

Balancing Privacy with Efforts to Reduce Fraud and Waste

Posted At : February 25, 2014 8:36 AM | Posted By : Angie Petty

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A key element to being able to identify waste and fraud is data analysis: the ability to match disparate data sources to spot anomalies or trends. However, many federal data sets contain data protected by privacy legislation. Agencies must balance citizen and corporate privacy with efforts to root out waste, fraud and abuse.

According to OMB, improper payment rates continue to decline, dropping from 5.42% in FY2009 to 3.53% in FY2013. Improper payments occur when funds go to the wrong recipient, payment is made in the wrong amount, documentation is not available to support a payment, or the recipient uses funds in an improper manner. Although OMB hasn't published the total amount of improper payments to date, using total program spending figures from prior years would position FY2013 improper payments around \$100 billion.

In January, GAO released a report on the Computer Matching Act which governs privacy when agencies share data sets to ID waste and fraud. GAO concluded that agencies have taken a number of steps to implement the elements of the act, but implementation across the seven agencies studied has not been consistent and a number of agencies stated that the act's rigorous requirements and short time frames discouraged them from pursuing computer matching agreements (CMAs) with other agencies. GAO recommended that OMB revise its guidance and that selected agencies develop and implement policies and procedures for cost-benefit analyses and establish annual reviews and reporting.

OMB is responsible for developing guidelines for execution of the Computer Matching Act, while agencies are responsible for implementation to include:

- Developing CMAs and notifying OMB, Congress and the public
- Conducting cost benefit analysis for proposed matching programs
- Establishing data integrity boards to oversee matching programs

All the agencies that GAO reviewed had established at least one CMA, but differed in their understanding of whether CMAs were required for data queries. SSA had established the most CMAs with a total of 34. Agencies generally conducted cost benefit analyses, but did not use key elements to determine value of computer matching programs. OMB has not yet release guidance for development of cost benefit analyses. Finally, although agency data integrity boards have been established, reporting varies widely.

OMB needs to offer further guidance to agencies to foster more consistent implementation of the Computer Matching Act. Judging from the number of CMAs currently in place for the seven agencies GAO reviewed, there is potential for future CMAs among agencies. Additional implementation of CMAs and the Computer Matching Act could further assist in decreasing the federal government's \$100 billion in annual improper payments. The market to reduce waste and fraud remains ripe for contractor support in areas such as data authentication, analytics, predictive modeling, forensic accounting, and fraud case management.