# PAYMENT INTEGRITY

***What Motivates Entities Making Payments and Claimants to Optimize Ongoing Payment Integrity Efforts?***

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MITRE also maintains a broad, independent research program, designed to explore emerging issues and potential solutions to benefit our government sponsors, industry and the public.

In conducting this independent study, MITRE interviewed representatives of a number of federal agencies and federal oversight and accountability organizations. A complete list is shown in Appendix A of the report. MITRE wishes to thank all of these organizations for their time and contributions to the study.

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# Abstract

According to the Office of Management and Budget, the federal government annually makes more than $3 trillion in payments of all kinds, the great majority of which are proper. However, in fiscal year 2016, federal agencies estimated that they made more than $144 billion in improper payments (nearly 4.7 percent of all payments), representing the equivalent of the fifth largest federal agency. The amount of reported improper payments nearly tripled over the last decade, and these estimates do not include all programs.

The MITRE Corporation, a not-for-profit corporation that operates federally funded research and development centers on behalf of federal government sponsors, conducted this independent study of the motivators of federal Payment Integrity[1] in conjunction with its charter to help address significant government-wide problems. The study addresses the following issues.

- What motivates and enables federal agencies—the organizations as a whole and their individual employees—and entities acting on their behalf (for example, states, grantees) to optimize their ongoing Payment Integrity efforts?
- What motivates claimants—individuals and organizations filing benefits claims, tax returns, commercial invoices, etc.—to be accurate and not make errors or commit fraud?

This study describes the impact of these issues and recommends 11 actions for broader, more cross-government approaches to motivating federal agencies, entities acting on their behalf, and claimants to ensure Payment Integrity.

[1] Payment Integrity refers to improper payments and the people, processes, and technology that are meant to ensure that the payments are actually proper.

# Executive Summary

According to the Office of Management and Budget (OMB), the federal government annually makes more than $3 trillion in payments of all kinds, the great majority of which are proper—made to the right person or entity, for the right reason, at the right time, in the right amount. However, in fiscal year 2016, federal agencies estimated that they made more than $144 billion in improper payments (nearly 4.7 percent of all payments)—an amount that has nearly tripled over the last decade, represents the equivalent of the net cost of the fifth largest agency, and is only for about 115 of the hundreds of federal programs. This level of improper payments is unaffordable and contributes to public concerns about the stewardship over taxpayer dollars. Numerous requirements call on agencies to estimate, report on and mitigate improper payments, and we acknowledge the considerable efforts ongoing at OMB and across federal agencies to address the challenge.

The MITRE Corporation (MITRE), a not-for-profit organization that operates federally funded research and development centers on behalf of federal government sponsors, recognizes the impact of the overall Payment Integrity[2] situation. Given the public interest nature of the challenge, MITRE conducted this independent study as a follow-on to its February 2016 report.[3] MITRE interviewed officials at 9 agencies and 4 oversight and accountability organizations; reviewed extensive academic literature and domestic and international applied literature and research; and assessed this information in the context of motivators specific to Payment Integrity.

Agencies are often faced with complex legal and regulatory environments, insufficient resources, limited data, and tight timeframes in which to make decisions about payment validity and accuracy. Frequently, agencies have competing priorities to issue payments timely to those who deserve them vs. applying the time and resources to ensure their accuracy. As a result, agencies are often forced to make trade-offs between their responsibilities to serve the public and to assure the integrity of the payment process. This study focuses on a key issue impacting ongoing efforts and the implementation of recommendations made in MITRE's 2016 report—what motivates federal agencies, those acting on their behalf (for example, states), and claimants to optimize their ongoing Payment Integrity efforts?

## Motivating Agencies and Those Acting on Their Behalf

Motivating agencies, their employees, and entities acting on their behalf is one important factor that contributes to program performance in general. In the case of Payment Integrity, applied literature and research regarding the systems view of organizations indicated that all components of an organizational system should be aligned and functioning properly to create the conditions needed for reducing improper payments.

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[2] Payment Integrity refers to improper payments and the people, processes, and technology that are meant to ensure that the payments are actually proper.

[3] GOVERNMENT-WIDE PAYMENT INTEGRITY: NEW APPROACHES AND SOLUTIONS NEEDED (MTR160040, February 2016)

Based on interviews with officials from agencies and accountability organizations, we found that visibility and accountability are motivating, especially external visibility from the public release of improper payments information; oversight by Congress and other stakeholders; and techniques as “naming and shaming.” Statutes that mandate certain types of program design, that place restrictions on Payment Integrity defenses such as data matching, or that restrict how states can spend funds on Payment Integrity activities, can adversely impact motivation levels, as can limits on funds for Payment Integrity activities.

Some agency officials stated that publishing goals addressing improper payments, coupled with the required reduction targets, is motivating; a Cross-Agency Priority Goal would quite likely be of help, as well. MITRE’s February 2016 study report, as well as applied literature and research, pointed out that agencies need to more closely balance the priority on “mission” (for example, maximizing participation in benefits programs) with “management” (for example, making accurate payments) in order to emphasize proper stewardship over federal funds. Further, benefits paying programs can be motivated to improve delivery quality if performance metrics include accuracy of the original payments and if managers are rewarded for quality.

Accountability officials and applied literature and research discussed the importance of senior leaders having the will to address improper payments, regularly communicating the importance of addressing them throughout government, and holding themselves and others accountable—establishing a “tone at the top” to put attention on the issue and keep it there. Agency officials further observed that it is important to address Payment Integrity across the entire organization, share accountability, and adopt an “acting as one” approach across the organization to enhance coordination and decision-making for results.

Agency and accountability officials believed that the degree of concern about Payment Integrity varies across government, with some officials saying that most leaders and staff care genuinely and others believing these “pockets of caring” need to be a government-wide culture that starts at the very top and extends through the agencies to states, grantees, and others. Leaders must set the expectation of and norms for a workplace where all employees work together constructively to ensure Payment Integrity.

Various officials, along with applied literature and research, emphasized that managers and staff also need to be accountable. Some agencies include Payment Integrity in performance standards at all levels, while others have indirect linkages between the standards and organizational improper payment goals. These goals need to be balanced with, not in conflict with, program goals. For some issues, cross-government approaches might motivate agencies towards better solutions; decentralized approaches can generate ad hoc, agency-specific solutions for what are actually common issues such as identity.

Based on interviews with agency officials and review of academic research, applied literature and research, we concluded that effectively motivating individual employees involves setting agency, group, and individual goals that align with each other and gaining employees’ commitment to them; providing feedback on progress towards goal achievement; and providing incentives and rewards aligned with desired performance. These elements can be interrelated. For example, goal commitment can be low when the wrong behavior is unintentionally rewarded. Finally, some employees are motivated by things other than rewards, in particular a belief in public service; employees may want to "get the biggest bang for the buck" for the intended beneficiaries of their programs, and that "bang" depends, in part, on Payment Integrity.

## Motivating Recipients of Federal Payments

Applied literature and research indicated that motivators to be accurate and not make errors or commit fraud when submitting claims to the government can arise from sources both extrinsic and intrinsic to the individual. Extrinsic motivation usually focuses on elements of the "economics-of-crime" model. The model is most frequently applied to tax evasion, wherein many believe the probability of being examined and the magnitude of the possible penalty correlate with the overall level of compliance. In reality, while the possibility of examination and penalty appears to have a predictive relationship with individual behavior, taxpayers as a whole do not appear to make their compliance decisions solely based on the likelihood of being examined.

Extrinsic motivation can also derive from the characteristics of the environment. For example, the ability to obtain all necessary information and have it presented in clear and straightforward ways better motivates individuals and organizations to make good compliance decisions. However, this is not always the case with government programs.

Multiple intrinsic factors can affect tax compliance, such as perceived fairness of the tax system and the authorities, and acceptance of tax evasion among a reference group such as an individual's friends. Other nonpecuniary motivators for tax compliance include concepts like reciprocal motivation—the willingness to pay taxes in exchange for benefits that government provides even though the actual payoff would be higher by not paying.

Based on interviews with agency and accountability officials, as well as review of applied literature and research, we concluded that just as with motivating agencies and entities that act on their behalf, visibility and accountability can motivate claimants. Organizations can take numerous actions to promote visibility and accountability in hopes of motivating claimants to be accurate and not make errors or commit fraud, such as using compliance actions to increase levels of claimant responsibility, informing claimants that their information will be shared with other agencies for matching as a deterrent, and publicizing penalties for noncompliance.

Finally, applied literature and researched showed that how claimants view agencies plays a role, especially the reputation of an agency, which is key to the level of claimants' trust. Boosting the level of trust in and / or the perception of power of agency authorities leads to greater compliance.

## Recommendations

OMB and agencies can fundamentally transform the entire "system" by implementing the following recommendations in order to create the conditions for optimal Payment Integrity.

**Table ES-1. Study Recommendations**

| Motivating Agencies | Motivating Recipients |
|---|---|
| 1. Set clear organizational goals for Payment Integrity with accountability for results | 8. Ensure claimants have easy, optimal means to interact with agencies |
| 2. Establish a culture of Payment Integrity | 9. Strive for proactive, timely communications with claimants |
| 3. More closely balance the priorities of "mission" and "management" | 10. Broaden use of compliance-oriented motivators such as data mining |
| 4. Emphasize coordinated, cross-government approaches to Payment Integrity challenges | 11. Consider additional compliance motivators, as warranted |
| 5. Address statutory barriers | |
| 6. Explore funding options to strengthen Payment Integrity | |
| 7. Consider Payment Integrity when modernizing information technology systems and developing shared services | |

# Table of Contents


Acknowledgments ..... iii

MITRE Study Team ..... iii

Abstract ..... iv

Executive Summary ..... v

Table of Contents ..... ix

List of Figures ..... x

List of Tables ..... x

1 Introduction ..... 1

1.1 Federal Requirements Regarding Payment Integrity ..... 2

1.2 The Current State of Federal Payment Integrity ..... 4

2 What Motivates and Enables Agencies and Those Acting on Their Behalf to Optimize Their Ongoing Payment Integrity Efforts? ..... 6

2.1 Organizational Motivation ..... 6

2.1.1 External Environment ..... 7

2.1.2 Mission and Strategy ..... 10

2.1.3 Leadership ..... 11

2.1.4 Organizational Culture ..... 12

2.1.5 Systems (Policies and Procedures) ..... 12

2.1.6 Work Unit Climate ..... 13

2.1.7 Task and Individual Skills ..... 14

2.2 Individual Employee Motivation ..... 14

2.3 Recommendations ..... 18

3 What Motivates Claimants—Individuals and Organizations Filing Benefits Claims, Tax Returns, Commercial Invoices, Etc.—to Be Accurate and Not Make Errors or Commit Fraud? ..... 22

3.1 Extrinsic Motivation ..... 22

3.1.1 The Traditional or Classical Economic Deterrence Model ..... 22

3.1.2 Impacts of the Environment ..... 23

3.2 Intrinsic Motivation ..... 24

3.2.1 Social Psychology and "Tax Morale" ..... 25

3.2.2 Visibility and Accountability ..... 26

3.2.3 Trust in Authorities and Perception of Power as Motivators ..... 27

3.2.4 Enterprise Risk Management and Relation to Trust ..... 28

3.2.5 Interactions Between Agencies and Claimants ........ 29
3.3 Recommendations ........ 30
Appendix A Study Purpose and Methodology ........ 32
Appendix B List of Abbreviations ........ 39

## List of Figures

Figure 1. The High-Performance Cycle ........ 14
Figure 2. Overall Tax Compliance as a Function of Trust and Power ........ 28

## List of Tables

Table 1. Summary of Key Motivational Factors for Individuals ........ 15
Table 2. Study Interviews ........ 32

# 1 Introduction


According to the Office of Management and Budget (OMB), the federal government annually makes more than $3 trillion in payments of all kinds—direct entitlement payments, grants, loans, acquisitions, and more. The great majority of payments are proper—made to the correct person or organization, for the right reason, at the right time, in the correct amount.

