

**VOLUME 4, CHAPTER 14: “IMPROPER PAYMENTS”****SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by an \* symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

The previous version dated October 2012 is archived.

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
1401	Re-ordered General section to include Overview, Purpose, and Authority.	Revision
140101.C.	Added requirements for Office of the Director of National Intelligence (ODNI) agency reporting.	Addition
140103	Changed Public Law numbers to United States Code (USC).	Revision
140201	Revised paragraph defining improper payments.	Revision
140202	Revised High Dollar Improper Payment thresholds in accordance with M-15-02.	Revision
140203	Added sentence to address applicability of IPERIA and Office of Management and Budget (OMB) guidance to government charge cards and payments to Federal employees.	Addition
140205	Added new improper payment percentage and new language from 31 USC 3321.	Addition
140206	Added policy requirements for statistical sampling from revised M-15-02, Appendix C, OMB Circular A-123.	Addition
1403	Revised A&FP Directorate responsibilities and added designation as Comptroller’s Executive Agent for improper payments.	Revision/ Addition
140401	Revised risk assessment policy to align with M-15-02, OMB Circular A-123 Appendix C.	Revision
140401.B.	Included information from previous subparagraph 140201.C. in this sub-paragraph for more logical placement.	Revision
140402	Revised to address statistical sample plan requirements of current OMB A-123 Appendix C guidance.	Revision
140403	Revised to address new payment review requirements of IPERIA.	Revision

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
140404	Added paragraph on reporting categories for improper payments.	Addition
140501	Changed submission dates.	Revision
140502	Changed wording to clarifying meaning.	Revision
140504.C.	Added wording to address ODNI agency requirements.	Addition
140505	Added paragraph to address Do No Pay (DNP) file matching requirement.	Addition
Table 14-1	Table changed to reflect improper payment categories as shown in OMB A-123 Appendix C and paragraph 140404.	Revision
Table 14-2	Deleted table.	Deletion
Table 14-3	Deleted table.	Deletion

## Table of Contents

VOLUME 4, CHAPTER 14: “IMPROPER PAYMENTS” .....	1
*1401  GENERAL .....	4
140101.  Overview .....	4
140102.  Purpose .....	4
140103.  Authority .....	4
1402  DEFINITIONS .....	5
*140201.  Improper Payment .....	5
*140202.  High Dollar Improper Overpayment .....	6
*140203.  DoD Improper Payment Reporting Program .....	6
140204.  Entity .....	6
*140205.  Improper Payments Threshold .....	6
*140206.  Statistical Sampling.....	7
*1403  A&FP’S  ROLE/RESPONSIBILITIES  AS  COMPTROLLER’S  EXECUTIVE AGENT .....	7
140301.  Role .....	7
140302.  Responsibilities .....	8
1404  REQUIREMENTS .....	9
*140401.  Risk Assessment.....	9
*140402.  Establish and Implement a Statistically Valid Sampling Plan .....	10
*140403.  Review.....	11
*140404.  Reporting Categories for Improper Payments.....	11
1405  REPORTING .....	12
*140501.  Annual Reporting .....	12
*140502.  Annual Reduction Targets.....	12
140503.  Quarterly Reporting.....	13
*140504.  Do Not Pay (DNP) File Matching Requirement .....	14
*Table 14-1 Matrix of Improper Payment Categories (\$ in millions).....	16

## CHAPTER 14

IMPROPER PAYMENTS

## \*1401 GENERAL

## 140101. Overview

A. All DoD Components that [entitle](#) (process or compute) payments that are not currently measuring and reporting improper payments must conduct risk assessments (see section 1404) of their payment processes in order to identify areas susceptible to significant improper payments, and establish controls to mitigate risks. Components must conduct random post-payment reviews of a statistically valid sample of the population to estimate improper payments for the total population. The root causes of improper payments must be identified and corrective [plans](#) developed and monitored [on a regular basis](#) to ensure future improper payments will be reduced and eliminated [and to hold senior officials accountable for implementation and oversight of these plans](#). Improper payment reduction targets must be established and reviewed annually, and are subject to approval by the Director/OMB. Components must report post-payment review results quarterly for [High Dollar Overpayments](#) (see [subparagraph 140503.B. for details](#)) and Travel Pay, and annually for all other programs to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Accounting & Finance Policy Directorate (A&FP). A&FP [compiles](#) the Department-wide results annually [as part of DoD's Agency Financial Report \(AFR\)](#).

