

Fighting improper payments with AI



Federal agencies that administer grants, subsidies and other benefits programs face considerable challenges in preventing improper payments, a subset of fraud, waste and abuse, which costs taxpayers billions of dollars annually.

This is a particularly challenging problem in large programs with hundreds of thousands or millions of sub-recipients. Downsizing at agencies, while achieving efficiencies, may exacerbate the problem through understaffing.

Modernizing enterprise systems, which many agencies have been working toward for years, is a good starting point to address this problem. However, field operations leaders must guide the requirements for modernization to ease the adoption of modern enterprise systems with updated business processes.

Regulatory reform is another key pathway to eliminate financial and reputational risk. As agencies tighten and streamline the rules governing their benefits programs, they reduce the likelihood of improper payments going undetected or being made in the first place.



Introduction

The Payment Integrity Information Act of 2019 (PIIA) governs payments from many federal agency programs, including requirements to assess and report the scope of their improper payments. Improper payments are any payments incorrectly calculated or not supported by adequate evidence, or payments made to ineligible recipients. Making payments correctly requires gathering information about the programs and recipients and applying the correct criteria and calculations to ensure the payments are (1) going to eligible recipients and (2) in the correct amount.

We believe that most agencies need a **scalable solution** that addresses regulatory risk from improper payments. This solution must provide four major features: (1) smart mechanisms to **collect** evidence; (2) methodical organization and labeling of evidence for analysis; (3) intelligent evidence **analysis** to detect improper payments; and (4) tailored **dashboards** that enable remediation.

The AI factor: Building a scalable long-term solution to improper payments

Architecting an AI-powered improper payments mitigation solution could take on many forms, depending on the agency's programs, organizational structure and available expertise. As an example, consider this blueprint for a comprehensive improper payments solution, leveraging a Fraud, Waste and Abuse Prevention platform CGI developed with TrackLight Inc., tailored to the needs of an agency:

- 1 Implement a public-facing reporting system that implements smart mechanisms based on high-end customer experience (CX) technology coupled with intelligent automation to collect evidence and methodically organize and label the evidence for AI-based analysis. The organizations that manage the funds at the point of distribution, such as public housing authorities (PHAs), research institutions or local benefits program offices, would use the system to provide evidence that certify their payment requests.
- 2 Integrate the reporting system with the agency's payment management systems so that the evidence is immediately available for the automated systems to utilize in making eligibility determinations or disbursing payments.
- 3 Institute a process whereby the reporting system stores payment evidence securely and organizes it for further analysis. CGI's Fraud Waste Abuse Platform performs AI-powered evidence analysis to detect improper payments. The platform accurately recalculates benefits, grants or subsidies based on the most current evidence.
- 4 Establish a data and analytics platform leveraging tailored dashboards that enable remediation of improper payments. The agency continuously tracks these outcomes using this analytics platform which assists them in making program-level decisions for mission improvement.

Reducing improper payments in subsidized housing

Subsidized housing programs are prone to improper payments, but the U.S. Department of Housing and Urban Development (HUD) is taking steps to remedy that. State and local housing authorities should begin planning now, if they have not already, to prepare for increased accountability for the payments they claim from HUD, which in turn necessitate significant



PHAs have access to detailed information about individuals living in units and family income but historically they are not required to provide evidence from tenants when seeking reimbursement from HUD. Therefore, it is impossible for HUD to identify improper payments before they are made, and very difficult to do so with any certainty after the fact. HUD's largest rental assistance programs.



Tenant-Based Rental Assistance (TBRA) and Project-Based Rental Assistance (PBRA), represent \$45.3 billion, or 67.5% of its expenditure. To comply with the Payment Integrity Information Act of 2019 (PIIA), and remediate improper payments, HUD is evaluating new tools and processes that will require PHAs to submit evidence about their clients' family composition, income, and assets.

In the future, HUD will require PHAs to provide this information and may decline or recapture payments that lack the necessary evidence. With available evidence, HUD can determine if the subsidy requested for each sub-recipient is accurate, thus identifying and remediating improper payments to assure payment integrity.