However, in fiscal year (FY) 2016 federal agencies, using their own methods and available data, estimated that there were more than $144 billion in improper payments (nearly 4.7 percent of all payments) for about 115 of the hundreds of federal programs, representing the equivalent of the net cost of the fifth largest federal agency. Given the limited number of programs for which estimates are calculated, the complexity of the estimates, and the difficulty of estimating fraud, this may very well be a lower bound to the actual improper payments that year.

Considerable efforts are already in place at OMB and across federal agencies to identify, report and mitigate improper payments. However, the level of improper payments has nearly tripled over the last decade, is unaffordable, adds to the current difficult economic picture, and contributes to public concerns about the effectiveness of the government's stewardship over taxpayer dollars.

The MITRE Corporation (MITRE), a not-for-profit organization that operates federally funded research and development centers (FFRDC) on behalf of federal government sponsors, recognizes the impact that the overall federal Payment Integrity[4] situation has on government effectiveness and public confidence. Given the public interest nature of this challenge, MITRE conducted this independent study as a follow-on to its February 2016 report[5] that assessed the underlying systemic factors that enable fraud and other improper payments and explored government-wide solutions to improve Payment Integrity. This study focuses on a key issue that impacts the implementation of many of the recommendations made in the February 2016 report—what motivates federal agencies, those acting on their behalf (for example, states, grantees), and claimants to optimize their ongoing Payment Integrity efforts?

In conducting this qualitative study, MITRE interviewed officials at 9 agencies and 4 oversight and accountability organizations. MITRE also reviewed extensive academic literature, domestic and international applied literature, and research. MITRE then assessed this information in the context of motivators specific to Payment Integrity. See Appendix A for a complete description of the study methodology.

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[4] Payment Integrity refers to improper payments and the people, processes, and technology that are meant to ensure that the payments are actually proper.

[5] GOVERNMENT-WIDE PAYMENT INTEGRITY: NEW APPROACHES AND SOLUTIONS NEEDED (MTR160040, February 2016)

## 1.1 Federal Requirements Regarding Payment Integrity

Congressional concerns over government-wide Payment Integrity have, in recent years, prompted passage of a number of important pieces of legislation aimed at helping the federal government address the problem. These statutes include the following.

- The Improper Payments Information Act of 2002 (P.L. 107-300), the Improper Payments Elimination and Recovery Act (IPERA) of 2010 (P.L. 111-204), and the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012 (P.L. 112-248), which collectively:
    - Require federal agencies to annually review all programs and activities and identify those that may be susceptible to significant improper payments.
    - Require federal agencies, for those programs and activities identified, to estimate the annual amount of improper payments.
    - Establish in statute the Do Not Pay (DNP) Initiative and require federal agencies to ensure that a thorough review of available databases with relevant information on eligibility occurs to determine program or award eligibility.
- The Digital Accountability and Transparency Act of 2014 (P.L. 113-101), which authorized the Secretary of the Treasury to establish a data analysis center or expand an existing service to provide data, analytic tools, and data management techniques to support, among other things, the prevention and reduction of improper payments.[6]
- The Fraud Reduction and Data Analytics Act of 2015 (P.L. 114-186), which focuses agencies' attention on identifying, assessing, and mitigating fraud risks, including the use of data analytics.

The Executive Branch has also taken a number of steps aimed at improving Payment Integrity government-wide. These include:

- Issuing Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs* (November 20, 2009), which established a strategic outcome, goals and strategies for reducing improper payments.
- Issuing a Presidential Memorandum (*Enhancing Payment Accuracy Through a "Do Not Pay List"* [June 18, 2010]) and OMB memoranda (M-12-11, *Reducing Improper Payments through the "Do Not Pay List"* [April 12, 2012] and M-13-20, *Protecting Privacy while Reducing Improper Payments with the Do Not Pay Initiative* [August 16, 2013]), which established the Treasury DNP solution and provided guidance to agencies on its use, prior to passage of IPERIA.

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[6] Treasury officials evaluated the provision, concluded that a Bureau of the Fiscal Service post-payment center in Philadelphia fulfills the intent of this provision, and decided not to invoke the authority provided.

- Issuing OMB memorandum M-15-02, Appendix C to Circular No. A-123, *Requirements for Effective Estimation and Remediation of Improper Payments* (October 20, 2014), which, among other things, established new categories for reporting improper payments and introduced a new internal control framework.
- Establishing a goal of a government-wide improper payments rate of no more than 3.0 percent by the end of FY 2016.

The Government Accountability Office (GAO) has also made important contributions to the ongoing efforts to reduce federal improper payments. Beyond findings discussed and recommendations made in numerous audit reports, in July 2015 GAO issued *A Framework for Managing Fraud Risks in Federal Programs*. In this document, GAO identified leading practices for managing fraud risks and organized them into a conceptual framework "[t]o help managers combat fraud and preserve integrity in government agencies and programs."[7]

Further, to assist the new Administration and Congress, in January 2017 GAO provided extensive information on the critical management challenges facing the federal government and actions needed to address those challenges. Of specific relevance to this study are:

- Manage Finances to Improve the Nation's Fiscal Condition—Challenge: Improper Use or Payment of Federal Funds. GAO noted the size of the problem and provided several key actions needed that include "implement[ing] effective corrective actions to prevent or minimize improper payments."
- Strengthen Human Capital Capabilities to Enhance Performance—Challenge: Create Accountable and Inclusive Organizations. GAO highlighted the need for effective performance management that includes key actions such as "[e]nsur[ing] performance management systems have a 'line of sight' showing how individual and unit performance contribute to overall organizational goals."
- Promote Transparency and Open Government to Enhance Civic Engagement and Foster Innovation—Challenge: Insufficient Focus on Addressing Customer Needs. GAO drew attention to the current federal Cross-Agency Priority (CAP) Goal[8] for Customer Service: *Increase citizen satisfaction and promote positive experiences with the federal government by making it faster and easier for individuals and businesses to complete transactions and receive quality services*. One aspect of a "complete" transaction and a "quality service" would be receiving a proper payment when it is warranted—accurate, on time, for the right reason, etc.

Finally, in February 2017 GAO issued its updated list of 34 high-risk areas.[9] Among these are Medicare and Medicaid, both of which are susceptible to very significant improper

[7] A Framework for Managing Fraud Risks in Federal Programs (GAO-15-593SP, July 2015)

[8] According to the Government Performance and Results Act Modernization Act of 2010 (P.L. 111-352), CAP Goals are long-term goals designed to address a limited number of crosscutting policy areas and management improvements needed.

[9] HIGH-RISK SERIES Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others (GAO-17-317, February 2017)

payments. In 1990, GAO designated Medicare as one of its original high-risk areas due, in part, to its susceptibility to improper payments. GAO then designated Medicaid as a high-risk area in 2003; similarly, this was due, in part, to concerns about the adequacy of oversight needed to prevent inappropriate Medicaid spending. For FY 2016, the Department of Health and Human Services (HHS) estimated that Medicare made nearly $60 billion in improper payments and Medicaid more than $36 billion, making them the two federal programs with the highest dollar levels of improper payments.

## 1.2 The Current State of Federal Payment Integrity

The government-wide goal for the end of FY 2016 provided a target for agencies, and the numerous statutes and Executive Branch documents provided policy and guidance information to help agencies hit the target. However, by the agencies' own calculations, the situation has been getting worse. From FY 2013 to 2016, the reported dollars climbed from approximately $106 billion to more than $144 billion, and the rates increased from 3.5 percent to nearly 4.7 percent. At the end of FY 2016, the rate was nearly 56 percent higher than the end-of-FY 2016 goal of 3.0 percent.

Each year the Inspectors General of the 24 Chief Financial Officers (CFO) Act agencies determine whether their agencies complied with six key criteria in IPERA related to the estimation of improper payments. In a report summarizing the results of these audits for FY 2014,[10] GAO indicated that 15 of these agencies did not comply with the IPERA criteria, an increase from each of the prior 3 years. Agency noncompliance for FY 2014 was largely due to agencies not meeting their improper payment reduction targets or not reporting improper payment rates of less than 10 percent for all programs. At the same time, virtually all of the agencies published corrective action plans, so it would appear that the corrective actions are not, in fact, resolving the problems.

One reason that corrective actions may not be resolving the problems could be that agencies do not necessarily always identify the "true" root causes of their improper payments. For challenging problems like improper payments, it is especially critical to understand the true root causes in order to formulate effective corrective actions. Identifying these true root causes can be difficult, and as MITRE discussed in its February 2016 study report, agencies do not always appear to dig deep to find these true root causes, often settling for "apparent" root causes (also called "causal factors").

An important true root cause can be the dynamics of the motivators in the environment, specifically the following, which are the subject of this study report:

- What motivates and enables federal agencies—the organizations as a whole and their individual employees—and entities acting on their behalf (for example, states, grantees) to optimize their ongoing Payment Integrity efforts?

[10] IMPROPER PAYMENTS CFO Act Agencies Need to Improve Efforts to Address Compliance Issues (GAO-16-554, June 2016)

- What motivates claimants—individuals and organizations filing benefits claims, tax returns, commercial invoices, etc.—to be accurate and not make errors or commit fraud?

# 2 What Motivates and Enables Agencies and Those Acting on Their Behalf to Optimize Their Ongoing Payment Integrity Efforts?

The systems view of organizations holds that there are a number of components of an organization, and that in order to create the conditions needed for high performance, these components need to be aligned and functioning properly. One of these components—motivating individual employees towards high performance—is critical to organizational success, but it alone is not sufficient for optimal organizational performance. Agency leaders must be at the forefront of promoting optimal performance of their organizations as a whole, their employees, and entities that are acting on behalf of the agencies, such as states and grantees. This is true for Payment Integrity, as it is for other critical goals and activities.

Certain aspects of these organizational components, however, often challenge agencies in their ability to ensure Payment Integrity. Agencies are often faced with complex legal and regulatory environments, insufficient resources, limited data, and tight timeframes in which to make decisions about payment validity and accuracy. Frequently, agencies have competing priorities to issue payments timely to those who deserve them (and often critically need them) vs. applying the time and resources needed to ensure the payments' validity and accuracy. As a result, agencies are often forced to make trade-offs between their responsibilities to serve the public and to protect the integrity of the payment process.