B. [This policy applies to all current payment systems and to all new payment systems as they come on line.](#)

C. [All DoD Intelligence Community \(IC\) agencies should follow the Office of the Director of National Intelligence \(ODNI\) National Intelligence Program \(NIP\) IPERA Guidelines and reporting requirements. These transactions are excluded from the public reporting requirements.](#)

## 140102. Purpose

The purpose of this policy is to require quantification and estimation of improper payments for reporting purposes, to consolidate departmental reporting requirements, to identify and report high dollar overpayments, and to provide for further development and implementation of plans to identify, estimate, reduce and eliminate future improper payments.

## 140103. Authority

A. This chapter establishes the Department of Defense (DoD) authority for issuing policy for compliance with the [Improper Payments Elimination and Recovery Improvement Act of 2012 \(IPERIA\)](#), [31 United States Code \(USC\) 3321](#), the Improper Payments Elimination and Recovery Act (IPERA) of 2010, [31 USC 3301](#), as well as

the Improper Payments Information Act (IPIA) of 2002 (31 USC 3321), and implementing guidance from the Office of Management and Budget (OMB) Circular A-123, Appendix C, Parts I, II, and III ([M-15-02](#)).

B. The reporting requirements' authority is derived from [OMB Circular A-136](#), which is normally reissued annually.

## 1402 DEFINITIONS

### \*140201. Improper Payment

A. An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments or underpayments that are made to eligible recipients (including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for the incorrect amount, and duplicate payments). An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments authorized by law). In addition, when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an improper payment.

B. The term "payment" in this chapter means any payment or transfer of Federal funds (including a commitment for future payment, such as cash, securities, loans, loan guarantees, and insurance subsidies) to any non-Federal person, non-Federal entity, or Federal employee, that is made by a Federal agency, a Federal contractor, a Federal grantee, or a governmental or other organization administering a Federal program or activity. The term "payment" includes Federal awards subject to the Single Audit Act Amendments of 1996 that are expended by both recipients and sub-recipients.

C. All erroneous payments are improper payments. The term "erroneous payment" is afforded the same meaning as "improper payment" within [OMB Circular A-123, Appendix C](#), which uses the terms interchangeably. However, this chapter does not use the terms interchangeably.

D. This chapter does not use the term "erroneous" payment interchangeably with improper payment because not all payments that are "improper" under the [IPIA / IPERA / IPERIA](#) are "erroneous" in the context of [Title 31 United States Code 3528](#), also known as Certifying Officers Legislation (CoL). For example, a disbursing officer who makes a duplicate payment or a payment to the wrong payee has made both an "erroneous" and an improper payment. By law, such payments result in payee indebtedness to the United States Government, and thus should be recovered from the payee. As provided for in Volume 5, Chapter 6, disbursing and certifying officers potentially are financially liable for such payments if such erroneous payments are not recovered from the payee. In contrast, underpayments clearly are "improper" for [IPIA / IPERA / IPERIA](#) purposes, but such payments do not give rise to payee indebtedness or expose disbursing or certifying officers to financial liability; therefore,

such payments are not “erroneous” as that concept applies in the context of CoL, and as described in Volume 5. Similarly, inadequately documented payments are “improper” for purposes of [IPIA, as amended by IPERA and IPERIA](#) reporting but are not “erroneous.” Reports and audits should avoid substituting the term “erroneous” payment for “improper” payment when describing DoD improper payments.

\*140202. High Dollar Improper Overpayment

A high dollar overpayment can be made to an individual or to an entity. A high dollar overpayment is any overpayment that is in excess of 50 percent of the correct amount of the intended payment under the following circumstances:

A. Where the total payment to an individual exceeds \$25,000 as a single payment or in cumulative payments for the quarter; or

B. Where the payment to an entity exceeds \$100,000 as a single payment or in cumulative payments for the quarter.

\*140203. DoD Improper Payment Reporting Program

DoD reports on [nine](#) programs to encompass [most](#) payment types. [These](#) programs are Military Pay, Civilian Pay, [DoD](#) Travel Pay, Military Retirement, Military Health Benefits, [DFAS](#) Commercial Pay, U.S. Army Corps of Engineers’ (USACE) Travel Pay, USACE Commercial Pay, [and Navy Enterprise Resource Program \(ERP\) Commercial Pay](#). Additional guidance for recovering overpayments from any of these [nine](#) programs is included in Volume 10, Chapter 22, “Payment Recapture Audits.” [With the enactment of IPERIA and the issuance of revised OMB guidance, Components are now required guidance to include government charge cards, as well as all payments to Federal employees, as part of their risk assessments.](#)

