



Comments

of

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in response to

Notice 2026-10817: Regulation for Federal Financial Assistance

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Improper payments are a significant challenge in federal programs. According to the Government Accountability Office, 15 federal agencies reported \$186 billion in improper payments across 64 programs in fiscal year (FY) 2025, with roughly \$152 billion (82 percent of the total) being lost to overpayments.¹ Rather than identifying and preventing improper payments before they are issued, many agencies default to an expensive and inefficient “pay and chase” approach, attempting to recover them afterward. Of the \$152 billion lost to overpayments in FY 2025, only 16 percent was successfully recouped.²

The Treasury’s Do Not Pay (DNP) system is designed to address this problem by providing agencies that administer federal programs with access to federal data sources to verify applicant eligibility before payments are issued. DNP has a proven track record of success, helping agencies prevent, detect, and recover \$11.7 billion in potential improper payments in FY 2025 alone.³ When DNP gained access to the Social Security Administration’s Death Master File to screen for payments to deceased individuals, it prevented or recovered \$113.5 million in improper payments at a cost of just \$4.6 million.⁴

The proposed rule by the Office of Management and Budget (OMB) would strengthen the integrity of federal programs by improving verification standards, reinforcing federal oversight, and expanding federal and state agencies’ access to a tool that has demonstrably proven to identify, prevent, and recover improper payments.

Comments on § 200.303(g)

States administer more than \$1 trillion in federal taxpayer funds each year, including programs at significant risk of improper payments, such as Medicaid and the Supplemental Nutrition Assistance Program (SNAP).⁵ However, many states lack access to DNP, instead relying on outdated, fragmented eligibility verification systems with significant data gaps.⁶ Expanding DNP’s access to states and requiring them to screen for improper payments before disbursing federal funds would improve accountability in state-run, federally funded programs.

Comments on § 200.305(a)

¹ [“Payment Integrity: Agencies’ Estimated Improper Payments Increased to \\$186 Billion in Fiscal Year 2025,”](#) Government Accountability Office, GAO-26-108694, April 27, 2026.

² Garrett Hatch, [“Improper Payments: Ongoing Challenges and Recent Legislative Proposals,”](#) Congressional Research Service, CRS R48296, June 2, 2026.

³ [“Do Not Pay: Trusted Data to Safeguard Taxpayer Dollars,”](#) Bureau of Fiscal Service.

⁴ [“Social Security Death Data: Do Not Pay System Has Yielded Financial Benefits, but SSA Should Better Evaluate States’ Cost to Obtain Data,”](#) Government Accountability Office, GAO-26-107181, February 12, 2026.

⁵ Adam Levin, [“Federal Grants to State and Local Governments: Trends and Issues,”](#) Congressional Research Service, CRS R40638, June 26, 2025; [“Payment Integrity: Agencies’ Estimated Improper Payments Increased to \\$186 Billion in Fiscal Year 2025,”](#) Government Accountability Office, GAO-26-108694, April 27, 2026.

⁶ [“Markup Wrap Up: Oversight Committee Passes Sweeping Legislation to Stop Fraud in Federal Programs,”](#) Committee on Oversight and Government Reform, April 29, 2026.

Despite DNP's proven success, the tool is only fully utilized by 4 percent of eligible federal programs. Moreover, the Congressional Research Service found that 73 percent of data-access-related overpayments between FY 2021 and FY 2024, roughly \$556.6 billion, were disbursed because federal agencies failed to use data they already had.⁷ Requiring federal agencies to screen payments through DNP before disbursing federal funds would help address a significant and preventable driver of improper payments in federal programs and reinforce the standards Congress established in the Payment Integrity Information Act of 2019 (which requires federal agencies to identify, estimate, and reduce improper payments in federal programs susceptible to payment errors).

Recommendations

§ 200.303(g) permits states to use “an alternative payment screening process that provides protection against improper payments” instead of DNP. As written, this language is vague enough to permit states to satisfy the requirement with legacy systems that fall short of DNP's capabilities. OMB should take two additional steps to strengthen this rule:

- First, OMB should clarify that any such alternative must, at a minimum, match against the same core data sources available through DNP, including the Social Security Administration's Death Master File to ensure the applicant isn't deceased, the Credit Alert System to track if an applicant has unpaid debt, and the Account Verification Service to verify the applicant's identity and bank account information.
- Second, OMB should provide a more precise definition of “provides protection against improper payments,” with specific, measurable criteria that can be reviewed by the Treasury, which would approve any alternative screening process states choose to implement before they may use it to satisfy the requirement.

Conclusion

The federal government has an obligation to ensure that the taxpayer dollars funding its programs reach only those eligible to receive them, and that the agencies administering those programs operate with transparency and accountability. By expanding the Do Not Pay system, the proposed rule advances this obligation.

⁷ Natalie Ortiz, “[Centralizing Access to Data to Prevent Improper Payments: A Discussion of the Do Not Pay Data System](#),” Congressional Research Service, CRS R48850, February 9, 2026.