## 2.1 Organizational Motivation


The Burke-Litwin Model of organizational performance and change describes both the factors that impact organizational performance and the relationship among those factors. Understanding the factors and how they relate to and impact each other improves our understanding of how organizations function.

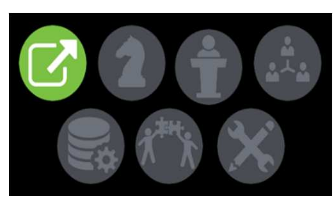
The model identifies the following components of an organizational system that must be aligned and functioning properly to promote optimal performance. Individual motivation is also a model component that is addressed separately in section 2.2.

- **External Environment.** The external environment is comprised of laws and regulations, resources that have been budgeted to ensure Payment Integrity and monitor improper payments, and stakeholders who see value in reducing improper payments.
- **Mission and Strategy.** Reducing improper payments will be influenced by the degree to which Payment Integrity is reflected in the agency's mission and strategy as well as communicated by agency top management to its workforce.

- **Leadership.** Leaders—ranging from an employee's immediate supervisor to top agency executives—motivate employees to take necessary steps to reduce improper payments. Both formal and informal leaders serve as role models. In particular, top management support and commitment to Payment Integrity can influence employee goal commitment.
- **Organizational Culture.** A constructive culture sets norms and expectations that encourage the reduction of improper payments. In such a culture, employees share information and focus on achievement while working collaboratively to share information and support high performance.
- **Structure.** The agency structure must align with the goal of reducing improper payments to allow access to resources and decisions when needed.
- **Management Practices.** Managers should effectively allocate resources to implement the strategy and engage in effective supervision in order for their employees to pursue goals related to Payment Integrity.
- **Systems (Policies and Procedures).** Policies and mechanisms must be standardized yet flexible enough to facilitate, not inhibit, employees' ability to reduce improper payments, and striving for such reductions should be budgeted for, staffed, reflected in performance appraisals, and rewarded.
- **Work Unit Climate.** Teams and units must work well together, collaborate with other teams / units inside their component of the agency, and work effectively with other teams / units across the agency.
- **Task and Individual Skills.** Employees must have the specific knowledge and skills for effective job performance. Further, jobs must be designed to allow for improper payments to be addressed, such as providing employees sufficient time during processing to correct errors or develop fraud leads when appropriate.
- **Individual Needs and Values.** Employees' values should be consistent with the organization's observed and stated values, and their work-related needs should be satisfied through the job. Job-person fit must exist in terms of needs and values as well as skills. Employees should understand how their jobs contribute to the agency mission and goals.

The following sections summarize the results of MITRE's interviews and literature research, organized according to relevant components of the Burke-Litwin model.

## 2.1.1 External Environment



### 2.1.1.1 Visibility and Accountability

Certain aspects of the External Environment have major impacts on agencies' motivation to reduce improper payments. First, officials from agencies and accountability organizations indicated that both external and internal visibility and accountability serve as motivators. External visibility is especially motivating, via mechanisms such as the public release of improper payments information in the annual Agency Financial Reports (AFR) and oversight by Congress, OMB, audit organizations, and other stakeholders such as the media. The public has access to a great deal of information in the AFRs and on paymentaccuracy.gov, and as one agency official noted, millions of Americans are touched by their benefits programs, so they want to maximize public confidence in the programs. Another agency pointed out that external visibility increases reputational risk thereby providing motivation, while on the other hand, an accountability organization pointed out that there are really no consequences (for example, reductions in funding) to agencies for not complying with IPERA and OMB guidance, which decreases their motivation.[11] Internally, some agency and accountability officials stated that peer pressure and formal internal reporting can be motivators; for example, internal improper payments boards that require periodic reporting help officials keep focused on the issue.

Many programs are totally or partially funded by the federal government, administered by states, and carried out by grantees and contractors. Agency officials recognized that just as with their agencies, External Environment visibility and accountability need to motivate states, grantees, and others to reduce improper payments. One agency, for example, uses a "name and shame" technique in a key program—publishing the five states with the highest improper payment rates in order to motivate them to reduce their rates. The agency also takes actions such as increasing the level of monitoring and sending letters to the governors of these states requiring remediation plans.

#### 2.1.1.2 Legislation

Another key aspect of the External Environment is legislation.[12] Various mandates play a role in how agencies are motivated to reduce their improper payments. In particular, agencies' motivation can be impacted by legislatively driven program design issues. For example, some programs must rely heavily on timely beneficiary self-reporting of "life changes." This happens in the Supplemental Security Income (SSI) program, where benefits are paid on the first of the month for the upcoming month, but beneficiaries do not always report income changes that could affect their eligibility to the Social Security Administration (SSA). While working to reduce improper payments, including taking steps to enhance data matching to address this issue, agency officials nonetheless recognize the issue that this mandate creates.

At the same time, legislative restrictions can constrain federal agencies' ability to address Payment Integrity problems, de-motivating them in their efforts. The most notable statute in this regard is the Computer Matching and Privacy Protection Act (CMA) of 1988 (P.L. 100-53), which restricts the computerized matching of data sets within an agency or between agencies. Both what CMA requires (such as computer matching agreements that are limited to terms of 18 months) and what it does not say (for example, there is no

[11] For more information on reputational risk and its relationship to Payment Integrity, see section 3.2.4.
[12] For a more complete discussion of this issue, see MITRE's study report, GOVERNMENT-WIDE PAYMENT INTEGRITY: NEW APPROACHES AND SOLUTIONS NEEDED (MTR160040, February 2016)

blanket authority to match agency data with external data sources) create problems. Some agency officials suggested that even limited changes like lengthening the term of the computer matching agreements from 18 months to 5 years, for example, would be very helpful.

Federal statutes also play a role in addressing states' Payment Integrity problems. In particular, agency officials indicated that some statutes restrict how states can spend funds on Payment Integrity activities, and that statutes are increasingly limiting the percentage of federal funding received that the states can use for oversight that would help improve Payment Integrity. Some programs would need legislative authorization to allow the states to use some of the funds they recover for additional Payment Integrity activities. Finally, some agency officials said they would like to compel the states to use their administrative funds to do more Payment Integrity-related data analytics and matching but would need legislation to do this. One agency cited a positive example where they had done this within existing legislative parameters, mandating that states in one program use the National Directory of New Hires in order to detect individuals still receiving benefits after reemployment. In another example, the Medicare Access and CHIP[13] Reauthorization Act of 2015 (P.L. 114-10) requires the Centers for Medicare and Medicaid Services (CMS) to specify incentives that would encourage states to participate in a Medicaid data matching and mining program.

#### 2.1.1.3 Resources

The lack of resources devoted to Payment Integrity challenges agencies' motivation. Both agency and accountability officials acknowledged that the government's difficult fiscal environment makes the likelihood of obtaining resources specifically to fight improper payments very low. While there are some notable returns on investment for such dollars—such as SSI redeterminations ($8 returned for every $1 invested), Continuing Disability Reviews (9:1), and work reviews (11:1)—even when such investments are authorized and made in one year they are subject to budget cuts the next.

Some officials believed that agencies, in general, cannot keep any of the funds recovered from activities like those above, or from recovery audits, for use in additional Payment Integrity or program activities. Instead, they believed that some of the funds could be kept for the purpose of helping to cover the administrative costs incurred in conducting the activities, while the balance of the funds must be turned over to the U.S. Treasury. However, recovered funds are, in fact, available for other purposes. OMB Circular A-123, Appendix C, Part I.D.14, provides implementing guidance for IPERA on the proper disposition of recaptured funds. The Circular provides that overpayments from expired discretionary fund accounts[14] that are not used to reimburse agency expenses or pay Recovery Audit Contractors are to be used for a financial management improvement program, for the original purpose of the funds, or for Inspector General activities, or they

[13] Children's Health Insurance Program

[14] The guidance contains different requirements for overpayments from unexpired discretionary fund accounts, mandatory fund accounts, and closed accounts.

should be returned to the Treasury as miscellaneous receipts or to trust or special fund accounts. In particular, up to 25 percent of these recaptured funds may be used for an agency's financial management improvement program to ensure that actions are taken to improve internal controls to address problems that directly contribute to improper payments. IPERA characterizes this as the "first priority" of this program.

Finally, applied literature and research stressed that agencies should be required to meet policy goals and evaluated periodically to measure progress. However, the research indicates that cutting their budgets as a way to motivate them to better mitigate improper payments only exacerbates the problem.

Some agency officials also believed that incentives for states to invest funds in Payment Integrity activities are inadequate. These officials offered the following thoughts.

- When the states are the flow-through vehicle for federal funds on the way to the ultimate recipients, having the states dedicate some of their own resources to reducing improper payments is a cost to them without an apparent benefit. Consequently, some states have suggested changing financial incentive structures (for example, in the Supplemental Nutrition Assistance Program [SNAP]) to promote conducting fraud investigations.
- In some jointly funded programs, the states have historically had little incentive to recover improper payments because for each dollar recovered they may only keep their share of the funding (which is always less than half).
- States need resources to use for Payment Integrity activities, but federal funds appropriated for this purpose have been decreasing.

**SUCCESS STORY**

In one program, agency officials indicated that in recent years, federal funding has been provided to individual states for internal task forces to examine their improper payments and develop solutions. The agency has seen improvements in those states since this began, so they believe there is a cause-and-effect relationship.

## 2.1.2 Mission and Strategy

Clear, publicly stated Payment Integrity goals also serve as motivators. Agency officials said that publishing goals externally addressing key aspects of improper payments is helpful, coupled with the reduction targets required by IPERA for programs with reported improper payments. Some agencies publish such goals in their strategic plans or AFRs. A number of officials believed that a government-wide CAP Goal would quite likely be of help in motivating agencies. Internal goals can also be used as part of an overall strategy to reduce improper payments, especially if this is combined with employee involvement such as soliciting their input to identifying root causes and corrective actions.

From the perspective of policy and priority drivers of motivation, MITRE's February 2016 study report,[15] applied literature and research found that benefit paying organizations are often focused on the number of payments processed rather than their accuracy. Agencies need to adopt an approach of more closely balancing "mission" (for example, timeliness of payment, maximizing participation in benefits programs) with "management" (for example, accuracy of payment) in order to emphasize proper stewardship over federal funds. One agency indicated that while employees should understand the need for balance between service to claimants and stewardship of funds, finding the right balance can be difficult.

It is helpful for agencies to reinforce improper payment reduction policies by establishing quantifiable objectives and metrics focused on quality control and accuracy. Benefits paying programs can be motivated to improve delivery quality if employee performance metrics include accuracy of the original payments (not just corrections when those payments are identified as incorrect) and if managers are rewarded for overall quality control. Applied literature and research also indicated that preventive and deterrent actions are more difficult to measure in the near-term, so the focus of measurement should be on long-term trends.

### 2.1.3 Leadership

Although effective leadership entails a wide range of actions, one leadership factor that emerged is the focus and emphasis that leaders place on Payment Integrity. Accountability officials, applied literature and research indicated that a critical success factor in Payment Integrity is political and senior agency leaders having the will to address the issue, communicating that throughout their organizations, and holding themselves and others accountable. Numerous agency officials cited the importance of regular statements on Payment Integrity from top leaders and accountability among senior staff, with some adding that "tone at the top" is essential for getting the organization's attention on the issue and keeping it there.

