FY 2022.

3. Retirement Services Do Not Pay Portal Procedures

We could not determine if Retirement Services’ internal controls included supervisory level reviews over Treasury’s monthly DNP report, entitled *Do Not Pay Match Results for Payment*. Retirement Services stated that the monthly DNP report is reviewed to determine if the matched payments are improper. We requested the *Do Not Pay Match Results for Payment* report with indications of supervisory review, such as a signature. We did not receive the report(s) with any notations (e.g., supervisor’s signature) to document that the DNP report was reviewed, nor was any other supporting documentation provided. However, Retirement Services’ *Do Not Pay Standard Operating Procedures* did not specify that the Fraud Branch Manager is required to review the *Do Not Pay Match Results for Payment* and that documentation to support the review should be maintained. Retirement Services updated and issued the *Do Not Pay Standard*

Operating Procedures, in April 2021, to require supervisory review of the monthly DNP report and supporting documentation be signed and dated.

The General Accountability Office's *Standards for Internal Control in the Federal Government*, principle 10 - *Design Control Activities*, advises that "Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks ... [and] clearly documents internal control ... in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained."

Failure to ensure that supervisory reviews of the *Do Not Pay Match Results for Payment* are being conducted and are properly documented and maintained could potentially result in improper payments not being identified.

Recommendation 4: We recommend that Retirement Services update its *Do Not Pay Standard Operating Procedures* to include supervisory reviews of the *Do Not Pay Match Results for Payment* report and that supporting documentation for the reviews is maintained.

OPM's Response: "*OPM concurs with this recommendation. RS has updated its standard operating procedures to include supervisory reviews of the Do Not Pay (DNP) Match results on 3/25/21. The supporting documentation is being maintained.*"

OIG Comments: We reviewed the updated *Do Not Pay Standard Operating Procedures*. As a result, this recommendation is considered resolved. However, closure will be determined during the audit resolution process once it is determined that the control has been implemented and verified, including that the supporting documentation is being maintained.

4. Healthcare and Insurance Do Not Pay Portal Access

For calendar year 2020, the DNP Business Center analyzed 103 health care vendors against the List of Excluded Individuals and Entities and found no matches. However, we determined that OPM's prescreening of new carriers' participation in the FEHBP has not included a review of the DNP Portal since 2017. In addition, Healthcare and Insurance does not have written policies and procedures for utilizing the DNP Portal in prescreening new carriers, because existing carriers have already been screened and awarded a contract.

The *Payment Integrity Information Act of 2019* states that "each executive agency shall have access to, and use of, the Do Not Pay Initiative to ... ensure that a thorough review of available databases [such as the General Services Administration's System for Award Management Exclusion Records, and the Department of Health and Human Services' List of Excluded Individuals/Entities of the Office of Inspector General] with relevant information on eligibility

occurs to determine program or award eligibility and prevent improper payments before the release of any Federal funds.”

Starting in 2017, Healthcare and Insurance did not use the DNP Portal to screen new applicants, because they felt that there was no benefit to using it due to the limited results they received from the DNP Portal. Eventually, Healthcare and Insurance let their account access lapse; therefore, they did not have the necessary log in information to access the DNP portal to conduct a check for carriers applying in 2020 to participate in the FEHBP. During our audit, in October 2020, Healthcare and Insurance regained access to the DNP Portal.

Failing to ensure health carriers’ eligibility through all available sources, including the DNP Portal, may result in ineligible carriers participating in the FEHBP.

Recommendation 5: We recommend that Healthcare and Insurance always utilize Treasury’s DNP Portal to verify carriers’ eligibility before they are accepted into the FEHBP.

Recommendation 6: We recommend that Healthcare and Insurance create policies and procedures for utilizing the DNP Portal.

OPM’s Response: *OPM does not concur with recommendations 5 and 6 and states that they “agree that a pre-payment eligibility verification process is needed prior to a Carrier’s acceptance into the FEHB Program and before Federal funds are released. We believe the process for evaluating new carrier applications meets this requirement. All new carrier applications are required to undergo a financial review by OPM’s Office of the Chief Financial Officer (OCFO) to ensure minimum requirements for liquidity, reserves, financial reporting, etc. In addition, new applicants’ state licensing is reviewed and their standing with the State Department of Insurance is confirmed in the review process. Health insurance carriers applying for participation in the FEHB Program who do not meet the financial criteria and HMO licensing requirements are not accepted into the Program.*

Due to the payment structure, and other unique qualities of the FEHB Program’s application, award, and payment processes, OPM sees no value in administering the DNP portal and the payment accuracy databases used by the U.S. Treasury. The 103 healthcare vendors recently analyzed by the DNP Business Center in the List of Excluded Individuals and Entities (LEIE) found no matches which further validates HI’s position that current procedures are effective at screening new carriers.