140204. Entity

For this Chapter’s purposes, an entity is a non-individual that owes an outstanding (not repaid and uncollected) improper payment. The term entity excludes an individual acting in either a personal or commercial capacity (that is, as a sole proprietor), and federal, state, and local government agencies; and,

\*140205. Improper Payments Threshold

The IPERA mandates reporting programs with estimated annual improper payments that exceed both \$10 million and [1.5](#) percent of program or activity payments made during the fiscal year being reported, or any program with \$100 million ([regardless of the improper payment percentage of total program outlays](#)). In addition, OMB reserves the right to require agencies to report on programs not meeting the threshold criteria (typically, the exceptions are high visibility areas or programs with high dollar improper payments that remain below the percentage threshold). In addition, OUSD(C) requires quarterly reporting for the Travel Pay program to

facilitate Component implementation of stronger travel payment internal controls and recapture efforts.

\*140206. Statistical Sampling

A. For complete, detailed statistical sampling requirements, see Appendix C, OMB Circular A-123, dated October 20, 2014. This guidance contains comprehensive steps to follow for process, estimation plans, certification, incorporating recommendations from external audit agencies, as well as full content requirements for compliant statistical sampling and estimation plans.

B. Each plan shall be prepared by a statistician (either an agency employee or a contractor.) Statistical sampling plans must have a minimum probability confidence level of 90 percent and sampling precision of plus or minus 2.5 percentage points to qualify for use in estimation of both the annual improper payments dollar amount and the number of improper payment transactions within each program population. An alternative probability confidence level of 95 percent and sampling precision of plus or minus 3 percentage points may be used, as this variation is also approved by OMB.

C. Each sampling plan shall be signed by a senior agency official certifying that the plan will yield a statistically valid estimate in accordance with OMB guidance.

D. Each Reporting Component must maintain supporting documentation to substantiate its improper payment estimates, to ensure that its results can be replicated by auditing entities.

E. Plans will be submitted to OMB for review; but note that OMB will not be issuing a formal approval to the agency for the plan. It is the agency's responsibility to produce a statistically valid methodology. The senior official's certification will serve as evidence that the agency believes the methodology is statistically sound. OMB may raise questions to an agency about its particular methodology, and the agency is required to answer OMB's concerns adequately.

\*1403 A&FP'S ROLE/RESPONSIBILITIES AS COMPTROLLER'S EXECUTIVE AGENT

140301. Role

To facilitate compliance with OMB Circular A-123, Appendix C, the Deputy Chief Financial Officer, designated the A&FP Directorate as the Department's Executive Agency as part of the OUSD(C) oversight responsibility for the Department's Improper Payment reporting.

## 140302. Responsibilities

A. To review the Components' statistical sampling plans described in paragraph 140406 to ensure completeness, and to forward to OMB for review if substantive changes have been made.

B. To review the quarterly Travel Pay, to compile the quarterly High Dollar Improper Payment reports, and the annual AFR submissions by the reporting Components described in paragraph 1405 to ensure the reporting requirements are met.

C. To submit the quarterly High Dollar reports to OMB, the DoDIG and submit for posting to the Comptroller web site within 15 days following report completion.

D. To retain documentation submitted by the Reporting Components for the AFR, the quarterly high dollar reports, and all other reports as required.

E. To review, edit and consolidate the reporting Component level information into a summary level report for management review and for inclusion in the AFR, and to review Components' corrective action plans to ensure corrective actions are directly linked to the root causes of improper payments.

F. To prepare all Department-wide Improper Payments reports and related information for submission to OMB, publication in the AFR, and for other reporting requirements.

G. To review the quarterly milestones for corrective action plan progress via the Notice of Findings and Recommendations (NFR) or other tool that is implemented to manage this task.

H. To act as OUSD Comptroller liaison for external auditors such as the Government Accountability Office (GAO) and the DoDIG, to ensure all requested information is transmitted to the requesting auditor and/or submit responses to questions, recommendations, or other tasks.

I. To ensure that the DoD Financial Management Regulation chapters that cover improper payments and payment recapture audits are kept up to date as needed but not less often than every two years.