A number of agency officials stated that they believed it is important to work across the organization on improper payments issues—both in general and with respect to specific issues. In this regard, multiple agencies described their senior level boards that promote shared accountability and an "acting as one" approach across the organization in order to enhance coordination, collaboration, and decision-making. One agency has designated a Senior Accountable Official in each component to be responsible for developing improper payment remediation plans. In all cases, it is critical for senior leaders to follow through on their words with actions that produce results—reductions in improper payments.

[15] GOVERNMENT-WIDE PAYMENT INTEGRITY: NEW APPROACHES AND SOLUTIONS NEEDED (MTR 160040, February 2016)

## 2.1.4 Organizational Culture

The degree of concern about Payment Integrity appears to vary across government. Some agency and accountability officials said that fraud, in particular, angers leaders and staff, and that most of them genuinely care about the improper payments issue, taking pride in their organizational mission and their efforts to prevent, identify, and recover improper payments. Other officials believed that these "pockets of caring" need to be broadened to a government-wide culture that starts at the very top levels, stating that Payment Integrity needs to be a political imperative and that agency heads need to be held responsible for meeting goals. Further, just as at the federal level, some agency officials indicated that it is important to establish accountability by emphasizing overall integrity to the states and by creating a culture of Payment Integrity among all entities making payments.

Some agency officials also indicated that it is difficult to keep leaders and staff focused on Payment Integrity because of all their competing priorities. Others indicated that many leaders and staff in their organization recognize that resources are scarce, so they simply cannot afford to have improper payments that divert resources from deserving recipients; however, this perspective took time to develop and integrate into the culture of the organization.

## 2.1.5 Systems (Policies and Procedures)

Managers and staff, like senior leaders, need to be accountable for Payment Integrity. Some agencies include Payment Integrity in senior leaders', managers', and staff performance standards, while others have indirect linkages between the standards and agency / component goals to reduce improper payments. Applied literature and research echo this approach, indicating that organizations should assign roles and responsibilities for meeting Payment Integrity goals and ensure accountability through a reward system at both the organizational and individual levels. These Payment Integrity goals and metrics need to be balanced with, not in conflict with, program goals and metrics. As GAO noted in its July 2015 document, *A Framework for Managing Fraud Risks in Federal Programs*,

*…performance metrics for employees can perpetuate this conflict [between timeliness and accuracy] and create disincentives to combat fraud. For instance, we reported in November 2014 that one program's performance measures for its frontline employees responsible for processing applications for benefits focused on prompt processing, resulting in a disincentive for employees to report potential fraud because of the time it requires to develop a fraud referral. Effective performance metrics reinforce the objectives of fraud risk management activities and strike a balance with other activities that serve the program's mission.*[16]

Applied literature and research suggest that cross-government policies on Payment Integrity might improve solutions and accountability. A completely decentralized approach

[16] A Framework for Managing Fraud Risks in Federal Programs (GAO-15-593SP, July 2015)

to addressing improper payments can generate ad hoc, niche, agency-specific solutions to what are actually cross-government issues like identity and eligibility. On the other hand, for some challenges a coordinated, systematic approach can motivate agencies to work more effectively together to solve government-wide problems. The solution is not either-or; instead, it is finding the right balance between doing both. Some processes need to be standardized, while at the same time, agencies need to be able to adapt those processes when it makes them more effective.

Agency officials indicated that it is important for the states, not just federal agencies, to hold grantees, contractors, program beneficiaries, and others accountable. Examples of this include states:

- Charging contractors damages for improperly invoicing the government.
- Prosecuting benefits fraud, and if a person is found guilty, taking away their eligibility for the program.
- Using data matching programs. For example, a GAO report about SNAP stated that "…in 2014, GAO found that selected states employed a range of tools to detect potential program recipient fraud, though they faced some challenges…All 11 selected states that GAO reviewed matched information provided by SNAP applicants and recipients against various data sources to check for accuracy, but efforts varied widely among these states."[17]

One agency's officials also advised that if the states do not conduct the activities and achieve the results outlined in their improper payments corrective action plans, then the agency provides more monitoring, requires more reporting, and gives more technical assistance. Related to this, some agency officials offered the opinion that communicating proactively with the states can help them prevent improper payments. One program, for example, is increasing its efforts to provide advance notification to states of upcoming guidance changes and increasing technical assistance to states, including identifying and addressing potential drivers of improper payment rate changes.

### 2.1.6 Work Unit Climate

Work unit climate directly impacts employee motivation, enhancing it when employees have clear goals, roles, and responsibilities; when they trust and respect each other; and when they cooperate and work together as a team. In particular, an optimal work unit climate emphasizes teams and units collaborating internally and working effectively with other teams and units across the organization. Some officials indicated their agency has implemented this concept, describing their working groups at the manager and staff level that assist senior leaders with coordination, collaboration, decision-making, and visibility / accountability in addressing improper payments.

[17] SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM Policy Changes and Calculation Methods Likely Affect Improper Payment Rates, and USDA Is Taking Steps to Help Address Recipient Fraud (GAO-16-708T, July 8, 2016)

### 2.1.7 Task and Individual Skills

Applied literature and research identified the importance of staff skillsets in increasing accuracy and preventing improper payments. These skills must be sustained and improved over time, which costs money. Further, using humans to conduct analytical tasks to help prevent improper payments may be more rewarding, and thereby more motivating, than merely processing claims, which in many agencies could be more substantially automated.

## 2.2 Individual Employee Motivation


Academic research on individual employee motivation has produced a model called the "high-performance cycle," which highlights key aspects of three elements relating to goals, feedback and rewards that must be present for individual employee motivation efforts to be effective. The model emphasizes establishing appropriate goals in order to drive performance, along with rewards to recognize high performance. The impact of goals on performance can be enhanced when employees commit to goals, see the goals as important, feel confident in their ability to reach the goals, and receive feedback on progress toward the goals. As shown in Figure 1, all three elements—goals, performance, and rewards—make key contributions to motivating employees towards high performance.

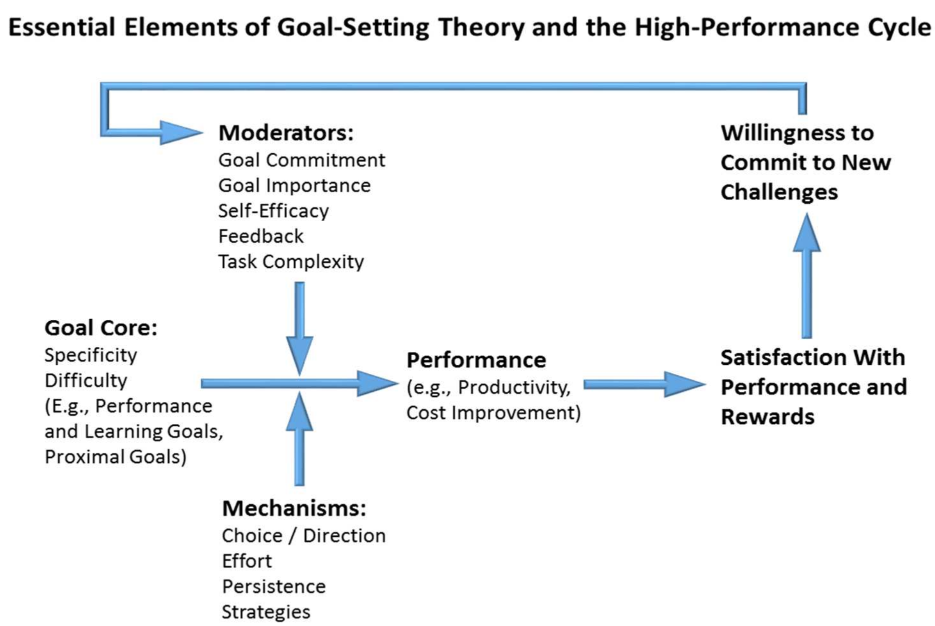



**Figure 1. The High-Performance Cycle**

Source: Locke & Latham, 2002

Research has also identified the following best practices to achieve high performance:

- Set agency, group, and individual goals that align with each other.
- Assign goals that are viewed by employees as challenging, specific, actionable, measurable, and time-bound.
- Ensure that employees are committed to the goals and perceive that they have the capability (such as resources and skills) to achieve the goals.
- Provide feedback regarding progress towards goal achievement.
- Provide incentives and rewards that align with desired performance.

Table 1 expands on these best practices and gives examples of their application to Payment Integrity.

**Table 1. Summary of Key Motivational Factors for Individuals**

| An Individual's Motivation to Perform a Task is Enhanced When: | Application to Payment Integrity |
|---|---|
| **A challenging, specific, actionable, measurable, time-bound goal is set; the goal can be an individual goal, group goal, or both** | • Set challenging yet achievable goals for specific types of improper payments to break down the problem into manageable units.<br>• Set a combination of group and individual goals to encourage teamwork and sharing of lessons learned while retaining individual accountability. |
| **The individual is committed to the goal** | • Goals can be set with employees' participation or can be assigned by management; both methods are effective as long as employees are committed to the goal.<br>• Set achievable goals and ensure transparency about the goals in order to increase goal commitment.<br>• Set both group and individual goals to increase goal commitment. |
| **The individual has high self-efficacy (confidence that the task can be carried out)** | Ensure that employees:<br>• Understand how to perform their job <u>and</u> minimize improper payments.<br>• Possess the necessary skills and resources.<br>• Are encouraged and rewarded when achieving high performance. |
| **Feedback regarding goal progress is provided** | • Provide regular, transparent, clear updates about individual employees' or work units' goal progress; regular feedback oriented towards the "process" permits employees to make timely adjustments to their strategies rather than waiting until the end of the task or period to do so based on "outcome" feedback.<br>• Celebrate milestones and other significant successes.<br>• Relate / link individual success to program level goals.<br>• Show employees the positive impact of reaching their goals, such as more program dollars to help those who need help as opposed to "taking money away from someone." |
| **Incentives or rewards for performance (not organizational goal achievement) are given** | • Seek employee input on non-monetary incentives / rewards they prefer.<br>• Ensure linkage between performance and performance rating.<br>• Ensure that rewards are given for tasks / goals that are under the employee's control; use group performance rewards for inter-dependent tasks / organization-wide goal achievement. |

| An Individual's Motivation to Perform a Task is Enhanced When: | Application to Payment Integrity |
|---|---|
| **The goal is seen as important by the individual** | • Communicate how improper payments impact the agency's budget and thus the agency's ability to accomplish its mission.<br>• Make the need to reduce / minimize improper payments part of the agency's mission statement.<br>• Ensure that supervisors reinforce the linkage between the individual's / team's work and the agency mission.<br>• Show how ensuring Payment Integrity has benefited the agency's customers by sharing anecdotes or specific cases. |
| **Appropriate task strategies are discovered for completing complex tasks** | • Set aside time for designated employees to pursue new strategies, share successes, and maintain awareness of new strategies (such as through attending conferences or assessing improper payment reduction actions by other agencies).<br>• Reward them for trying new strategies; ask them what they learned.<br>• Encourage risk taking via setting learning goals, rather than performance goals, when employees are trying new strategies. |

Source: MITRE Analysis

Research supports the view that, compared to the private sector, the ability to motivate public sector employees is constrained. One researcher put it this way: "…the public-sector work context may find it easier to *constrain* employees from doing anything wrong than to *motivate* them to do something right." [*emphasis* added] Constraints often impact public sector motivation in the following ways.