... [U]se of the database would be a secondary component of OPM’s screening and ‘hits’ against a DNP database match would not deem a carrier ineligible to participate in the FEHB Program. This is because the Department of Health and Human Services’ (HHS) OIG, which owns the LEIE database used for this purpose, excludes payments from the FEHB program from being considered Improper Payments.”

OIG Comments: We acknowledge that a hit or match against a carrier health plan in the LEIE would not exclude the carrier from the FEHBP. However, the information from the DNP Portal could be valuable information that the FEHBP could leverage to determine if carriers coming into, or in, the FEHBP program have any infractions that could impact their participation in the FEHBP. It is a best practice to continue using the DNP Portal because the DNP Business Center may acquire other databases for use in the future that would be of further value in preventing improper payments. In addition, the *Payment Integrity Information Act of 2019* states that each executive agency shall have access to, and use of, the Do Not Pay Initiative to ensure that a thorough review of available databases with relevant information on eligibility occurs to determine program or award eligibility.

In addition, the result of no carrier matches identified in the DNP Business Center's analysis does not mean that there is no value in using the DNP Portal. Procedures should be created to continue using the DNP Portal.

5. Best Practices for Utilizing Do Not Pay Initiatives

During our audit we identified an area of improvement that we believe could have a positive impact on the DNP process. The area that came to our attention is that OPM should maintain an active relationship with the DNP Business Center to make the most of their analytic services and new data sources continually being added in the DNP Portal. OPM should ensure that they are aware of these new tools as they become available to determine if the new data sources would be beneficial to OPM's analytical endeavors.

Recommendation 7: We recommend that OPM continue to work with the DNP Business Center to determine if OPM's program offices are targeting the best processes and data sources to meet their individual program needs of identifying improper payments.

OPM's Response: *"OPM concurs with the recommendation. OPM will plan to work with the Do Not Pay Business Center by scheduling a meeting to confirm if the agency is leveraging the best DNP processes and data sources available, such as advanced payment analysis services or access to the Web-based Portal, to meet individual program office's needs in identifying improper payments."*

OIG Comments: We encourage OPM to hold its initial meeting with the DNP Business Center to confirm that the agency is leveraging the best processes and data sources. However, OPM should continue dialog on a reoccurring basis, as determined by OPM, with the DNP Business Center to be apprised of new and constantly changing databases and analytical services.

Appendix I



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

Chief Financial
Officer

Date: December 10, 2021

Memorandum for: Michael R. Esser
Assistant Inspector General for Audits

Through: Douglas A. Glenn **DOUGLAS GLENN** Digitally signed by DOUGLAS GLENN
Chief Financial Officer Date: 2021.12.10 15:14:20 -05'00'

Margaret P. Pearson **MARGARET PEARSON** Digitally signed by MARGARET PEARSON
Associate Director, Retirement Services Date: 2021.12.09 16:07:09 -05'00'

Laurie E. Bodenheimer **LAURIE BODENHEIMER** Digitally signed by LAURIE BODENHEIMER
Associate Director, Healthcare and Insurance Date: 2021.12.10 13:32:23

From: Rochelle S. Bayard
Associate Chief Financial Officer, Financial Strategy & Operations

Subject: Management Response to OIG Audit of the
U.S. Office of Personnel Management's
Utilization of the Improper Payments Do Not Pay Initiative
(Report Number 4A-CF-00-20-029)

Thank you for providing OPM the opportunity to respond to the Office of the Inspector General (OIG) draft report, *Audit of the U.S. Office Of Personnel Management's Utilization of The Improper Payments Do Not Pay Initiative*, Report number 4A-CF-00-20-029, dated November 10, 2021.

Response to your recommendation including planned corrective actions, as appropriate, is provided below.