## 1404 REQUIREMENTS

## \*140401. Risk Assessment

A. Components are required to institute a systematic method of reviewing all programs to identify ones susceptible to significant improper payments. Significant improper payments are defined as gross annual improper payments (i.e., the total of overpayments and underpayments) in the program exceeding (1) both 1.5 percent of program outlays and \$10,000,000 of all program or activity payments during the fiscal year reported; or (2) \$100,000,000 regardless of the improper payment percentage of total program outlays. This systematic method could be a quantitative evaluation based on a statistical sample or a qualitative method (e.g., a risk assessment questionnaire).

B. Components should be mindful when reviewing programs for risk level to continuously be vigilant for instance of potential fraudulent payments or activities within the program under review. Any such instances must be reported to the DoD Inspector General (DoDIG) or the respective Military Service/Defense Agency Office of Inspector General for investigation.

C. At a minimum, Components shall take into account the following risk factors likely to contribute to improper payments, regardless of which method (quantitative or qualitative) is used:

1. Whether the program or activity is new to the Component;
2. The complexity of the program or activity, particularly with respect to the determining correct payment amounts;
3. The volume of annual payments made;
4. Whether payments or payment eligibility decisions are made outside of the Component, for example, by a state or local government, or a regional Federal office;
5. Recent major changes in program funding, authorities, practices, or procedures;
6. The level, experience, and quality of training for personnel responsible for making program eligibility determinations or for certifying that payments are accurate;
7. Inherent risks of improper payments due to the nature or Component programs or operations, such as contingency operations;
8. Significant deficiencies as noted in Component audit reports including, but not limited to, the Component Inspector General, the Government Accountability

Office (GAO), or other relevant management findings that might hinder accurate payment certification;

9. Results from prior improper payment work;

10. If potential fraudulent activity is discovered as part of the systematic review, other program review, or such activity is suspected for any reason, this information should be referred to the appropriate Office of Inspector General as soon as possible; and

11. Government charge card payments and payments to Federal employees are now to be considered as part of Component risk assessments if not already included.

D. When appropriate, Components may leverage other existing processes to help implement this systematic method. For example, if a Component chose to develop and implement an improper payment risk assessment questionnaire, the Component might consider leveraging another existing similar tool, such as an internal control questionnaire.

E. Component management internal control programs should include annual review of the payment computation processes in order to identify weaknesses in internal controls and determine where the potential for error is the greatest. For programs that have been determined to be susceptible to significant improper payments and that are already reporting an estimate-or in the process of establishing an estimate, the measurement and reporting process may replace the separate annual risk assessment. For programs that are deemed to be low risk of significant improper payments, Components must perform risk assessments at least once every three years. However, known or anticipated significant changes in processes or other risk factors may necessitate reestablishing or continuing the risk assessment process. Such activities must be reported to the OUSD(C), A&FP Directorate. Federal standards for internal control are provided in [OMB Circular A-123, Management's Responsibility for Internal Controls, Appendix A](#). Risk assessment methodology must be documented and retained.

F. Components are now required in accordance with IPERIA and OMB guidance to include government charge cards, as well as all payments to Federal employees as part of their risk assessments.

G. OMB may determine on a case-by-case basis that certain programs that do not meet the threshold requirements may still be subject to the annual AFR reporting requirement for improper payments.

**\*140402. Establish and Implement a Statistically Valid Sampling Plan**

A. Develop a sampling plan and submit to the OUSD(C), A&FP by April 30th for use in the next fiscal year. Components must consult a statistician to ensure the validity of their sample design, sample size, and measurement methodology. Sampling plan revisions must also be submitted. The sampling methodology used must contain the elements, including tables, as outlined in Appendix C, OMB Circular A-123. Component sampling plans

must be signed by its SES accountable official indicating that the plan meets OMB guidance requirements. Note that if a Component chooses to use an alternate sampling methodology, it must submit its request not later than March 31st (vice April 30th) to allow adequate time to submit to OMB for approval.

B. Components with a low volume of transactions may perform 100 percent review of all payments rather than perform random reviews. Document pre- and post-payment review process and submit to the OUSD(C), A&FP by June 30th for use in the next fiscal year.

C. Components may include their pre- and post-payment review processes in their standard operating or desk top procedures, and if included, these must be updated regularly to ensure applicability and currency.

\*140403. Review

A. Review a statistically valid sample of pay accounts, vouchers, or claims for each program applicable to the Component that meets the significant improper payment threshold amount and/or outlay percentage. Identify the root causes of improper payments and develop corrective action plans to address the root causes of error. Estimate the amount of improper payments for the total population based on the sample results.