- Public sector managers are constrained in their ability to provide rewards that are contingent on performance. Managers are also constrained in their ability to increase compensation as an employee's skills and experience increase. As a result, public sector employees perceive a weaker relationship between extrinsic rewards (pay, job security) and performance than do private-sector employees.
- Goals are often more ambiguous, vague, and conflicting than in the private sector. As a result, employees receive less feedback and are less certain that they have achieved their job-level goals, as compared to the private sector. It also is difficult for employees to understand what contributions they have made and to make their contributions known.
- The existence of extensive rules and bureaucracy—"red tape"—can hinder goal achievement.

Further, goal commitment—a critical foundation block of goal achievement—can be low when the wrong behavior is unintentionally rewarded. Numerous public sector examples exist of organizations that "reward A while hoping for B." For example, agencies often reward spending all of the money budgeted for a particular program, while at the same time hoping for prudent spending. Instead, rewards and recognition should overtly reinforce all types of desired behavior.

Although the private sector's ability to provide large salary increases, bonuses, or stock options does not exist in the public sector, agencies can still effectively recognize and reward employees. Agencies have the authority to design extensive incentive and recognition programs that include providing awards to federal employees to recognize specific individual and group performance. Office of Personnel Management (OPM) guidance provides for a wide range of types of incentives and recognition, including the following which could be used in conjunction with reducing improper payments.

- Formal rewards
  - Cash incentive and recognition awards programs
  - Quality step increases
  - Time off
- Informal recognition
  - A sincere "Thank you!" given to the employee at agency events or meetings, or individually via personal visits or notes posted on the employee's door or cubicle
  - Recognition in agency blogs or tweets, in newsletters, or with certificates of appreciation

Outside groups can also recognize outstanding work. For example, the Baltimore Federal Executive Board has recognized outstanding regional employees for more than 40 years. Employees are honored in an annual award ceremony and luncheon attended by over 1,000 federal officials, employees, and guests.

Further, the Merit Systems Protection Board (MSPB) recommends providing regular feedback and recognition and closely linking recognition and rewards to performance. MSPB reinforces the point that no single factor or action will result in dramatic, sustainable improvements in an agency's performance; instead, a comprehensive, multi-faceted effort must be undertaken.

Agency officials offered various views on motivating employees in relation to Payment Integrity. Officials at one agency believe their employees are motivated by an attitude of public service, in particular "getting the biggest bang for the buck" for the intended beneficiaries of their programs. That "bang" is dependent on spending the budgeted funds on the right beneficiaries. While employees may not necessarily think overtly of "preventing improper payments," officials acknowledged the need to prevent over-payments or payments to ineligible recipients in order to maximize the funds available for intended beneficiaries. Conversely, underpayments mean people or entities that are entitled to benefits are not receiving all of the benefits allowed.

Officials at another agency suggested that the nature of the work at some agencies makes it easier for them to motivate their employees than for other agencies to do so. For example, they believed it is easier to motivate employees when they process transactions like "case workers"—personally handling the details of each transaction. On the other hand, if automated systems largely process the transactions, then these officials believed it is harder to motivate individual employees by appealing to the spirit of public service because the employees feel more distant from the recipient of the payment or benefit.

## 2.3 Recommendations

OMB and agencies can fundamentally transform the entire "system" by implementing the following recommendations in order to create the conditions for optimal Payment Integrity.

1. **Affirm a Culture of Payment Integrity.** Senior Executive Branch leadership needs to demonstrate a government-wide focus on the importance of Payment Integrity—a "tone at the top" that is emphasized on a regular basis,[18] is enhanced in peer-to-peer relationships within agencies, and permeates throughout the agencies. Payment Integrity needs to be important to everyone.
    a. Consider a government-wide CAP Goal for Payment Integrity.
    b. Ensure there is a line of sight from agency improper payments goals through component goals, to the performance standards of executives, managers, and front line employees. Ensure employees understand the relationships between agency improper payment goals and their own job goals—how their job impacts agency-level goals.
    c. Include Payment Integrity as a factor in ratings and awards. Providing employees with regular feedback and recognition regarding improper payments prevention and reduction, along with closely linking recognition and rewards to performance, can motivate them towards success in this area.
    d. Recognize—formally and informally—individuals at both agency- and government-wide levels for superior achievement in meeting improper payment reduction goals.
    e. Maintain employees' self-efficacy when environmental conditions change (for example, new legislation or new threats impacting Payment Integrity) by ensuring they have the necessary skills through organizational training and mentoring programs and ensuring that their effort and focus do, in fact, result in higher performance.
    f. Work with employees to enhance existing and identify new strategies that will help them achieve their individual, as well as their organization's, Payment Integrity goals. For example, solicit their ideas for responding to changing conditions instead of imposing solutions on them.

[18] See recommendation 1 in MITRE's report, GOVERNMENT-WIDE PAYMENT INTEGRITY: NEW APPROACHES AND SOLUTIONS NEEDED (MTR 160040, February 2016), regarding establishing a government-wide Payment Integrity leadership group.

g. Emphasize the importance of Payment Integrity to states, grantees, and others acting on behalf of agencies at every opportunity, to help ensure the federal-level "tone at the top" is clearly understood.

2. **Set Clear Agency Goals for Payment Integrity with Accountability for Achieving Them.** Agencies should focus on achievable, concrete, measurable, long-term goals for reducing improper payments, and ensure these goals are appropriately related to customer service and programmatic results (see Table 1 above). Aggressive near-term reduction goals, especially if they are isolated from customer service and programmatic goals, tend to motivate agencies to choose ineffective "stop-gap" solutions which focus primarily on treating the symptoms rather than rectifying the true root causes of improper payments. Instead, agencies need to be accountable for reducing their improper payments over the long term, and need to be rewarded for achieving appropriate reduction goals. Actions needed include:

   a. Providing recognition for agencies for achieving these goals—for example, formal government-wide awards, or a "Better Business Bureau" style seal of approval.

   b. Identifying and resolving any ambiguity in and conflict between organizational level goals by examining and, as needed, modifying these goals to ensure desired Payment Integrity outcomes are overtly addressed.

   c. Identifying rewards pertaining to compliance with IPERA requirements, such as allowing agencies to retain a percentage of improper payment dollars prevented or recovered (beyond what IPERA currently allows) for future investment in Payment Integrity activities.

   d. Identifying consequences pertaining to compliance with IPERA requirements, such as leveraging funding cuts for agencies as a long-term consequence for failure to achieve their improper payment reduction goals.

3. **More Closely Balance the Priorities of "Mission" and "Management."** Agency officials have described their dilemma in key programs between making benefits payments at a certain time ("mission"), and making sure the payments are proper ("management").

   a. Executive Branch leadership needs to clarify government-wide expectations regarding Payment Integrity to encourage agencies to more closely balance "mission" and "management."

   b. Agencies need to ensure their programmatic goals and process objectives establish an appropriate balance between "mission" and "management."

4. **Emphasize Coordinated, Cross-Government Approaches to Payment Integrity Challenges.** To facilitate systemic solutions, a centralized organization with decision making, enforcement and political power should facilitate the effective coordination of agencies, pooling of resources, achieving of synergies, and promotion of accountability in tackling cross-government Payment Integrity

challenges. Under OMB's leadership, a government-wide Payment Integrity leadership group, such as the working group mandated by the Fraud Reduction and Data Analytics Act of 2015, could form such a strong, centralized decision making body to develop goals and strategies and to promote accountability for Payment Integrity among the heads of agencies.[19] Further, as the Comptroller General of GAO noted in his February 15, 2017, testimony before the Committee on Oversight and Government Reform, House of Representatives, "This working group…should help agencies to coordinate their fraud detection efforts…"[20]

5. **Address Statutory Barriers.** Legislative barriers can be de-motivators.
    a. As previously recommended, address statutes that appear to create or contribute to improper payments in selected major programs.[21]
    b. Include an examination of statutory requirements and restrictions, and their impacts, regarding how states can spend funds on Payment Integrity activities.
6. **Explore Funding Options to Strengthen Payment Integrity.** Develop approaches to provide agencies and states with Payment Integrity funding that would not increase budgets, such as:
    a. Ensuring agencies are taking full advantage of the provisions of IPERA and OMB Circular A-123, Appendix C, for identifying and using recovered overpayments to help fund financial management improvement programs to address problems that directly contribute to improper payments.
    b. Considering Public-Private Partnerships that can provide a way for government, commercial, academic, and non-profit entities to collaborate on issues of mutual interest and share the burden of time, labor, and investment.[22]

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[19] See recommendation 1 in MITRE's report, GOVERNMENT-WIDE PAYMENT INTEGRITY: NEW APPROACHES AND SOLUTIONS NEEDED (MTR 160040, February 2016), regarding establishing a government-wide Payment Integrity leadership group.
[20] HIGH-RISK SERIES Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others (GAO-17-375T, February 15, 2017)
[21] See recommendation 13 in MITRE's report, GOVERNMENT-WIDE PAYMENT INTEGRITY: NEW APPROACHES AND SOLUTIONS NEEDED (MTR 160040, February 2016), regarding addressing statutes that appear to create or contribute—via program design, definitions, etc.—to improper payments in selected major programs.
[22] See recommendation 15 in MITRE's report, GOVERNMENT-WIDE PAYMENT INTEGRITY: NEW APPROACHES AND SOLUTIONS NEEDED (MTR 160040, February 2016), regarding establishing Public-Private Partnerships to address Payment Integrity challenges.

c. Establishing a revolving fund for multi-agency pilot projects to enhance collaboration for, and develop innovative approaches to, solving cross-government problems (for example, common issues involving identity or eligibility).

   i. Agencies could borrow from the fund and repay it when the projects are completed.

   ii. The fund could be used to implement the February 2016 MITRE recommendation to assess existing metrics to determine whether there are better ways to measure the return on investment for pre-pay analytics in order to better justify such investments.[23]

d. Evaluating the potential for a similar revolving fund at the state level, once pilot projects prove the viability of a federal-level fund.

7. **Consider Payment Integrity When Modernizing Information Technology Systems and Developing Shared Services.** When modernizing information technology systems and developing shared services, include consideration of process redesign that will enable human resources to be shifted toward higher value, greater engagement work (for example, analytics of improper payments true root causes) that will increase employee investment and morale.

**REVOLVING FUNDS**

"White House Chief Information Officer Tony Scott's proposal for a $3.1 billion revolving fund designed to pay for [information technology] modernization—a variation of which passed in the House—could be 'one of those solutions to the future ... not the total solution, but it's one of the solutions,' [U.S. Controller David] Mader said."
*Government Shared Services Meet Challenges in People, Capital* (NextGov, December 7, 2016)

[23] See recommendations 3 and 12 in MITRE's report, GOVERNMENT-WIDE PAYMENT INTEGRITY: NEW APPROACHES AND SOLUTIONS NEEDED (MTR 160040, February 2016), regarding preventing errors and deterring fraud, and pre-pay analytics, respectively.