Recommendation #1: We recommend that Retirement Services investigate the three annuitant cases identified, with potential improper payments in a minimum of \$423,788, and work with OCFO to recover payments identified as improper.

Management Response: OPM concurs with this recommendation. Retirement Services (RS) has issued the check cancellation actions for the three cases. Evidence was provided in response to NFR #3.

Recommendation #2: We recommend that Retirement Services strengthen internal controls of the Do Not Pay process to ensure that all annuitant matches are properly adjudicated.

Management Response: OPM concurs with this recommendation. RS has expanded its review to include all data sources within the DNP portal to ensure that all annuitant matches are properly adjudicated.

Recommendation #3: We recommend that Retirement Services update its *Do Not Pay Standard Operating Procedures* to include supervisory reviews of the *Do Not Pay Match Results for Payment* report and that supporting documentation for the reviews is maintained.

Management Response: OPM concurs with this recommendation. RS has updated its standard operating procedures to include supervisory reviews of the Do Not Pay (DNP) Match results on 3/25/21. The supporting documentation is being maintained.

Recommendation #4: We recommend that Healthcare and Insurance always utilize Treasury's DNP Portal to verify carriers' eligibility before they are accepted into the FEHBP.

Management Response: OPM does not concur with the recommendation.

Recommendation #5: We recommend that Healthcare and Insurance create policies and procedures for utilizing the DNP Portal.

Management Response: OPM does not concur with the recommendation.

For Recommendations #4 and #5, OPM has been and remains committed to effective oversight and administration of the FEHB Program. We agree that a pre-payment eligibility verification process is needed prior to a Carrier's acceptance into the FEHB Program and before Federal funds are released. We believe the process for evaluating new carrier applications meets this requirement. All new carrier applications are required to undergo a financial review by OPM's Office of the Chief Financial Officer (OCFO) to ensure minimum requirements for liquidity, reserves, financial reporting, etc. In addition, new applicants' state licensing is reviewed and their standing with the State Department of Insurance is confirmed in the review process. Health insurance carriers applying for participation in the FEHB Program who do not meet the financial criteria and HMO licensing requirements are not accepted into the Program.

Due to the payment structure, and other unique qualities of the FEHB Program's application, award, and payment processes, OPM sees no value in administering the DNP portal and the payment accuracy databases used by the U.S. Treasury. The 103 healthcare vendors recently analyzed by the DNP Business Center in the List of Excluded Individuals and Entities (LEIE) found no matches which further validates HI's position that current procedures are effective at screening new carriers.

As noted in the response to the Notice of Findings and Recommendations, use of the database would be a secondary component of OPM's screening and 'hits' against a DNP database match would not deem a carrier ineligible to participate in the FEHB Program. This is because the Department of Health and Human Services' (HHS) OIG, which owns the LEIE database used for this purpose, excludes payments from the FEHB program from being considered Improper Payments. Please refer to <https://oig.hhs.gov/exclusions/index.asp>, which states in part:

This webpage provides information about OIG's exclusion authority and activities. OIG has the authority to exclude individuals and entities from Federally funded health care programs for a variety of reasons, including a conviction for Medicare or Medicaid fraud. Those that are excluded can receive no payment from Federal healthcare programs for any items or services they furnish, order, or prescribe. This includes those that provide health benefits funded directly or indirectly by the United States (other than the Federal Employees Health Benefits Plan).

OIG maintains a list of all currently excluded individuals and entities called the List of Excluded Individuals/Entities (LEIE). Anyone who hires an individual or entity on the LEIE may be subject to civil monetary penalties (CMP).

HHS' position stated above, with respect to the FEHB, aligns with HI's longstanding position that our contractual relationship is incompatible with DNP's LEIE data match (e.g., OPM pays the FEHB Carriers, who then pay service providers or individuals).

Recommendation #6: We recommend that OPM work with DNP Business Center to determine if OPM's program offices are targeting the best processes and data sources to meet their individual program needs of identifying improper payments.

Management Response: OPM concurs with the recommendation. OPM will plan to work with the Do Not Pay Business Center by scheduling a meeting to confirm if the agency is leveraging the best DNP processes and data sources available, such as advanced payment analysis services or access to the Web-based Portal, to meet individual program office's needs in identifying improper payments.