B. IPERIA explicitly prohibits use of self-reporting by recipients of agency payments when estimating improper payments.

C. IPERIA also requires OMB to instruct agencies to give persons or entities producing improper payment estimates access to all necessary payment data, including access to relevant documentation.

D. IPERIA requires agencies to include all improper payments identified in the sample in its annual estimate regardless of whether they have been or are being recovered.

\*140404. Reporting Categories for Improper Payments.

A. Table 14-1 presents the required matrix to use when analyzing your improper payments for the root causes that led to the payment errors. The matrix contains two columns, A and B, and 13 categories (rows) based on the reason why the improper payment occurred. Each program shall distribute its total improper payment estimate (based on dollars, not number of occurrences) across the 25 cells in the matrix; please note that not every cell will apply to every program.

B. The amounts placed in the different cells must add up to the total estimates reported in the AFR. Only relevant cells should be completed and these amounts are not subject to the statistical rigor set forth in Section I.A.2., Step 2 of the OMB guidance. In cases where more than one cell might be suitable to any given improper payment category, the Component should determine which cell is most appropriate. For detailed definitions for the new categories, refer to OMB Circular A-123, Appendix C, Section C, Categories for Reporting Improper

Payments. Please note that improper payments resulting from fraud should be reported in the “Other” row, unless they are already reported through a mechanism outside of the annual improper payment process.

C. As part of its review of root causes of improper payments, or while analyzing areas for supplemental measures and targets, Components should be mindful of maintaining a focus on any possible fraudulent activity within the program. Fraudulent payments adversely impact agency outlays, and may be an area that could be better prevented through improved pre-payment reviews or additional safeguards.

## 1405 REPORTING

### \*140501. Annual Reporting

A. All reporting Components must report improper payment data annually to OUSD(C), A&FP Directorate for all programs cited in paragraph 140203. A&FP will report the results at Department-wide level in the DoD AFR. In order to meet the AFR reporting schedule, fiscal year-end reporting is accelerated. Component draft annual reports (both written and data portions) must be submitted by the 10th business day in October. Component final reports are due not later than close of business on the final business day of October each year.

B. Annual submissions will be based on disbursements in the fiscal year reported. To facilitate the accelerated reporting schedule for the AFR, fourth quarter data may be estimated based on performance in the first, second, and third quarters. Alternatively, the fourth quarter data from the prior year may be substituted, resulting in a one-quarter lag for annual reporting. Either estimation must be disclosed in the narrative section of the submission. The reporting period cannot extend beyond the previous fiscal year. All annual reporting must encompass 4 quarters or 12-months’ reporting. Any reporting that is not for a full year must be approved by the Deputy Chief Financial Officer (DCFO) a minimum of 180 days before fiscal year end.

C. For consistency, Components must use the same time period for subsequent reporting years, unless a different time period is proposed by the Component, and approved by the DCFO and subsequently, by OMB.

D. The required format is described in OMB Circular A-136, Section II.5.8 IPIA/IPERA/IPERIA Reporting Details, which OMB updates annually. Components’ submissions must follow the exact format prescribed in this Circular.

E. Changes in points of contacts for all reporting Components must be reported to the, OUSD(C) within 10 days of occurrence.

### \*140502. Annual Reduction Targets

A. All DoD Reporting Components are required to submit out-year reduction targets as part of their annual AFR submission. Refer to Table 1 in OMB Circular A-126, Section II.5.8, to review how and where the out-year targets are shown in the AFR.

B. Improper payment reduction targets for the out-years are due annually in the Reporting Component's AFR Improper Payment reporting submission.

1. Provide the outlays, percentages, and dollars; for prior year (PY), current year (CY), and three out-years (CY +1, CY + 2, and CY + 3) by program. Provide actual data for prior year; estimate data for the remainder of the current year which will be incomplete at the time reduction targets are required; and estimate data for the out-years.

2. The out-years total payment estimates must match the outlay estimates in the most recent President's Budget. These reduction targets must be approved by OMB. The required format is described in OMB Circular A-136, Section II, Other Accompanying Information, IPIA/IPERA/IPERIA Reporting Details.

C. DoD Intelligence Community Components will follow the ODNI Fiscal Year Financial Reporting Guidance for Do Not Pay reporting requirements.

140503. Quarterly Reporting

A. Travel Pay

1. In addition to the annual report, all Components that compute travel pay entitlements are required to review and report improper payment data quarterly. The report is cumulative and sorted by quarter. The required data and reporting format for Travel Pay is the same as the annual reporting format. Therefore, the fourth quarter travel report will satisfy the annual requirement.