# 3 What Motivates Claimants—Individuals and Organizations Filing Benefits Claims, Tax Returns, Commercial Invoices, Etc.—to Be Accurate and Not Make Errors or Commit Fraud?

The motivation to be accurate and not make errors or commit fraud when submitting claims of various types to the government can arise from sources both extrinsic and intrinsic to the individual. How agencies are viewed—in terms of trust and power—also plays an important role. While no single model takes into account all the relevant factors that affect such motivation, agencies can nevertheless take advantage of all these possibilities to motivate claimants to be accurate and not make errors, and to deter them from committing fraud.

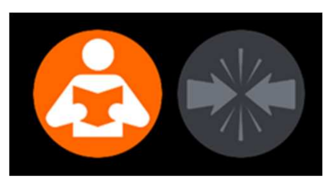
In conducting this portion of the study, the great majority of the research MITRE identified and reviewed pertained to individual motivation vis-à-vis tax compliance. Some of that research mentioned organizations, but there was no discussion of the behavior specifically of large organizations. For the purposes of the analysis that follows, MITRE assumes that the behavior of individuals when interacting with non-tax agencies is generally the same as when interacting with the Internal Revenue Service (IRS). However, people do not necessarily view other federal agencies with the same degree of trust, power or competence as they view IRS. So it is possible that some individuals may not respond to these other agencies in the same way that they respond to IRS' motivating actions.

## 3.1 Extrinsic Motivation


Extrinsic motivation is a reward or incentive from a person or entity intended to induce another person to take an action. An extrinsic motivator may be necessary when a person is not sufficiently motivated intrinsically, such as by a personal desire to achieve a goal or complete a task. Examples of extrinsic motivators include the following.

- In education, grades are an extrinsic motivator for learning and achievement.
- In organizations, compensation, public praise, and employee awards are extrinsic motivators to inspire employees towards high performance.

### 3.1.1 The Traditional or Classical Economic Deterrence Model

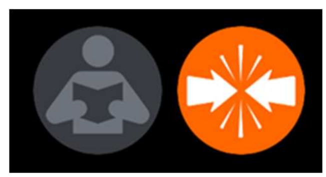


Extrinsic motivation in Payment Integrity usually focuses on traditional deterrence theory, which is based on the "economics-of-crime" model. The model is most frequently applied to tax evasion, where it is believed that the probability of being examined and the magnitude of the possible penalty are correlated with the level of voluntary tax compliance. This represents essentially a risk-based approach, where the probability of being examined equates to the likelihood of the event occurring, the magnitude of the possible penalty equates to the consequence / impact if the event does occur, and the two taken together equate to the level of risk. Voluntary tax compliance, then, becomes a form of risk mitigation.

In reality, however, taxpayers as a whole do not appear to make their compliance decisions solely based on the likelihood of being examined. While the perceived probability of examination does seem to impact individual compliance decisions, changes to the overall examination rate appear to have little or no effect on voluntary compliance overall. Individual behavior is often consistent with the classical theory, but it is sporadic and does not appear at the macro or systemic level. In effect, people simply do not “break the rules” as often as the classical economic deterrence model would predict, even where the risk of punishment is relatively low. So it seems that IRS examination risk (or perhaps “compliance reviews” by other agencies) is not the entire motivation in framing an individual’s decision whether to comply.

The focus of the classical economic deterrence model is strictly on extrinsic motivation. The model implicitly excludes as irrelevant any considerations of justice, fairness and other nonpecuniary (intrinsic) motivators for compliance—as well as peer behavior, guilt, shame, and other psychological factors. The model appears to have little or no utility in definitively predicting overall taxpayer compliance, but the constituent elements of the model—the related threats of examination and fines / penalties—do appear to have a predictive relationship with individual compliance behavior. Therefore, these types of activities should be taken into account in any analysis of taxpayer behavior and considered for inclusion in any program aimed at motivating taxpayers to comply.

### 3.1.2 Impacts of the Environment



Extrinsic motivation can also derive from the characteristics of the environment. For example, the ability to obtain all necessary information, and have it presented in clear and straightforward ways, better motivates individuals to make good compliance decisions. However, this is not always the case with government programs. Two examples pertaining to significant programs with billions of dollars of improper payments each year follow.

- Accountability officials indicated that the complexity of the Earned Income Tax Credit creates difficulties for IRS in educating the population that claims the credit, decreasing the motivational benefits of education.
- In June 2015, GAO testified[24] before the House Subcommittee on Social Security, Committee on Ways and Means, that the Disability Insurance program’s work incentive rules are confusing. GAO officials stated that SSA staff interviewed had varying interpretations of the rules and gave beneficiaries differing instructions.

[24] DISABILITY INSURANCE Preliminary Observations on Overpayments and Beneficiary Work Reporting (GAO-15-673T, June 16, 2015)

This can lead to variations in the level of compliance motivation among beneficiaries.

Another environmental characteristic that impacts individuals' motivation to comply with requirements is the way a program is structured. In particular, programs that have to wholly or partially rely on beneficiaries' self-reporting of "life changes," such as a change in income level or number of dependents, for determination of compliance are at a distinct disadvantage. Agency officials stated:

- Many beneficiaries who must self-report life changes are not focused on self-reporting, which complicates agency reliance on it. Frequently reminding beneficiaries of their self-reporting responsibilities may simply not work.
- It needs to be easy for individuals to self-report and interact with agencies. For example, interaction mechanisms need to be tailored to the specific groups with which each agency interacts, and potential unintended consequences need to be identified and considered before making any changes to reporting methodologies.
- Self-reporting needs to be "individual-focused," not "agency-focused" or "program-focused;" for example, it might be advantageous to self-report information to a single government point-of-entry, instead of having to report the same information multiple times across programs or agencies.

Another major factor with program structure is how a system such as health care reimburses for items and services. Agency officials indicated this can dictate how unethical and dishonest individuals will exploit the system. The specific anti-fraud measures and program safeguards that must be integrated into programs depend on the way that system and its payments are structured.

## 3.2 Intrinsic Motivation


Intrinsic motivation is a person's natural, innate motivation. Anything that moves a person to do something out of pure interest, such as learning to play a sport or creating artwork without being compelled to do so, is an intrinsic motivator. It is the most effective personal motivator, and because of that, positive long-range results are more likely from intrinsic motivators than from extrinsic ones. Finally, extrinsic and intrinsic motivation can coexist; for example, a person may be extrinsically motivated by high pay in the workplace but at the same time be more highly motivated by their true enjoyment of the work.

### 3.2.1 Social Psychology and "Tax Morale"

Social psychology has established that along with extrinsic factors, there are multiple intrinsic (psychological) factors that can affect tax compliance. Intrinsic or psychological motivators include:

- Perceived fairness with regard to the tax system and the authorities administering the system
- Acceptance of tax evasion among a relevant reference group
- Perceived tax evasion among friends
- Sense of self-esteem / self-image
- Perceived procedural, distributive, or retributive justice[25]

Building on these motivators, "tax morale" is a concept developed by social psychology to encompass nonpecuniary motivators for tax compliance as well as factors that fall outside the standard, expected utility framework (the classical economic deterrence model). Specific factors in the "tax morale" concept include:

- Intrinsic motivation
  - Paying taxes or feeling guilt or shame for not doing so
  - Being influenced by peer behavior, including the possibility of social recognition—or sanctions—from peers, in which the willingness to pay taxes depends on the views or behaviors of other individuals, such as a reluctance to do something "wrong" in the eyes of others
- Reciprocal motivation—willingness to pay taxes in exchange for benefits that government provides even though the pecuniary payoff would be higher by not paying the taxes; it should be noted that behavioral economics suggests that any perceived remoteness of a compulsory payment from its benefit is critical to compliance considerations
- Cultural factors, such as corruption, that may affect the willingness to pay taxes
- Information imperfections and deviations from utility maximization; for example, individuals may misperceive the probability of being detected when they evade taxes or may exhibit a systematic bias in their decision-making process such as "loss aversion"

Tax authorities often pursue policies that reflect the belief that nonpecuniary factors are important in tax compliance decisions. For example, publicity and visibility are often used in both positive and negative ways. Some tax authorities have publicly recognized compliant or high-payment taxpayers. Alternatively, more than half of U.S. states have or

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[25] Procedural justice concerns fairness of the processes by which decisions are made. Distributive justice refers to fairness in the distribution of rights or resources, while retributive justice refers to fairness in the punishment of wrongs.

have had “name and shame” programs in which the names of top tax debtors are revealed publicly on state websites.

Related to these factors, behavioral economics offers additional intrinsic motivators that can impact an individual’s tax compliance decisions. These include:

- Cost-benefit analysis—balancing the cost of being detected with the benefits of successfully evading payment
- A libertarian approach—“This money belongs to me”
- Alienation—people may not feel part of a society
- Resentment of coercion—people simply do not like to be forced to pay their money in taxes
- Perception of unfairness vis-à-vis the obligation to pay taxes, such as the belief that rich individuals do not pay enough taxes
- Reciprocity / social acceptability of noncompliance—in some societies tax evasion is not considered an intolerable act
- Perception that “Others are not paying—why should I?”
- Outcome remoteness—the inability to see the effect of noncompliance

### 3.2.2 Visibility and Accountability

Just as with motivating agencies and those that act on their behalf, visibility and accountability can motivate claimants. In particular, officials at one agency offered the view that visibility generally impacts organizations that receive federal funding more so than individuals; in other words, reputational risk is a more significant issue for organizations.

Agency and accountability officials, as well as applied literature and research, offered a number of actions that organizations take to promote visibility and accountability in hopes of motivating claimants to be accurate and not make errors or commit fraud.

- Using compliance activities (such as identity validation, penalties, loss of benefit eligibility) to motivate, balanced with help for claimants when appropriate; leveraging enforcement to increase levels of claimant responsibility.
- Informing claimants that their information will be shared with other agencies for matching.
- Incorporating accountability clauses in grants to ensure grantees' awareness of responsibilities.
- Raising public awareness and providing education regarding noncompliance penalties—ensuring these penalties are well known.
- "Naming and shaming"—but an agency must have credible power for this to be of value.
- Recognizing compliant or high-paying taxpayers publicly as an alternative to shaming tax evaders, a strategy adopted by an increasing number of developing countries.
- Conducting public campaigns to change attitudes towards tax evasion; for example, television and print advertising campaigns were used in Italy to highlight the need to reduce widespread tax evasion in order to better cope with the European debt crisis.

**DO BIG FINES INCREASE COMPLIANCE?**

Mark Branson, the head of Switzerland's financial regulatory body, the Swiss Financial Market Supervisory Authority (Finma), stated in an interview that levying large penalties on banks for financial crime compliance failures will not lead to better adherence to regulations across the financial services sector. Branson noted that Finma does not have the power to impose massive fines on recalcitrant banks, and that the hefty penalties paid in countries like the U.S. and UK have not stopped bank compliance failures or money laundering and are, in actuality, borne by the shareholders. Finma has the power to pull the profits banks get on illicit funds and can limit activities, which can be an effective motivator for change.