OPM appreciates the opportunity to respond to this draft report. If you have any questions regarding our response, please contact Erick Borda at 202.606.2413 or Erick.Borda@opm.gov.

cc:

Sherry D. Jordan
Cindy Butler
Angela Calarco
Andrew Musko
Valerie Russell
M. Shakil Khandoker
Sandra L. Mitchell

Appendix II

From: Mitchell, Sandra L
To: Colon, Juanita U.; Ashby, Tonya D
Cc: Russell, Valerie; Amos, Lori H.; Pearson, Margaret P.; Khandoker, M. Shakil
Subject: FW: Audit of OPM's Utilization of the Improper Payments Do Not Pay Initiative, Report #4A-CF-00-20-029 - Revisions to Finding Number 2, Retirement Services Paid Deceased Annuitants
Date: Tuesday, January 18, 2022 3:07:16 PM

Good afternoon Juanita and Tonya,

As requested, below is Retirement Services response for the Draft Do Not Pay audit

updates. Thanks,

Sandra

Audit of OPM's Utilization of the Improper Payments Do Not Pay Initiative, Report #4A-CF-00-20-029 - Revisions to Finding Number 2, Retirement Services Paid Deceased Annuitants

Recommendation 1

We recommend that Retirement Services investigate the three annuitant cases identified, with potential improper payments totaling \$421,038, and work with the OCFO to recover payments identified as improper.

RS Response:

Management agrees with the updated total, however the exact total including the cents totals \$421,040.08.

Recommendation 2

We recommend that Retirement Services strengthen internal controls of the Do Not Pay process to ensure that all annuitant matches are properly adjudicated.

Recommendation 3

We recommend that Retirement Services research the three annuitant cases identified in this finding to determine the root cause(s) for the continued payments to the deceased annuitants spanning between two and five years, in spite of Retirement Services conducting death matches against the annuity roll and utilization of the DNP Portal, and implement controls to mitigate the root cause(s) identified.

RS Response:

Management concurs with this recommendation. Prior to FY2022, RS only used the Death Master File (DMF) to conduct death matches. As such, these three annuitant cases were not identified. These three cases only showed up in the AIS (American Info Source). RS has improved its internal controls and updated its SOP to use all data sources to include AIS (American Info Source), DOS (State Department), DOD (Defense Department), and the DMF to verify reports of death in the DNP portal.

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<Deleted by OIG, not relevant to the final report>

From: Ashby, Tonya D <Deleted by OIG, not relevant to the final report>
Sent: Tuesday, January 11, 2022 9:50 AM
To: Pearson, Margaret P. <Deleted by OIG, not relevant to the final report>
Cc: Colon, Juanita U. <Deleted by OIG, not relevant to the final report>; Brown-Fennell, Nicole E <Deleted by OIG, not relevant to the final report>; Miller, Michael D. <Deleted by OIG, not relevant to the final report>; Ashby, Tonya D <Deleted by OIG, not relevant to the final report>
Subject: Audit of OPM's Utilization of the Improper Payments Do Not Pay Initiative, Report #4A-CF-00-20-029 - Revisions to Finding Number 2, Retirement Services Paid Deceased Annuitants

Good Morning Margaret,

For the final report on the audit of the U.S. Office of Personnel Management's Utilization of the Improper Payments Do Not Pay Initiative, we have revised finding number 2, *Retirement Services Paid Deceased Annuitants*, including recommendation 1, from our draft report. Specifically, we reduced the total potential improper payments from \$423,788 to \$421,038, to exclude the \$2,750 check that was held and not paid. The \$2,750 is still included in the finding but separate from the improper payments to be recovered amount. In addition, we have added recommendation 3. Our revised finding and recommendations are attached.

We are emailing you to see if you would like to change your response to the draft report for recommendation 1. If so, please provide your comments. If not, please send an email stating that you are not changing your response. We are also requesting comments for recommendation 3. All comments will be included, as appropriate, as an appendix to the final report. Please be advised that there should be no expectation of confidentiality in the comments you provide.

Please email your response to me and Michael Miller, Auditor-In-Charge, <Deleted by OIG, not relevant to the final report>, **no later than Thursday, January 13, 2022**. If you have any questions, feel free to let us know.

Please confirm receipt of this email no later than today.

Thank you,
Tonya D. Ashby
*Senior Team Leader OIG Internal
Audits Group*

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relevant to the final report>



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