2. First, second, and third quarter Travel Pay reports are due on the 15th business day after the end of each quarter, unless otherwise notified by A&FP. The fourth quarter travel report must be submitted by the 10th business day in October, unless otherwise notified to meet the AFR reporting schedule.

3. The Defense Finance and Accounting Service (DFAS) is responsible for review and reporting improper payment data for entitlements computed by DTS and the Integrated Automated Travel System for Windows (WinIATS) for the Department of the Army. Other DoD Components are required to review and report all improper payment data for travel pay entitlements computed outside of DTS and Army WinIATS, regardless of whether DFAS is the disbursing entity.

B. High Dollar Overpayments to Individuals and Entities

1. All Components that process payments must identify high dollar overpayments to individuals and entities on a quarterly basis, and report them using the same process as used for annual AFR reporting as described in subparagraph 140501.A. The definition of a high dollar overpayment is contained in paragraph 140202.

2. The various methods that may be used for identifying high dollar overpayments are described in detail in OMB Circular A-123, Appendix C, Part III, [include, but are not limited to:](#)

- a. Statistical samples conducted under IPIA/IPERA/IPERIA;
- b. Component post-payment reviews;
- c. Payment recapture (recovery) audits;
- d. Component IG reviews;
- e. Self-reporting;
- f. Reports from the public through internet or telephone hotlines; [and](#)
- g. Reports from any other source, such as completed investigations, audits, or management reports.

3. When reporting high dollar overpayments, Components are to include:

- a. Name of entity, [if applicable](#);
- b. City and state of record, or foreign country;
- c. Dollar amount of overpayment;
- d. Amount recaptured as of the date of the report; and
- e. Reason for the overpayment and corrective action taken.

4. Components must fully disclose the depth and breadth of their reviews, including areas that were not reviewed. For these latter areas, justification must be included as to why they were not included in the quarterly review.

**\*140504. Do Not Pay (DNP) File Matching Requirement**

A. [In accordance with Public Law 112-248, the Improper Payment Elimination and Recovery Improvement Act of 2012 \(IPERIA\), all disbursing Components are required to transmit payment files for matching to the DNP portal, or to review them in a prepayment status.](#)

B. Transaction matches, or “hits,” that are identified by the disbursing component or to the disbursing Component from the DNP portal, are to be researched timely (not less than weekly) to preclude disbursement, if appropriate.

C. In many cases, commercial payments are not precluded from disbursement as goods have been received or services performed. However, this may not be the case when a “hit” is received based on a file match with the Office of Financial Asset Control. In any event, the information received from the DNP Portal is to be provided to the appropriate office (disbursement or contracting) to inform both current and future decision-making in these cases.

D. Not all hits are conclusive; therefore, if the Component continues to receive probable or potential hits that are not improper payments, the Component must request the DNP Relationship Manager to “white board” these payments to preclude having to re-review for no reason. At that point, only conclusive hits should be reviewed, and, only Components utilizing Treasury’s Payment Application Modernization (PAM) file format are required to review non-conclusive file matches on a continuing basis.

E. Components must report their DNP data as shown in Table 6, in Section II.5.8, OMB Circular A-136, (included herein as Table 14-1) as part of the AFR.

\*Table 14-1 Matrix of Improper Payment Categories (\$ in millions)

Reason for Improper Payment	A Overpayments	B Underpayments	
Program Design or Structural Issue			1
Inability to Authenticate Eligibility			2
Failure to verify: Death Data			3
Financial Data			4
Excluded Party Data			5
Prisoner Data			6
Other Eligibility Data (Must explain if Other)			7
Administrative or Process Error Made by:			
Federal Agency			8
State or Local Agency			9
Other Party			10
(Must explain if Other)			
Medical Necessity			11
Insufficient Documentation to Determine		Not Applicable	12
Other Reason (must explain)			13

Columns A and B include two categories based on the type of improper payment, and rows 1 through 13 include the categories based on the reason why the improper payment was made. The matrix has a total of 25 cells (i.e., coordinates AI through B13, where B12 is not to be used, as indicated by the 'X' in cell 25, B12 in the matrix). Each program shall distribute its total improper payment estimate (which is based on dollars, as opposed to number of occurrences) across the 25 cells in the matrix-with the understanding, of course, that not every cell will apply to every program. Please see OMB Circular A-123 Appendix C Part 1.C.1, page 26, for more detailed information related to completing the matrix.