### 3.2.3 Trust in Authorities and Perception of Power as Motivators

How claimants view agencies—in terms of the level of trust of those agencies and the power they are perceived to have—plays a role in both voluntary and enforced compliance. Research in, again, taxation has shown that when both the level of trust and the perception of power are low, more taxpayers aim at maximizing individual payoffs by evading taxes. Boosting the level of trust enhances voluntary compliance, whereas increasing the power of authorities leads to enforced compliance. So while increasing both trust and power can improve compliance, the quality of the taxpayer's cooperation differs.

The mediating effects of trust and power on compliance have been depicted as shown in Figure 2. Compliance is highest when the level of trust is high. Conversely, when both the level of trust and perceived power are low, compliance is at its lowest.

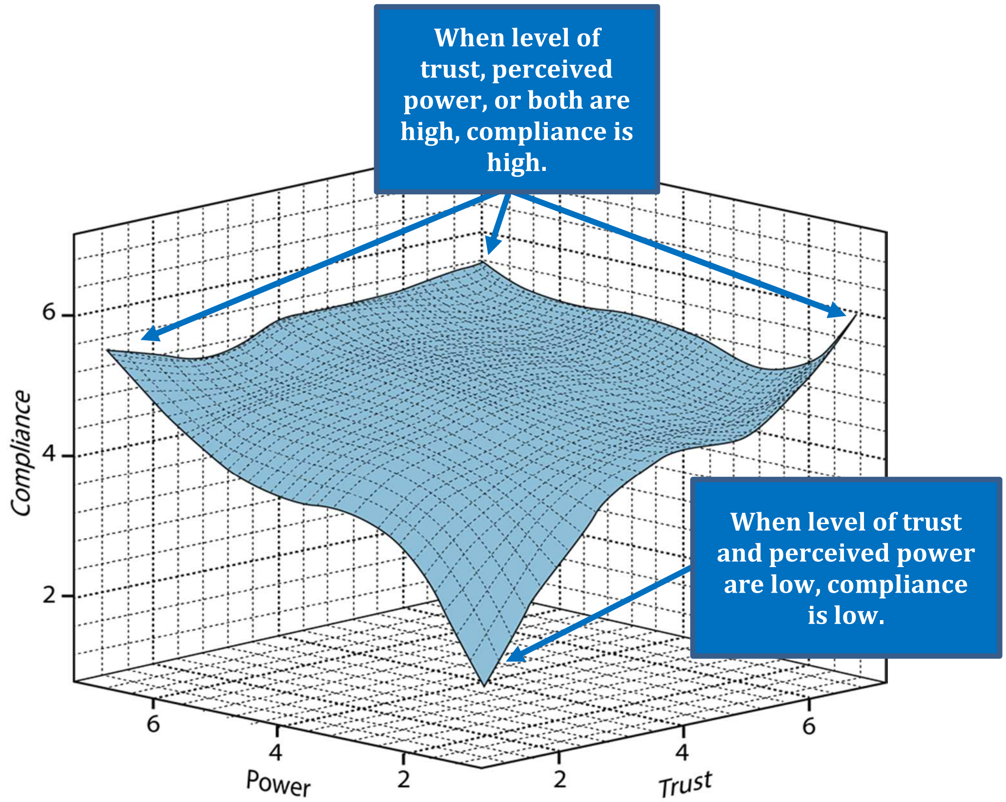


**Figure 2. Overall Tax Compliance as a Function of Trust and Power**

Source: Kogler, Muehlbacher, Kirchler, 2013

If compliance—whether voluntary or enforced—is to be enhanced by claimant perceptions that the authority is trustworthy or powerful or both, then it is critical that the claimant also perceive the authority as competent. There can be neither a belief in agency trustworthiness nor respect for agency power if the agency is perceived as inept—without regard to whether the agency is, in fact, inept. Perception is the driver.

### 3.2.4 Enterprise Risk Management and Relation to Trust

Enterprise Risk Management (ERM) is a discipline that addresses the full spectrum of an agency's risks and issues, including challenges and prospects, integrating them into an enterprise-wide, strategically aligned portfolio view. It is a component of an overall governance framework and encompasses areas of enterprise-wide exposure to risk, such as financial, compliance, and reputational risks.

Reputational risk is particularly relevant to the issue of compliance motivators. As OMB Circular A-123 notes, this risk "damages the reputation of an Agency to the point of having a detrimental effect…[on its] ability to carry out mission objectives." The Circular goes on to state that an example of reputational risk would be the loss of trust and confidence that stakeholders have in the agency to deliver operational services, and adds that reputational risk of fraud, in particular, can damage the perception of an agency and create public distrust. The requirements in the Circular for agencies to assess and mitigate their risks, including reputational risk, can help with the level of trust that stakeholders and claimants have for agencies.

### 3.2.5 Interactions Between Agencies and Claimants

Research has shown that interactions between agencies and claimants contribute to the claimants' perception of agencies' trustworthiness and competence. Something as simple as the clarity of claim forms can enhance, or damage, that perception. Further, claim forms and online filing processes can elicit more truthful responses from claimants by techniques such as using more direct questions and placing the commitment not to cheat at the beginning of forms rather than at the end. Such techniques put the burden on claimants to give explicit answers and increase the psychological cost of lying.

Other types of interactions can contribute to claimants' perception of agencies' power and competence. For example, an agency being able to quickly identify misstatements on claim forms, and communicating to claimants in advance that this will occur, can enhance this perception. The certainty of detection of misstatements—based, as one alternative, on an agency's ability to quickly and effectively compare representations on claim forms with independent, reliable data—is a powerful motive for compliance. Even a small increase in an agency's ability to do this, conveyed to claimants, can enhance the perception of power and competence, thereby increasing the motivation to comply.

Effective, helpful communications between agencies and claimants can enhance trust and the perception of competence. Agency officials indicated they take a number of actions to strengthen communications with claimants, such as:

- Providing both general information to all claimants and targeted communications / outreach to specific claimants.
- Proactively communicating, esp. when changes are occurring in a program.
- Using real-time / near real-time communications; one major program, for example, that issues benefits via electronic benefit transfer cards has a vision to be able to send a card user an immediate text message when the system sees a questionable transaction, asking them if they understand the rules.
- Emphasizing clarity in communications.
- Using multiple communications media—pamphlets, website, webinars, social media.
- Incorporating clauses in contracts re: reducing / recovering improper payments to serve notice to contractors of the importance of the issue.
- Talking openly about fraud with grantees, contractors and other claimants.

## 3.3 Recommendations

OMB and agencies can fundamentally transform the entire "system" by implementing the following recommendations in order to create the conditions for optimal Payment Integrity.

8. **Ensure Claimants Have Easy, Optimal Means to Interact with Agencies.** Government forms, instructions, payment methods, etc., need to be clear and simple to use so it will be easy for claimants to comply and will enhance their perceptions of agency trustworthiness and competence. Without this, people sometimes default to errors and noncompliance. This also supports achievement of the CAP Goal for Customer Service ("mak[e] it faster and easier for individuals and businesses to complete transactions"). Specific actions agencies can take include:
    a. Eliminating ambiguities in claim forms.
    b. Revising forms to use only direct wording and plain language.
    c. Redesigning forms and online filing processes to elicit more truthful responses from claimants.
    d. Making it as easy as possible for people to self-report. The process should be applicant-focused vs. agency / government-focused, such as easier, one-time reporting of the same information instead of multiple times across programs and agencies.[26]
9. **Strive for Proactive, Timely Communications with Claimants.** Agencies should ensure that communications with claimants are proactive and near real-time to key events, such as the filing of a benefits claim, in order to maximize their value and enhance perceptions of competence and trustworthiness.
10. **Broaden Use of Compliance-oriented Motivators Like Data Matching.** There is motivational value in securing and matching / analyzing / mining data from various sources—such as other agencies, the private sector, or open sources—and then using it for compliance and outreach. The fact that the agency is doing this should be communicated to claimants, which will enhance the perception of power. For example, advise claimants that their data will be validated and verified during the claims process.
11. **Consider Additional Compliance Motivators, as Warranted.** Agencies should consider the following additional compliance motivators for individuals and organizations to which they make payments, to enhance perceptions of power.

[26] See recommendations 8 and 9 in MITRE's report, GOVERNMENT-WIDE PAYMENT INTEGRITY: NEW APPROACHES AND SOLUTIONS NEEDED (MTR 160040, February 2016), regarding reducing reliance on self-reporting by benefits recipients where it causes the most risks and identifying and pilot testing agency-specific and government-wide alternatives for making identity and eligibility determination processes more rigorous, data driven, and cost-effective, respectively.

a. Employ swift and effective consequences for claimants balanced with providing help when appropriate, such as a designated team to address "suspended" payments rapidly.

b. Use publicity, such as naming and shaming, to increase the visibility of the consequences of noncompliance.

c. Signpost potential penalties to increase the motivation for people to take responsibility.

d. Require proactive confirmation of claimant life changes to increase the motivation for people to take responsibility.

e. Include clauses in contracts for the recovery of improper payments.

f. Include accountability clauses in grants.

# Appendix A Study Purpose and Methodology

The MITRE Corporation, a not-for-profit organization that operates FFRDCs on behalf of federal government sponsors, recognizes the impact that the overall federal Payment Integrity situation has on government effectiveness and public confidence. Given the public interest nature of this challenge, MITRE conducted this independent study as a follow-on to its February 2016 report[27] that assessed the underlying systemic factors that enable fraud and other improper payments and explored government-wide solutions to improve Payment Integrity.

We acknowledge the considerable efforts already in place at OMB and across federal agencies focused on identifying, reporting and mitigating improper payments. With that in mind, this study focuses on a key issue that impacts those efforts along with the implementation of many of the recommendations made in the February 2016 report—what motivates federal agencies, those acting on their behalf (for example, states, grantees), and recipients of federal payments of all kinds to optimize their ongoing Payment Integrity efforts?

In conducting this qualitative study, MITRE interviewed officials at 9 agencies and 4 oversight and accountability organizations and reviewed extensive academic literature and domestic and international applied literature and research. MITRE then assessed this information in the context of motivators specific to Payment Integrity.

Table 2 presents a complete listing of interviews, while documents reviewed are shown after the table.

**Table 2. Study Interviews**

| Agencies | |
|---|---|
| Department of Defense | Department of Education |
| HHS—CMS | Department of Homeland Security |
| Department of Labor (DOL) | IRS |
| OPM | SSA |
| Department of Veterans Affairs (VA) | |
| **Oversight and Accountability Organizations** | |
| OMB Resource Management Offices for DOL, IRS, and SSA | GAO |
| SSA Office of Inspector General (OIG) | Treasury IG for Tax Administration |

[27] GOVERNMENT-WIDE PAYMENT INTEGRITY: NEW APPROACHES AND SOLUTIONS NEEDED (MTR160040, February 2016)

We researched relevant statutes and guidance, particularly IPERA and OMB Circular A-123 Appendix C; prior MITRE work products on improper payments; and the following documents to assemble a wide array of key information for use in the assessment.