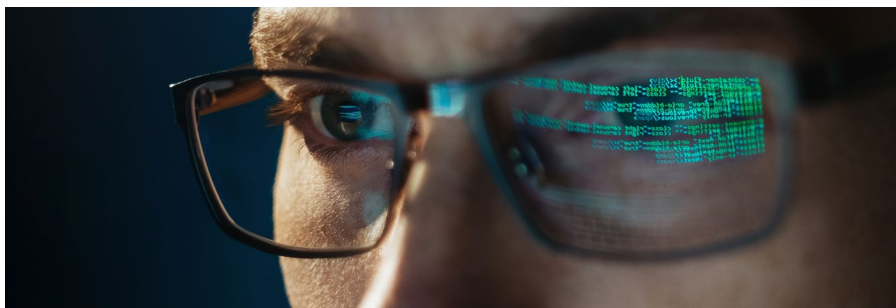
A thorough review of a single tenant file by staff who are experts in HUD rules and subsidy calculations can take up to an hour. Moreover, given annual recertification requirements, PHAs are required to recalculate subsidies at least once a year if not more frequently depending on family composition or income changes reported by tenant families. Utilizing the latest AI technologies, thousands of tenant files can be reviewed quickly with little staff intervention. The AI, drawing on the evidence included in the tenant file, can calculate the correct subsidy amounts and highlight gaps in the tenant file if there are discrepancies or missing evidence. PHAs are closer to tenants and can close gaps in subsidy calculations.

PHAs can utilize such technological advances as envisioned by HUD in collaboration with industry partners like CGI to assure payment integrity. PHAs can not only achieve high returns on investment for operational efficiency but also assure payment integrity that HUD may soon require.

Workforce shortfalls

There is a severe shortage of federal staff with AI expertise. An AI-ready workforce is essential if the federal government and PHAs are to utilize AI effectively. For decades, the federal workforce has experienced mission-critical gaps in skills and expertise in science, technology, engineering, and mathematics. Given AI's emerging nature and potential to amplify both good and bad outcomes, personnel with the appropriate skill sets are essential.

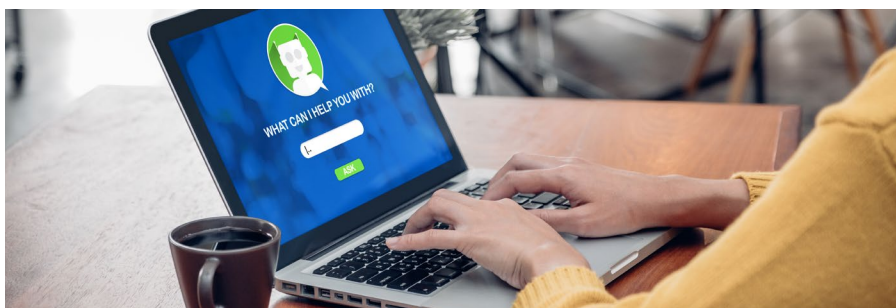
The Government Accountability Office (GAO) found that the government may be hampered by its lengthy hiring process and relatively low compensation compared to private sector opportunities. While these problems are not new, they take on a new urgency as AI becomes more capable, and thus more attractive, in combating fraud, waste and abuse. This is where private sector partners can help fill the gaps. AI and digital transformation experts like CGI provide strategic IT systems delivery expertise that federal agencies and PHAs may lack internally. CGI bolsters its technological prowess with a collaborative business-focused approach to envision solutions that assure a high return on investment for clients.



Conclusion

Federal agencies often face significant challenges in managing subsidy, benefits, and grants programs, resulting in improper payments that carry both financial and reputational risks. This viewpoint paper has outlined the pressing need for a comprehensive overhaul of current systems and processes, emphasizing the capabilities of AI-driven evidence collection and analytics to enhance payment integrity.

By adopting CGI's robust and proven modernization approach and solution, federal agencies and PHAs can not only achieve more accurate improper payment estimations but also set a clear path toward regulatory compliance and operational modernization. Ultimately, embracing these innovative approaches will help eliminate fraud, waste, and abuse, ensuring that taxpayer dollars are effectively safeguarded while driving long-term improvements in efficiency and accountability.



About CGI Federal

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