

Obama Administration Issues Executive Order Getting Tough on Improper Payments

Written by Administrator

Wednesday, 25 November 2009 00:00

Recently the GAO reported on poor contract management and large amounts of “improper payments” by the Centers for Medicare and Medicaid Services (CMS). Here is a link to an [article](#) discussing that report. Nearly simultaneously, the White House [announced](#) that the Federal government made \$98 billion in improper payments in 2009, an increase of 38 percent compared to the prior year.

So it came as no real surprise that on November 20, 2009 President Obama issued an Executive Order entitled “Reducing Improper Payments and Eliminating Waste in Federal Programs” that announces his administration’s intention to reduce “payment errors” with respect to Federal grants and contracts. The Executive Order, found [here](#), consists of four substantive sections (plus an introductory section as well as a two policy sections). Briefly, the content is as follows:

Obama Administration Issues Executive Order Getting Tough on Improper Payments

Written by Administrator

Wednesday, 25 November 2009 00:00

Section 2

Directs the Office of Management and Budget (OMB) to identify those Federal programs in which the highest-dollar or majority of improper payments occur, designated as “high-priority programs”. Once those high-priority programs are identified for each Federal agency and/or Executive department, the OMB will establish annual targets (in coordination with the affected agency/department) for reducing the amount of improper payments. The OMB will also issue Government-wide guidance for various administrative aspects of the program—including the identification and publication of those entities that have received improper payments.

Also directs that the Secretary of the Treasury, Attorney General, and Director of the OMB “shall publish on the Internet information about improper payments on high-priority programs. Various pieces of information are to be made available to the public—including (as noted above) identification of “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).” Entities that are the subject of referrals to the Department of Justice are not to be identified, according to the Executive Order.

Also directs that the parties named above, in coordination with the Council of Inspectors General on Integrity and Efficiency (CIGIE), will establish a “central Internet-based method to collect from the public information concerning suspected incidents of waste, fraud, and abuse by an entity receiving Federal funds that have led or may lead to improper payments by the Federal Government.”

Section 3

Requires the head of each Federal agency responsible for operating a high-priority program to designate a point of contact/coordinator to be responsible for addressing improper payments and meeting the reduction targets. Requires the affected agencies to report to their respective Inspector General their plans for addressing improper payments and meeting the reduction targets. Among other things, requires the various stakeholders to recommend to the President “actions designed to reduce improper payments by improving information sharing among agencies and programs, and where applicable, State and local governments and other stakeholders. The recommendations shall address the ways in which information sharing may improve eligibility verification and pre-payment scrutiny, shall identify legal or regulatory impediments to effective information sharing....”

Section 4

Requires (among other actions) the various stakeholders to recommend to the President –

... actions designed to enhance contractor accountability for improper payments. The recommendations may include, but are not limited to, subjecting contractors to debarment, suspension, financial penalties, and identification through a public Internet website ... for

Obama Administration Issues Executive Order Getting Tough on Improper Payments

Written by Administrator

Wednesday, 25 November 2009 00:00

knowingly failing timely to disclose credible evidence of significant overpayments received on Government contracts.

Clearly, the Executive Order is designed to put pressure on the agencies to better manage their payments, while putting pressure on contractors to promptly report receipt and make timely restitution.