- Agency documents
  - DOL. FY 2015 Annual Performance Report.
  - DOL. FY 2012 Annual Report on Improper Payment Recapture Activities. November 2012.
  - Federal Reserve Bank of Kansas City. "Controlling Security Risk and Fraud in Payment Systems."
  - HHS. Fiscal Year 2015 Agency Financial Report.
  - HHS. HHS Strategic Plan, FY 2014-2017.
  - HHS. Testimony: Statement by Shantanu Agrawal, M.D., Deputy Administrator and Director, Center for Program Integrity, Centers for Medicare & Medicaid Services, U.S. Department of Health and Human Services, on CMS Efforts To Reduce Improper Payments In The Medicare Program, before the Committee on Oversight & Government Reform, Subcommittee on Energy Policy, Health Care & Entitlements, United States House of Representatives. (May 20, 2014)
  - SSA. Social Security Administration Agency Strategic Plan: FISCAL YEARS 2014 – 2018.
  - SSA. Annual Performance Report, FY 2015 – 2017.
  - Treasury. Agency Financial Report: Fiscal Year 2015.
  - Treasury. Department of the Treasury FY 2014-2017 Strategic Plan.
  - U.S. Department of Agriculture. Agency Financial Report FY 2015.
  - VA. Financial Policies and Procedures, Volume VII, Chapter 9, Financial Reporting – Erroneous and Improper Payment Reporting under OMB Circular A-123, Appendix C. January 2016.
- Congress
  - United States House of Representatives Subcommittee on Human Resources of the Committee on Ways and Means. Transcript—Hearing on the Use of Data Matching to Improve Customer Service, Program Integrity, and Taxpayer Savings. March 2011.
  - United States Senate Special Committee on Aging. Committee Staff Report, "Improving Audits: How We Can Strengthen the Medicare Program for Future Generations." 2014.

- GAO reports
    - A Framework for Managing Fraud Risks in Federal Programs (GAO-15-593SP, July 2015)
    - DISABILITY INSURANCE Preliminary Observations on Overpayments and Beneficiary Work Reporting (GAO-15-673T, January 16, 2015)
    - ELECTRONIC HEALTH RECORDS First Year of CMS's Incentive Programs Shows Opportunities to Improve Processes to Verify Providers Met Requirements (GAO-12-481, April 1, 2012)
    - FISCAL OUTLOOK Addressing Improper Payments and the Tax Gap Would Improve the Government's Fiscal Position (GAO-16-92T, October 1, 2015)
    - FOSTER CARE PROGRAM Improved Processes Needed to Estimate Improper Payments and Evaluate Related Corrective Actions (GAO-12-312, March 2012)
    - IMPROPER PAYMENTS Government-Wide Estimates and Reduction Strategies (GAO-14-737T, July 19, 2014)
    - IMPROPER PAYMENTS Moving Forward with Government-wide Reduction Strategies (GAO-12-405T, February 7, 2012)
    - MEDICARE Claim Review Programs Could Be Improved with Additional Prepayment Reviews and Better Data (GAO-16-394, May 2016)
    - MEDICARE PROGRAM INTEGRITY Greater Prepayment Control Efforts Could Increase Savings and Better Ensure Proper Payment (GAO-13-102, November 2012)
    - MEDICARE RECOVERY AUDIT CONTRACTING Lessons Learned to Address Improper Payments and Improve Contractor Coordination and Oversight (GAO-10-864T, July 15, 2010)
    - STRATEGIES TO MANAGE IMPROPER PAYMENTS Learning From Public and Private Sector Organizations (GAO-02-69G, October 2001)
    - SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM Policy Changes and Calculation Methods Likely Affect Improper Payment Rates, and USDA Is Taking Steps to Help Address Recipient Fraud (GAO-16-708T, Reissued July 8, 2016)
- International sources
    - *Asian Organization of Supreme Audit Institutions*. "Evaluation and Improvement of Internal Audit Systems and the Relationship Between the Internal Audit Units and [Supreme Audit Institutions]." 2012.
    - Australian Institute of Criminology
        - Fraud Against the Commonwealth. July 2015.
        - Responding to Welfare Fraud: The Australian Experience. December 2012.

    - Trends & Issues in Crime and Criminal Justice no. 418. 2011.
- Australian National Audit Office (ANAO)
    - Administration of the Fair Entitlements Guarantee. April 2015.
    - Annual Compliance Arrangements with Large Corporate Taxpayers. November 2014.
    - Centrelink Fraud Investigations. September 2010.
    - Fraud Control Arrangements. October 2014.
    - Fraud Control in Australian Government Agencies. May 2010.
    - Implementation of ANAO Performance Audit Recommendations. May 2014.
    - Medicare Compliance Audits. April 2014.
- *New Zealand Associate Minister for Social Development*. "Combatting Welfare Fraud—Main Initiatives." February 20, 2013.
- Organization of Economic Cooperation and Development
    - Corporate Governance and Business Integrity—A Stocktaking of Corporate Practices. 2015.
    - Integrity in Public Procurement—Good Practice [sic] from A to Z. 2007.
- United Kingdom
    - BDO LLP and the Center for Counter Fraud Studies at the University of Portsmouth—"THE FINANCIAL COST OF HEALTHCARE FRAUD 2014." March 2014.
    - Fraud, Error and Debt Taskforce—"Tackling fraud and error in government." February 2012.
    - Her Majesty's Revenue & Customs, Department for Work and Pensions
        - "Estimated Fraud and Error Savings 2011/12 to 2014/15." July 2015.
        - "Fraud and error in financial, welfare and revenue services: A Systematic Map of the empirical research evidence (WP97)." April 2013.
        - "Fraud and Error in the Social Protection System—The UK's Approach." 2014 / 2015.
        - "Fraud and Error Service." June 2014.
        - "Penalties Policy: In respect of social security fraud and error. January 2015.
        - "Tackling fraud and error in the benefit and tax credits systems." October 2010.

- Home Office. “Fighting Fraud Together: The strategic plan to reduce fraud.” Undated.
- Howard Journal of Crime and Justice. “COUNTERBLAST: Another Case of Old Wine in New Bottles? The Coalition’s Misguided Strategy to Reduce Benefit Fraud.” May 2011.
- National Audit Office
  - Department for Work and Pensions 2015-16 accounts. July 2016.
  - Department for Work and Pensions: Management of benefit overpayment of debt. May 2009.
  - Fraud landscape review. February 2016.
  - Her Majesty’s Revenue & Customs [HMRC] 2013-14 accounts. July 2014.
  - Her Majesty’s Revenue & Customs Annual Report and Accounts 2015-16. July 2016.
  - Housing Benefit fraud and error. October 2014.
  - Reducing losses in the benefits system caused by customers’ mistakes. January 2011.
  - Tackling tax credits error and fraud. February 2013.
  - Tackling tax fraud: how HMRC responds to tax evasion, the hidden economy and criminal attacks. December 2015.
- News media
  - “HMRC asked tax avoider to sign pledge not to engage in practice again.” *The Guardian*. November 27, 2015.
  - “Round table: improving debt recovery.” *Civil Service World*. June 17, 2014.
- Parliament
  - Committee on Public Accounts. “Fraud and Error Stocktake.” October 19, 2015.
  - Communities and Local Government Committee. “Implementation of welfare reform by local authorities.” April 3, 2013.
  - Treasury Subcommittee. “ADMINISTRATION AND EFFECTIVENESS OF HMRC—Oral Evidence before the Treasury Subcommittee.” October 31, 2012.
  - Work and Pensions Committee
    - “Benefit delivery: Committee’s Fourth Report of Session 2015–16.” December 18, 2015.

        - "Benefit delivery: Government Response to the Committee's Fourth Report of Session 2015–16. July 11, 2016.
        - "Fraud and error in the benefits system: Government Response to the Committee's Sixth Report of Session 2013-14." September 5, 2014.
        - "Sixth Report: Fraud and error in the benefits system." May 15, 2014.
- OMB document: Reducing Improper Payments: [Unemployment Insurance] Integrity Conference. April 10, 2010.
- OIG reports
    - U.S. Department of Education Office of Inspector General, FY 2015 Management Challenges; and FY2106 Management Challenges.
    - HHS OIG. MEDICARE CLAIMS ADMINISTRATION CONTRACTORS' ERROR RATE REDUCTION PLANS. January 2014.
    - HHS OIG. Statement of Lewis Morris, Chief Counsel, Office of Inspector General, Department of Health and Human Services, before the Healthcare Compliance Association. Undated.
- Professional and Research sources
    - *American Action Forum*. "Curbing Waste, Fraud, and Abuse in Medicaid." March 9, 2016.
    - *American Physical Therapy Association*. "CMS Criticized Over Rate of Improper Payments." July 15, 2014.
    - *Brookings*. "Should the US follow the UK to a Universal Credit?" July 10, 2014.
    - *Cato Institute*. "Reducing Wasteful Spending." Testimony of Chris Edwards before the Committee on Homeland Security and Governmental Affairs, United States Senate. June 10, 2015.
    - *Center for Budget and Policy Priorities*. "SNAP: Combating Fraud and Improving Program Integrity Without Weakening Success." June 9, 2016.
    - *Deloitte*.
        - "Federal CFO Insights  Improper Payments—Accountability of CFOs." 2015.
        - "Three Steps to Improve Improper Payments Prevention Strategies." March 2016.
    - *DLA Piper*. "[Medicare Access and CHIP Reauthorization Act of 2015]: Three Compliance Implications for Medicare Providers." May 2015.
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    - *Journal of State Taxation*. "Credit and Incentives Update; Unemployment Insurance Integrity: What Employers Need to Know." March / April 2013.
    - "President's Management Advisory Board Approved Recommendations." September 7, 2012.
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    - "Medicare Cuts Back Work of Auditors Probing Improper Payments to Hospitals." *The Wall Street Journal*. October 30, 2015.
    - "New Tricare requirement for proof of payment takes effect overseas." *Stars and Stripes*. October 10, 2012.

# Appendix B List of Abbreviations

| | |
|---|---|
| AFR | Agency Financial Report |
| ANAO | Australian National Audit Office |
| CAP | Cross-Agency Priority |
| CFO | Chief Financial Officer |
| CHIP | Children's Health Insurance Program |
| CMA | Computer Matching and Privacy Protection Act of 1988 (P.L. 100-53) |
| CMS | Centers for Medicare & Medicaid Services |
| DNP | Do Not Pay |
| DOL | Department of Labor |
| FFRDC | Federally Funded Research and Development Center |
| Finma | Financial Market Supervisory Authority |
| FY | Fiscal Year |
| GAO | Government Accountability Office |
| HHS | Department of Health and Human Services |
| HMRC | Her Majesty's Revenue & Customs |
| IPERA | Improper Payments Elimination and Recovery Act of 2010 (P.L. 111-204) |
| IPERIA | Improper Payments Elimination and Recovery Improvement Act of 2012 (P.L. 112-248) |
| IRS | Internal Revenue Service |
| MITRE | The MITRE Corporation |
| MSPB | Merit Systems Protection Board |
| OIG | Office of Inspector General |
| OMB | Office of Management and Budget |
| OPM | Office of Personnel Management |
| SNAP | Supplemental Nutrition Assistance Program |
| SSA | Social Security Administration |
| SSI | Supplemental Security Income |
| VA | Department of Veterans Affairs |