

FACT SHEET: DO NOT PAY LIST

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For too long, we have tolerated a government that is wasteful of Americans' tax dollars and unresponsive to Americans' needs. The Obama Administration is changing how Washington does business – bringing a new sense of responsibility for taxpayer dollars by eliminating what doesn't work and cracking down on waste and by making government more open and responsive to the American people.

Each year, the federal government wastes billions of American taxpayers' dollars on improper payments to individuals, organizations, and contractors. These are payments made in the wrong amount, to the wrong person, or for the wrong reason. In 2009, improper payments totaled nearly \$110 billion, the highest amount to date.

We must make sure that agencies are using available tools to stop errors before they are being made. Yet too often an agency does not check all the different databases or finds it difficult to do so. This denies agencies essential information they need to determine, for example, if an individual is alive or dead or if a contractor had been debarred. In fact, over the past three years, federal auditors have reported that the government paid out benefits totaling more than \$180 million to approximately 20,000 Americans who were dead; and more than \$230 million in benefits to approximately 14,000 fugitive felons or those in jail and who are not eligible for benefits.

That is why today the President is issuing a memorandum directing that a Do Not Pay List be established, a single source through which all agencies can check the status of a potential contractor or individual. This will allow federal agencies to access this information in a more timely and cost effective manner and will help reduce improper payments made by the Government and help save taxpayer dollars.

To combat improper payments as this single Do Not Pay List is being set up, the memorandum requires agencies to review current pre-payment procedures and ensure they are reviewing available databases before the release of any federal funds. At a minimum, and when applicable, the memorandum requires agencies to cross-check:

- The Social Security Administration's Death Master File (e.g., to identify deceased individuals);
- The General Service Administration's Excluded Parties List System (e.g., to identify suspended or debarred contractors);
- The Department of the Treasury's Debt Check System (e.g., to identify recipients that owe the federal government non-tax debt);
- The Department of the Health and Human Services' Office of Inspector General's List of Excluded Individuals/Entities (e.g., to identify certain individuals and businesses who have been excluded from participating in federal health care programs); and
- The Department of Housing and Urban Development's Credit Alert System or Credit Alert Interactive Voice Response System (e.g., to identify credit-worthiness and eligibility of individuals that apply for federal loans).

This memorandum builds on the work the Administration has already undertaken to reduce improper payments and cut waste. In November 2009, the President issued Executive Order 13520 on Reducing Improper Payments, which focused on reducing improper payments through boosting transparency, holding agencies accountable, and creating strong incentives for compliance. Specifically, the Executive Order required the identification of high-priority programs, the selection of accountable officials to coordinate agency program integrity efforts, the development of supplemental measures for high-priority programs, and a public website to track progress in reducing improper payments.

In addition, in March 2010, the President signed a presidential memorandum directing all federal departments and agencies to expand and intensify their use of payment recapture audits under the authority they currently have. It is anticipated that using these incentive-laden audits will return at least \$2 billion over the next three years to American taxpayers – double the current amount of projected recovered costs.

EXAMPLES OF SUSPENDED AND DEBARRED INDIVIDUALS AND FIRMS RECEIVING FEDERAL FUNDS

The Do Not Pay List will enable agencies to access easily information about an individual or firm's status with the government, preventing a situation where one agency – or even one part of an agency – ends up contracting with a company that already was flagged or sanctioned by another agency or office. Unfortunately, as the Government Accountability Office found in a report it issued last year (found: <http://www.gao.gov/new.items/d09174.pdf>), too often this does occur. Some examples include:

- In March 2007, GSA excluded a cleaning supply company for illegally dumping chemicals into city sewers. In August 2007, the VA made a purchase from that company, assuming that it was clear since it was listed on the Federal Supply Schedule.
- In 2006, the Navy suspended a company after one of its employees sabotaged repairs on an aircraft carrier by using nonconforming parts to replace fasteners on steam pipes. If these pipes had ruptured as a result of faulty fasteners, those aboard the carrier could have suffered lethal burns. Less than a month later, the Navy improperly awarded the company three new contracts because the contracting officer did not check the Excluded Parties List System (EPLS).
- In September 2006, GSA suspended a construction company and its president after the president was found to have used fictitious Social Security numbers to open multiple GSA auction accounts to bid on surplus property. Despite this suspension, the Department of Interior made seven awards in 2007 to the company totaling over \$230,000 due to a combination of not checking available databases and those databases not being up to date.
- In 2004, the Department of Treasury debarred a company for submitting inflated invoices to the IRS for payment. Two years later, NASA awarded the company a \$450,000 contract based on an EPLS query from 2003.