BRIEFING ROOM

Updated Data on Improper Payments

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Today, the Office of Management and Budget is releasing annual Government-wide data on improper payments. Before getting into the numbers, it's important to understand exactly what this data tells us—and what it doesn't.

An improper payment is a payment that should not have been made or that was made in the wrong amount. That includes overpayments, underpayments, or even payments made to the right recipient in the right amount but not in strict adherence to the relevant statute or regulation. If an agency can't confirm whether a particular payment is made improperly at the time that it's reviewed, the *entire* payment counts toward the improper payment rate—even if only a fraction of the payment is ultimately found to have been made improperly. And even in cases where improper payments are subsequently recovered, they are still counted as improper. In other words, not all improper payments represent a loss to taxpayers.

The data released today underscores the depth of the problems facing states that were in many cases overwhelmed by the unique and compounding challenges caused by the COVID-19 pandemic—and a general legacy of neglected oversight under the previous Administration. Overall, the analysis estimates that between fiscal year 2020 and fiscal year 2021, the Government-wide improper payment rate rose from 5.6% to 7.2%. This increase was largely driven by growth in the improper payment rate in the Federal-State Unemployment Insurance (UI) program, which totaled 18.71% from July 2020 to June 2021—roughly 5-8 percentage points higher than during a normal, non-pandemic 12-month period. Data was not collected during the middle of 2020 as a result of the chaotic challenges state-run UI systems faced, so this is our first full-year look at UI errors during the pandemic. And, we know that problems accumulated from early in the pandemic are still being discovered and will take a long time to clean up.

What accounts for this elevated rate, particularly in the UI system? As the pandemic took hold in 2020, it triggered a massive surge in UI claims that overwhelmed state-run agencies responsible for administering unemployment insurance. In March 2020, initial claims rose from 211,000 a week to 6.6 million a week. For example, more claims were filed in nine months in Florida than in the previous eight years—combined. This surge in claims caused massive delays for State agencies. In Ohio, for example, by October 2020 it took more than 70 days to process many new claims, whereas before the pandemic the vast majority were completed in under two weeks.

A report from the Pandemic Response Accountability Committee (PRAC) that looked at 16 states across the country found that many lacked the capacity to respond to the crush of new claims and relied on outdated IT systems, and that limited statutory fraud and eligibility controls made them more susceptible to improper payments. As the PRAC notes, a National Association of State Workforce Agencies report found that more than half of states were still relying on outdated unemployment computer systems as of February 2021. The PRAC also found that, "States' response times to process claims were not the only area of UI impacted by the pandemic-related claims surge." Controls meant to stop fraud and reduce improper payments "were often reduced to handle the influx or were simply not effective enough," and some states misinterpreted guidance from the previous Administration. For example, the PRAC notes that Ohio's unemployment audit found that it "did not establish sufficient procedures or controls to ensure that pandemic unemployment benefits were paid to only eligible claimants," which led to the failure "to detect, recover or report overpayments and ineligible payments."

Since the President took office, the Biden Administration has taken crucial steps to help states modernize their UI systems, fight fraud, and improve oversight. The American Rescue Plan included $2 billion to support grants to prevent identity theft, deploy "Tiger Teams" to work with state UI officials, upgrade outdated IT systems, and more. The Administration established a new data-sharing agreement between states and the Department of Labor (DOL) Inspector General (IG) to help prevent multi-state UI fraud. DOL is working with law enforcement agencies to counter the organized criminal syndicates targeting UI benefits. In May, the President launched an Initiative on Identity Theft Prevention and Public Benefits that will finalize a set of recommendations and reforms next year to address these challenges head-on. And thanks to our historic jobs and economic recovery, the average number of Americans filing for unemployment is about 205,000 per week—reaching the lowest 4-week averages since 1969, which will help further ease pressure on overwhelmed state bureaucracies.

Here at OMB, we've also been working closely with the oversight community—including IGs and the Government Accountability Office —alongside agencies across Government to make payment integrity a top priority, particularly when it comes to payment errors that result in monetary loss. Earlier this month, OMB issued new guidance instructing agencies to restore the integrity and independence of their IGs, and to work with Congress to ensure that IG offices can exercise their vital oversight role. We updated OMB's longstanding payment integrity guidance to help agencies spend less time on low-value compliance and more time building capacity to help prevent improper payments with a focus on those resulting in monetary loss. And we issued implementation guidance for the American Rescue Plan to help ensure the highest level of accountability and payment integrity in the critical relief programs that have driven our economic recovery—and we are actively working toward similar steps to support accountability in implementation of the Infrastructure Investment and Jobs Act.

President Biden has been very clear that this Administration will take decisive action to ensure our Government delivers results for the American people in the most effective, equitable, and accountable way possible. That means committing to facing the real challenges of combatting payment errors and making Government work better. Sharing this data transparently and being direct about the challenges we face are part of that commitment. We won't solve these problems overnight. But the bottom line is that the Administration is going to remain laser-focused on taking every step possible to deliver the effective, efficient, and accountable Government the American people expect and deserve.